

**ABOUT THE CONCORD COALITION**

The Concord Coalition is co-chaired by former U.S. Senators Warren B. Rudman (R-NH) and Bob Kerrey (D-NE). Former Secretary of Commerce Peter G. Peterson serves as President. The Concord Coalition was founded in 1992 by Rudman, Peterson and the late Senator Paul E. Tsongas (D-MA).

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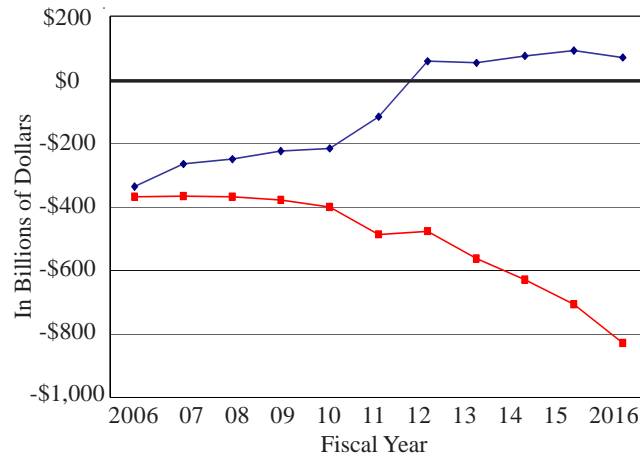
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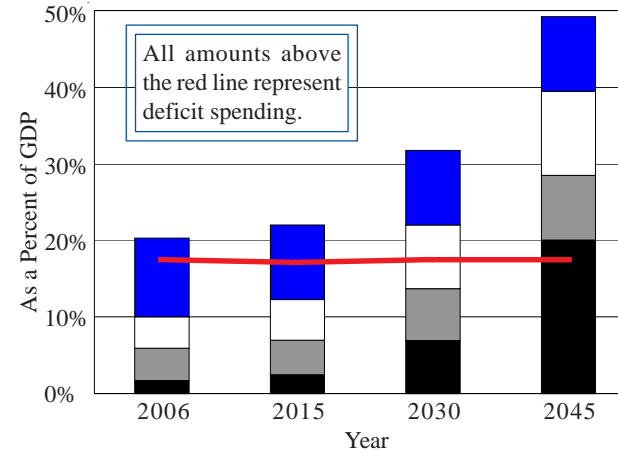
**Current Policy Trends Lead to Large Sustained Deficits**



- ◆ CBO March 2006 Baseline
- Concord Plausible Baseline assumes: appropriations grow with the economy; continued operations in Iraq and Afghanistan are gradually scaled back to a third of the current level; and all expiring tax provisions are extended.

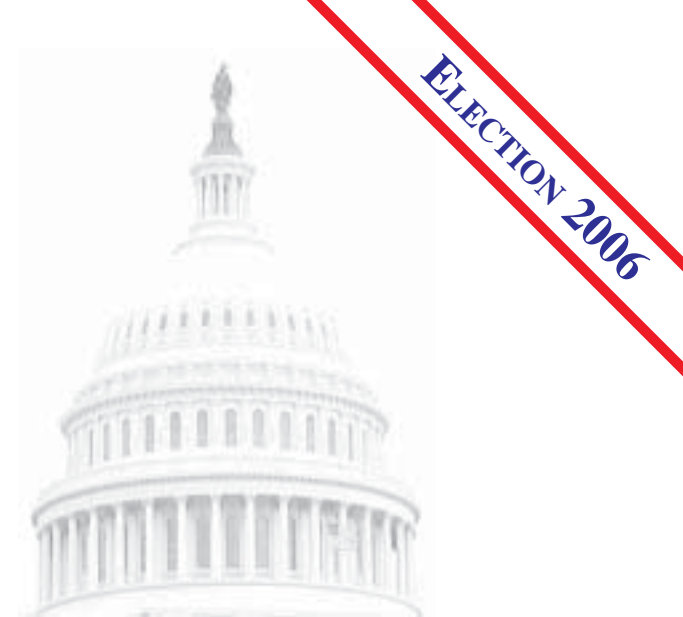
Source: Congressional Budget Office, March 2006 and Concord Coalition analysis.

**Current Fiscal Policy is on an Unsustainable Path**



- Net Interest
  - Social Security
  - Medicare & Medicaid
  - All Other Spending
  - Revenue
- The simulation assumes that discretionary spending grows with the economy after 2006 and that all expiring tax provisions are extended. After 2016, revenue is held constant as a share of GDP, at roughly this year's level.

Source: Government Accountability Office, May 2006.



**Key Questions**

**VOTERS SHOULD ASK CANDIDATES ABOUT THE BUDGET AND OUR NATION'S FISCAL FUTURE**



**THE CONCORD COALITION**

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**FOR AN EXPANDED VERSION OF THE KEY QUESTIONS VISIT:  
[www.concordcoalition.org](http://www.concordcoalition.org)**

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**What the Experts are Saying About Our Nation's Fiscal Future:**

**Former Federal Reserve Board Chairman Alan Greenspan** recently observed that, "our budget position will substantially worsen in the coming years unless major deficit-reducing actions are taken." He added, "The fundamental issue is the need to make difficult choices among budget priorities, and this is becoming ever more pressing in light of the unprecedented number of individuals approaching retirement age."

**U. S. Comptroller General David M. Walker** has stated that, "absent significant changes on the spending and/or revenue sides of the budget ... long term deficits will encumber a growing share of federal resources and test the capacity of current and future generations to afford both today's and tomorrow's commitments. Continuing on this unsustainable path will gradually erode, if not suddenly damage, our economy, our standard of living and ultimately our national security."

