THE CONCORD COALITION

A FISCAL WAKE-UP CALL

Overview of the Budget Outlook

It is often said that our political system only responds to a crisis. If that turns out to be true, our children and grandchildren are in big trouble.

An unprecedented demographic transformation is taking hold against the backdrop of steadily rising health care costs and steadily falling national savings. This is a dangerous combination for the future health of the economy. It may seem that there is no immediate crisis, yet according to a broad bipartisan consensus current fiscal policy is on an unsustainable path.

The baby boomers' imminent retirement is ushering in a permanent shift to an older population — and a permanent rise in the cost of programs such as Social Security, Medicare and Medicaid, which already comprise 42 percent of the federal budget. There is no plan to pay for it all other than running up the national debt.

No one can say when a crisis will hit, but by the time it does the economy will likely be burdened with a debilitating amount of debt; leaving painful benefit cuts and steep tax increases as the only options. Doing nothing to avoid such an outcome would be an act of fiscal and generational irresponsibility.

The basic facts are a matter of arithmetic, not ideology. Two factors stand out: demographics and health care costs.

Over the next 30 years, the number of Americans aged 65 and up is expected to grow from 13 percent of the population to 20 percent. The working age population will grow by only 14 percent over this time, shrinking from 60 percent of the population to 55 percent. As a result, the ratio of workers paying into Social Security and Medicare relative to the number of beneficiaries will fall by roughly one-third.[1]

This portends an era of extraordinary demands on the economy and the nation's workforce, which will be called upon to transfer a large and rising share of resources from workers to retirees. At the same time, one of the major engines of economic growth — an expanding workforce — will slow substantially due to the large exodus of older workers from the labor force and lower birth rates following the baby boom.

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[1] The two programs have slightly different worker to beneficiary ratios. For Social Security, the ratio will fall from 3.3 to 2.2 by 2030. For Medicare, it will fall from 3.9 to 2.4

Even without a fiscal crisis, future standards of living are at risk. As Federal Reserve Board Chairman Ben Bernanke has observed, "the aging of the population is likely to lead to lower average living standards than those that would have been experienced without this demographic change."[2]

Demographic change, however, is only part of the problem. Health care costs have consistently outpaced economic growth since 1960. If this phenomenon persists, it will greatly compound the growing fiscal problems attributable to the rising number of aged.

Assuming that the growth rate of health care costs does not slow, Medicare and Medicaid will grow by nearly four times as a share of the economy (GDP) by 2050. They will absorb as much of our nation's economy by the late 2050's, as the entire federal budget does today. Most of that increase would come from the rising cost of health care rather than demographics alone.

All of this has ominous implications for the size of government relative to the size of the economy — a more meaningful measure of federal activities than looking at dollar figures alone. By the time today's 20-year olds reach retirement age, the overall cost of government as a share of the economy is on track to reach levels not seen since World War II — the big difference being that instead of spending the money on a life and death struggle against totalitarian aggression we would be spending it on an ever-rising stream of benefit payments.

Today, federal government spending absorbs 20 percent of the economy.[3] At the high end of what the nonpartisan Congressional Budget Office (CBO) sees as a possible range, federal spending could rise to 42 percent of GDP in 2050. In contrast, federal spending never went above 44 percent of GDP throughout World War II.

While it may be unrealistic to assume that nearly half the nation's economic output could be consumed by government programs, even if the cost of government rose to 30 percent of GDP, the share of the economy consumed by government spending would be 50 percent greater than it is today.

This raises some obvious questions:

- Are all these future benefit promises affordable?
- Who's going to pay the bill, and how?
- What resources will be left for other priorities?
- What steps could we take now to change course?

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[2] Remarks before The Washington Economic Club, Washington, D.C. October 4, 2006.

[3] The average over the past 40 years is 20.6 percent of GDP. The post-WWII high was 23.5 percent in 1983.

Borrowing our way through the problem is not a viable option because the rising cost of Social Security, Medicare and Medicaid is not a temporary blip. It gets bigger with time. Incurring permanently rising debt would result in staggering interest costs and ultimately a total debt burden that would crush the economy.

Consider the diverging trend lines of spending and revenues. Federal tax receipts have averaged 18.2 percent of GDP over the past 40 years.[4] If retirement and health care programs are allowed to grow on autopilot, pushing total federal spending to 30 percent of GDP or higher, and Americans' reluctance to pay taxes above 20 percent of GDP holds true, the resulting deficits will rapidly escalate to dangerous levels. A deficit equaling 10 percent of GDP in today's terms is the equivalent of $1.4 trillion. That amount is roughly half of today's federal government spending and more than eight times the size of the 2007 deficit (1.2 percent of GDP). It would be impossible to carry that level of new debt, year after year, without stifling the economy.

Many economists recommend increasing our low level of national savings to better fund productive investments that will help grow a larger economy in the future. A larger economy would make the looming fiscal burden more affordable. Unfortunately, Americans' personal savings rate as a percentage of disposable income has steadily declined from over 7 percent in the early 1990's to essentially zero today. Net national saving (private and public) has plummeted from 8.5 percent of our gross national income 25 years ago to less than 2 percent in 2007.

The savings gap can, and has, been filled with capital from abroad. The portion of the government's privately held debt owned by foreign investors has risen dramatically since 2001 -- from 37 percent to 54 percent.[5] This, however, acts as a growing mortgage on future national income. No nation can prosper without investing, nor can it invest for long without saving, nor can it save for long without a responsible fiscal policy.

To be sure, many variables contribute to a rising living standard. But clearly, capital formation is a necessary condition. Moreover, it is the one condition a society can directly control. We cannot legislate technological breakthroughs -- or even a higher private savings rate. But we can legislate a responsible fiscal policy to end the drain on national savings caused by budget deficits.

However, even if national savings increase and the future economy is enhanced, no plausible level of economic growth would be enough to avoid hard policy choices. The Government Accountability Office (GAO) has estimated that it would require real (inflation-adjusted) average annual economic growth in the double-digit range every year for the next 75 years to close the gap through growth alone. Given that real economic

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[4] Revenues reached a post-WWII high of 20.9 percent of GDP in 2000, but as a result of tax reductions and economic factors fell below 17 percent in 2003 and 2004 before rising back to 18.8 percent in 2007.

[5] Measured from June 30, 2001 through December 31, 2006. Table OFS-2 U.S. Treasury, Monthly Treasury Bulletin, March 2007.

growth has averaged about 3 percent annually over the past 30 years, any idea of growing our way out of the problem is more of a fantasy than a plan.

Nor is it any more realistic to assume that the problem can be fixed by trimming everyone's favorite target — waste fraud and abuse. Without doubt, these things exist throughout the federal budget and every effort should be made to eliminate them. Unfortunately, doing so is much easier said than done. There is no line-item in the budget labeled "waste, fraud and abuse." Defining it is often a matter of subjective judgment. What may seem like waste to some — from farm subsidies to transportation projects to community development programs — can seem like vital government services to those who directly benefit from them.

Stories about "bridges to nowhere" and other such earmarked spending justifiably diminishes public confidence in Congress' willingness to exercise fiscal discipline, but even if all such earmarks were eliminated, and the money not simply reprogrammed to be spent elsewhere, it would only save one to two percent of all federal spending.[6]

The real choices require scaling back future health care and retirement benefit promises, raising revenues to pay for them, or — most likely — some combination of both.

If we are to face these choices honestly, the magnitude of the gap must be clearly understood. It goes far beyond what minor tweaks can cure. Raising revenues to cover projected spending would require an increase over today's level from between one-third to one-half by 2030 depending on the growth of health care costs.