In a December 2005 report, the **Congressional Budget Office** found that, "attaining fiscal stability in the coming decades will probably require substantial reductions in the projected growth of spending and perhaps also a sizeable increase in taxes as a share of the economy." CBO added that, "economic growth alone is unlikely to bring the nation's long-term fiscal position into balance. Moreover, issuing ever-larger amounts of debt or dramatically raising tax rates could significantly reduce economic growth."

## Key Questions

### Voters Should Ask Candidates About the Budget and Our Nation's Fiscal Future

The Concord Coalition is a nonpartisan grassroots organization advocating fiscal responsibility. We believe that America should prepare now for the enormous fiscal challenges our nation will face when the huge baby boom generation leaves the workforce and begins to collect Social Security in 2008 and qualify for Medicare in 2011.

Under reasonable assumptions, budget deficits could easily exceed \$5 trillion over the next 10 years. The long-term outlook is even worse. That is why analysts of diverse ideological perspectives warn that current fiscal policy is unsustainable and that the best time to change course is now. Because the only realistic options are politically difficult, the active involvement of the American people is critical to finding solutions.

The following questions provide a framework for ensuring that candidates address some of the toughest choices they will face about the federal budget and our fiscal future if elected. Background information is given to provide context and to help with follow-up questions, which should be asked when you have not been given a complete answer.

#### *Do you believe that large sustained budget deficits pose a threat to our nation's economic future?*

The accumulation of large deficits, year after year, burdens taxpayers and undermines future living standards. The borrowing necessary to finance deficits takes money out of capital markets, leaving less money for the public and private

investment necessary for our economic future. Increased reliance on foreign capital to finance our deficits means that the decisions of foreign interests have a greater impact on our economy and give foreign investors a larger claim on our future economic resources.

#### *Do you believe that Congress and the President should agree on a plan to balance the budget?*

We are back to facing endless deficits that will not go away without specific actions by Congress and the President. The goal of cutting the deficit in half by 2009 is inadequate relative to the fiscal challenges we face. Policymakers should agree on the common goal of a balanced budget, put everything on the table—including entitlement cuts and tax increases—and negotiate the necessary tradeoffs.

#### *Do you support reinstatement of caps on annual appropriations and pay-as-you-go rules for taxes and entitlement spending?*

Pay-as-you-go rules for all tax and entitlement legislation and spending caps for appropriations are proven tools for fiscal discipline. These budget enforcement rules were an important part of getting a handle on the deficits in the 1990's. Unfortunately, Congress allowed these rules to expire in 2002 even as deficits reemerged. Pay-as-you-go rules do not prevent Congress from passing tax cuts or new entitlements. They simply require that any such legislation must not add to the deficit.

#### *What specific spending cuts would you propose to help balance the budget?*

Politicians often talk tough on spending without mentioning what programs they would cut. This is

a convenient way to avoid making hard choices. Vague calls to crack down on “pork” or “waste, fraud and abuse” are not enough to get the job done.

#### *Tax cuts passed since 2001 are set to expire by 2011. Do you support extension of the expiring tax cuts and, if so, how would you address the budgetary implications?*

Since 2001, Congress has enacted four tax cut packages with “sunsets” that cause them to expire by 2011. In light of the deteriorated fiscal outlook and the fact that we have not taken action to prepare for the costs of the baby boomers' retirement, it makes sense to reassess whether any or all of the tax cuts enacted during the surplus era should be extended. Economists generally acknowledge that tax cuts do not fully pay for themselves through greater economic growth. Thus, extending the tax cuts will require Congress to make substantial spending cuts, raise other taxes or significantly increase the national debt.

#### *Do you support the hard choices and tradeoffs inherent in fiscally responsible tax reform?*

Citizens should be skeptical of politically popular tax reforms that don't make tradeoffs to offset the revenue loss that can result. While failure to enact fundamental tax reform represents a lost opportunity to improve the fairness and efficiency of the tax code, reform that does not embrace the hard choices of closing loopholes and eliminating deductions is much worse from a fiscal perspective.

#### *What steps would you take to close Social Security's long-term funding gap?*

Social Security promises far more in future benefits than it can deliver under current law. Candidates

must confront some tough issues. Finding a cure for the challenges facing Social Security will require reduced benefits, increased revenues, or both. Real solutions must reduce the long-term cost of the program and contribute to a larger economy to make the program more affordable. “Free Lunch” solutions do neither.

#### *What is your opinion of including individual accounts in Social Security reform?*

Individual accounts can be an important component of a comprehensive reform plan, but the money to fund them must come from somewhere. If they are financed solely by issuing additional debt, no new net savings for the economy will result. Individual accounts alone will not close the long-term funding gap. Tough choices are required whether or not individual accounts are included in a reform plan.

#### *Medicare is in worse shape than Social Security. How do you propose to make Medicare affordable?*

Medicare costs are growing faster than the payroll taxes and premiums that finance the program. Costs also are projected to grow faster than the overall economy, and faster than can be reasonably supported by the federal budget unless spending priorities change dramatically. The addition of Medicare's prescription drug benefit merely compounds the program's shaky financial foundation. Putting the Medicare program on a financially sustainable path will require some combination of reductions in services, increased cost-sharing by beneficiaries, increasing the eligibility age, bringing more revenues into the system and improving the cost effectiveness of Medicare and the health care system overall.