On the other hand, if we try to keep revenues at today's level and pay for the increase in Social Security, Medicare and Medicaid by reducing spending on other programs, it would require a cut of between one-half to four-fifths by 2030, again depending on the path of health care spending. With a fiscal "reality gap" of this size, it seems highly unlikely that it can be filled entirely with spending cuts or entirely with revenue increases.[7]

Another way to look at the size of the problem is to total up the government's explicit liabilities, such as the national debt, and its implicit obligations, such as future Social Security and Medicare benefits. According to the GAO, all such "fiscal exposures" have a present value of $53 trillion — almost as much as today's net worth of all household assets and far more than the formal national debt, which is now over $9 trillion.

Beyond fiscal imbalance, the policies embedded in today's budget threaten to place ever-tighter constraints on the ability of future generations to determine their own fiscal

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[6] Although there isn't a single agreed-upon definition of earmarks, most estimates calculate the total at between $20 billion to $30 billion. Citizens Against Government Waste identified 9,963 earmarks totaling $29 billion in fiscal year 2005 that it classified as pork barrel spending.

[7] These measurements are expressed as a share of the economy (GDP).

priorities or to meet challenges that cannot be foreseen. As the share of federal resources pledged to retirement and health care benefits grows, it will leave shrinking amounts for all other purposes.

Generational fairness requires a change in course. The choices we make *today* will determine what kind of society our children and grandchildren inherit 20 and 30 years from now. There is little time for political gridlock. With the first of the 78 million baby boomers on the verge of retirement, the window of opportunity to act is rapidly closing.[8]

The sooner we get stated the better. Inaction now increases the prospects of severe changes later. By contrast, even modest changes in retirement and health care programs, enacted promptly and phased-in over many years, could have a substantial impact in bringing future costs down to a more sustainable level.

Similarly, eliminating or even reducing the budget deficit over the next few years would lower government borrowing from the financial markets, provide a much needed boost in national savings and reduce our reliance on foreign lenders. Acting sooner would also reduce interest costs and permit the "miracle" of compound interest to work for us rather than against us. When it works against us, as it does now, it is more of a nightmare than a miracle. Anyone who has tried to live on rising credit card debt knows the difference all too well.

The question is whether we will face up to these challenges and fulfill our generational stewardship obligation or put the future at risk by waiting for a crisis.

Short-term outlook

At $162 billion (1.2 percent of GDP), the deficit in fiscal year 2007 was lower than the $248 billion deficit in 2006 (1.9 percent of GDP). It was the third year in a row that the deficit declined.

This does not mean, however, that we are on a smooth and easy road back to balanced budgets. In fact, the President's Office of Management and Budget (OMB) projects that the deficit will climb above *$400 billion* this year and in 2009. Some of this is due to the slowing economy and the stimulus checks that the government will soon send out. Even so, the deficit now seems to be on an upward trend. In an ominous sign of things to come, CBO projects that the cost of Social Security, Medicare, and Medicaid will grow from 8.3 percent to 10.1 percent of GDP over the 10-year outlook — a 22 percent increase. As a result, these three programs, which consume 42 percent of the budget in 2007, will consume 51 percent within 10 years — and that is just the tip of the demographic iceberg.

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[8] The oldest segment of the baby boom generation, turning 62 in 2008 began drawing “early retirement” Social Security benefits this year. In 2011, they will be eligible for Medicare.

President Bush and the Democratic leaders of the House and Senate Budget Committees share the goal of balancing the budget by 2012, but there is reason to be skeptical that they are prepared to make the necessary trade-offs required to achieve that goal.[9] Budget projections over the coming 10 years are unusually complicated by a number of factors — some on the spending side and some on the revenue side.

On the spending side, projections are complicated by the treatment of operations in Iraq and Afghanistan. Congress has approved roughly $700 billion for these efforts through the end of 2008. The President and Congress estimate that at least an additional $100 billion in war costs will be needed in 2008. Beyond that time, the budget simply contains a placeholder amount of $70 billion for 2009 and nothing thereafter. This has the effect of understating spending because it assumes no new funding for operations in Iraq and Afghanistan beyond 2009 even though, as the Administration acknowledges, that will not be the case.

Projections on the revenue side of the budget are complicated by two factors; the scheduled expiration by 2011 of the tax cuts enacted since 2001 and the growing toll of the Alternative Minimum Tax (AMT), which if not adjusted will apply to roughly eight times as many taxpayers by 2010 as it does today because it is not indexed for inflation. Congress has been dealing with this problem by enacting one-year "patches" that are getting increasingly expensive because they have not offset the revenue by increasing other taxes or cutting spending. Continuing these non-offset patches for the next 10 years would worsen the budget outlook by $1.3 trillion.

Taking these factors together, a realistic projection of current policy over the next 10 years would:

- Assume a phase-down, but not a phase-out, of funding for Iraq and Afghanistan.
- Assume that regular appropriations grow at the same rate as the economy.
- Assume that all expiring tax cuts are extended.
- Assume continuing relief from the AMT by adjusting it for inflation.
- Include debt service cost on the above changes due to added borrowing.

Under that scenario, deficits would total $6.5 trillion over the 10-year period from 2009 to 2018. As a percentage of GDP, deficits would steadily rise from 2.5 percent to 4.3 percent by 2018 and average 3.5 percent over the 10-year period. Persistent deficits of that size are not unprecedented.[10] They are, nevertheless, harmful because they would come at a very bad time. They would drain national savings, raise the debt to GDP ratio

[9] This goal includes the "off-budget" Social Security surplus. The "on-budget" total in 2012, under the President's budget, is a deficit of $207 billion rather than a surplus of $33 billion when the "off-budget" Social Security surplus is included. Similarly, the congressional budget committees' budgets also show deficits in 2012 rather than a surplus excluding Social Security.

[10] In the 10 fiscal years from 1983 through 1992 deficits averaged 4.3 percent of GDP. However, the alarm caused by these deficits led to political actions that helped produce average annual deficits of just 0.6 percent of GDP from 1993 through 2002.

and increase interest costs at the very time when we should be doing the opposite in preparation for the fiscal challenges that loom in the following decades.

Each annual deficit adds to the total national debt. The government's debt held by its outside creditors (debt held by the public) is currently 37 percent of GDP. Under the scenario outlined above, debt held by the public would reach 53 percent of GDP by 2018 and heading sharply higher. The last time that debt held by the public was over 50 percent of GDP was in the 1950s. At that time, however, debt was coming *down* from the heights it achieved to pay for World War II.[11]

Like any other debtor, such as a household or business, the government must pay interest to its lenders. As the government's debt increases, its interest costs grow as well. Those costs add to government spending and are paid for with tax dollars.

The federal government's interest costs totaled $238 billion in fiscal year 2007. The government spent more on interest payments in 2007 than it did on the combined cost of income support programs such as Supplemental Security Income (SSI), unemployment compensation, food stamps, child nutrition, the earned income tax credit and child tax credits ($202 billion). Interest payments totaled more than either the federal government's share of Medicaid ($192 billion) or appropriations for military operations in Iraq and Afghanistan ($170 billion). By 2017, net interest costs would approach $500 billion under the plausible scenario outlined above.

The fact that we've had high deficits before -- particularly in the 1980's and early 90's -- and managed to dig our way out offers no reason for complacency now.

For one thing, Congress and Presidents George H. W. Bush and Bill Clinton engaged in a series of legislative actions, many of them bipartisan, designed to bring the deficit under control. These efforts involved a mix of spending cuts, tax increases and budget controls such as caps on appropriations and a deficit-neutral "pay-as-you-go" rule for tax cuts and entitlement expansions. No such bipartisan legislative negotiations are underway today.

Moreover, the end of the Cold War allowed us to shrink defense expenditures from 6 percent of GDP in 1985 to 3 percent by 2000. That was a big help in keeping total spending under control. Today's situation is far different. While defense spending has not gone back to Cold War proportions, it has risen back to about 4 percent of GDP.

More fundamentally, however, the boomers' retirement in those days was a generation away. Now, the first boomers will begin retiring in just one year. As a result, we face a much more urgent, and difficult, situation than we did 20 years ago.

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[11] Debt "held by the public" now totals $5.2 trillion. It does not include debt that the government essentially owes to itself in the form of federal trust funds, such as those for Social Security and Medicare. This "intragovernmental debt" now totals $4.1 trillion, meaning that the total debt equals $9.3 trillion. Because trust fund debt is a matter of internal bookkeeping between government accounts, it does not flow through the financial markets and thus has no immediate economic impact. It does, however, represent a small portion of the government's future obligations for these programs.

Finally, the plausible outlook described above is not a worst-case scenario. It assumes a healthy economy over the next decade. The projection of continuing deficits is not the result of cyclical economic factors. We have a structural deficit — one that will persist even as the economy recovers — and it is likely to get worse in the absence of legislative actions to correct it.

One strategy for improving the near-term budget outlook would be to identify savings from wasteful and unnecessary programs, improve efficiency and eliminate narrowly targeted tax breaks that add to the complexity of the tax code without producing any economic benefit. Such political "pork" diverts resources from more pressing national needs and increases public cynicism about the fairness of the federal budget process.

Similarly, there is the potential for increased revenues by pursuing strategies to close the so-called "tax gap" -- the difference between taxes that are owed and the revenues that are actually collected. The Internal Revenue Service estimates that the current tax gap is about $300 billion.

However, as noted above, such relatively painless options will not be nearly enough to get the job done. A serious effort to address the deficit will require policymakers to tackle the underlying structural problems resulting from existing entitlement and tax laws.

The rapid increase in federal revenues over the past two years has prompted some to suggest that revenue increases need not be on the table because tax cuts pay for themselves through greater economic growth. It's a politically convenient theory, but the evidence does not support it.[12]

Economists from the left and right generally agree that even if lower taxes provide incentives for work, saving and investment, tax cuts do not fully pay for themselves. A July 2006 analysis by the U.S. Treasury Department suggested that the economic feedback from extending the 2001 and 2003 tax cuts would offset less than ten percent of the revenue loss, and would only do so if the tax cuts were offset by spending cuts -- something that has neither happened nor been proposed.

Ultimately, debt is not a painless alternative to taxes. Whatever government spends, it must eventually pay for. Unless we reduce spending over the long-term we are not really

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[12] The revenue "record" of $2.57 trillion in 2007 is not remarkable because revenues almost always set a record in nominal dollars every year as revenues naturally increase with inflation, economic growth and other factors. What is remarkable is that the revenue record set in 2000 ($2 trillion) was not broken until 2005. Starting in 2001, revenues actually declined for three years in a row. Moreover, revenues in 2007 represent a much lower percentage of the economy than in 2000 before the tax cuts were enacted -- 18.8 percent of GDP as opposed to 20.9 percent. Measured in inflation-adjusted terms, revenues in 2007 are almost identical to 2000 revenues despite five years of economic growth.

lowering the tax burden over the long-term but merely shifting it from ourselves to our children.

The short-term outlook is thus one of squandered opportunity, if not outright disregard for the future. We are risking a decade of large sustained deficits at a particularly bad time. As CBO warns, "growing demands for resources by Medicare and Medicaid in particular, and Social Security as well, will exert pressures on the budget that economic growth alone is unlikely to eliminate." As a result, CBO concludes, "Substantial reductions in the projected growth of spending, a sizable increase in taxes as a percentage of the economy, or some combination of changes in policies for spending and revenues is likely to be necessary to achieve fiscal stability in coming decades."[13]

Long-term outlook

For all the twists and turns in the 10-year outlook, the basic story over the long-term is pretty clear: current policy is unsustainable. To illustrate the point, GAO has prepared a future scenario using assumptions very similar to those outlined in the 10-year outlook described in the prior section. Discretionary spending grows with the economy and expiring tax provisions are extended. Here are some notable signposts on that unsustainable path:

- 2027 — Social Security, Medicare, Medicaid and net interest consume all revenues. The deficit approaches 10 percent of GDP and debt held by the public exceeds 100 percent of GDP.
- 2032 — Net interest exceeds Medicare.
- 2038 — Debt held by the public equals 200 percent of GDP.
- 2039 — Net interest exceeds Medicare and Medicaid.
- 2041 — The deficit reaches 20.2 percent of GDP, exceeding the size of today's entire federal budget (20 percent of GDP).
- 2044 — Debt held by the public equals 300 percent of GDP.
- 2047 — Social Security, Medicare and Medicaid consume all revenues.
- 2048 — Debt held by the public exceeds 400 percent of GDP.
- 2050 — Interest costs, at 21.6 percent of GDP, exceed the size of today's entire federal budget.
- 2051 — Debt held by the public equals 500 percent of GDP.
- 2052 — GAO model blows up because the economy is in ruins.

If nothing changes, future taxpayers will be forced to pay far higher taxes than we pay today, or they will either have to accept much lower spending for all other public purposes--including national defense, homeland security, and education--or face rapidly escalating deficits and the resulting negative consequences for the economy and future standards of living.

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[13] CBO, The Budget and Economic Outlook: Fiscal Years 2008-2017, January 2007, p.11.

We could cross our fingers and hope that the U.S. economy is sufficiently resilient to overcome anticipated fiscal challenges without any change to current policies. However, that outcome is highly unlikely. Wishful thinking is not a sound fiscal strategy. A far more prudent and secure path to bettering the fiscal outlook would be to reassert budget discipline. There is no shortage of warning signs:

- Economic growth is projected to slow as the proportion of retirees to active workers increases. CBO projects that demographic trends will contribute to a slowing of real economic growth from 3.2 percent in 2010-2013 to an average annual rate of 2.6 percent between 2013 and 2017. As the economy expands more slowly, it will be harder to fulfill the needs of a growing and aging population.

- In the absence of domestic savings, foreign sources have taken up the slack. Reliance on foreign borrowing increases the budget's exposure to international capital markets and decisions made by foreign interests. A reduction in lending to the United States by foreign investors and central banks, for whatever reason, could drive down the value of the dollar and drive up interest rates. Moreover, as noted before, interest payments on debt held by foreign investors acts as a growing mortgage on future national income.

- The strength of the future economy depends on an educated workforce, productive capacity, sources of energy and solid infrastructure. If there is no flexibility in public budgets because available resources are already committed to supporting the standards of living of older people and paying interest on the national debt, it will be harder to find the funding to invest in children, research and development, transportation and communication, and other factors that will promote future growth.

- Private employers also face pressures as a result of the aging population. Many private defined benefit pension plans are underfunded and require additional employer contributions to bring plan assets more into line with liabilities. In addition, rising health insurance costs make it harder for employers to maintain benefit levels for their retirees. If the private sector cuts back its support for retirement income and health insurance, there will be greater pressure to increase public programs.

- The economy faces many uncertainties. Energy prices are unpredictable. World events may affect the international economy and place additional demands on U.S. resources. The United States would be in a stronger position to weather difficult times if it had greater flexibility and strength in its fiscal position.

Politicians could credibly claim that the fiscal outlook is improving if they were taking actions to close the gap between spending and revenues. As long as they are content to keep revenues at 18 percent of GDP while allowing spending to drift up to 30 percent of GDP or higher, as projected, they are a long way from being able to declare victory.

The choice is ours

Daunting as the long-term projections are, there is nothing inevitable about a fiscal crisis. The problems we face -- essentially a structural imbalance between what government promises and what it collects in taxes to pay for those promises -- is one that can be cured in a timely way if we begin to address it now. In other words, the solution is in our own hands. As Concord Coalition President and former Commerce Secretary Peter G. Peterson has written:

> If America chooses the right future, it will be because we learn again to cooperate politically and embrace a positive vision of what our nation can become. Yes, we have to make some tough choices. But instead of obsessing over the tax hike that outrages us, or the benefit cut that shocks us, we need to focus on everything our nation can achieve if we all made an effort to come to terms with our future.[14]

There is no better time to begin such an effort. The lessons of Hurricane Katrina have important implications for our long-term fiscal challenge. Known dangers should be acknowledged in advance of a crisis and dealt with in a straightforward manner. By all means, we should debate the options and trade-offs but we must take action.

Changing course will require substantial spending reductions from projected levels, equivalent increases in revenues, or a combination of both. It will also require a willingness to compromise. Starkly partisan proposals may appeal to true believers and party loyalists, but a plan to ensure long-term fiscal sustainability is unlikely to stand up over time without broad bipartisan support from the start.

Each of the realistic options comes with economic and political consequences that must be acknowledged and carefully weighed. There must be tradeoffs. Those who favor spending reductions should explain which programs they would target and how the savings would be achieved. Those who favor higher revenues should explain what level of taxation they are willing to support and the manner in which the new revenue should be raised. Those who are unwilling to either cut spending or raise revenues should explain how much debt they are willing to impose on future generations.

Since the regular legislative process has been incapable of dealing with theses choices, some have suggested that a new bipartisan commission be appointed. This could be a useful mechanism to break the gridlock, but only if it recognizes fiscal and political realities. As Concord Co-Chairs former Senators Warren Rudman (R-NH) and Bob Kerrey (D-NE) wrote in a *Washington Post* op-ed, the commission would need five elements to succeed:

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[14] Running on Empty, Peter G. Peterson, Farrar, Straus and Giroux, 2004 p.224.

- First, it must be truly bipartisan. Any perception that the commission's purpose is to facilitate swift enactment of a partisan agenda would doom it to failure. It must have bipartisan co-chairs and equal representation. Doing otherwise in the current partisan environment would be a waste of time and money.

- Second, it must have a broad mandate. While it is critical to control the growth of entitlements, particularly Medicare and Social Security, the commission should examine all aspects of fiscal policy.

- Third, all options must be on the table. If either side sets preconditions, the other side will not participate. This means that Republicans cannot take tax increases off the table and Democrats cannot take benefit reductions off the table.

- Fourth, the commission must engage the public in a genuine dialogue about the trade-offs inherent in realistic solutions. When people are armed with the facts and given the opportunity for honest dialogue, they are willing to set priorities and make hard choices.

- Fifth, the commission's recommendations should be given an up or down vote in Congress, allowing for amendments that would not reduce the total savings. Absent that, the report would likely join many others on a shelf.

A proposal by Senate Budget Committee Chairman Kent Conrad (D-ND) and former Chairman Judd Gregg (R-NH) meets most of these criteria. So does a similar proposal in the House by Representatives Jim Cooper (D-TN) and Frank Wolf (R-VA). Congress may have a chance to consider these proposals later this year, perhaps with input from the presidential candidates.

With or without a new commission, the choices that must be debated involve vitally important issues, such as the future of Social Security, Medicare and taxes. For that reason, the active involvement of the American people is critical. Without greater understanding of the problem among the public, community leaders, business leaders and home state media, elected leaders are unlikely to break out of their comfortable partisan talking points -- and unlikely to find solutions.

Contacting legislators, asking questions at town hall meetings and campaign events, setting up speaking opportunities, organizing panel discussions, forming speakers bureaus, writing to the local papers, and speaking with family, friends, and neighbors in person or through electronic networking are all good ways to get involved.

Concord's founding Co-Chair former Senator Paul Tsongas (D-MA) said, "The bond between parent and child is nature's strongest. Providing for the well-being of the young is how every generation of Americans undertook their stewardship."

Our time to act as generational stewards is now.