

# THE CONCORD COALITION



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## **CONCORD COALITION SAYS CBO PROJECTIONS REAFFIRM THE NEED FOR PAYGO, SPENDING CAPS AND A FISCAL COMMISSION**

WASHINGTON — The Concord Coalition said today that new projections by the Congressional Budget Office (CBO) reinforce the need for statutory pay-as-you-go (PAYGO) rules, tight spending caps and a bipartisan fiscal commission to recommend policy changes that would be given an up-or-down vote in Congress.

Concord also updated its plausible baseline scenario, which adjusts CBO's official baseline to reflect the cost of extending many current policies scheduled to expire under current law. Under this plausible scenario, deficits total \$14.9 trillion over 10 years as opposed to \$6.0 trillion under the official baseline.

“There is nothing remarkable in the new CBO numbers. What is remarkable is that nothing is being done to alter the grim fiscal future they paint,” said Concord Coalition executive director Robert L Bixby.

“This was brought home by today's vote in the Senate on whether to establish a deficit reduction task force. The idea received majority support with a rare bipartisan coalition but fell short of the 60 votes needed for passage. Since ‘regular order’ in Congress has proven incapable of dealing with the ticking fiscal time bomb, a special process is needed to break the cycle of partisan gridlock and growing debt. If a statutory commission cannot be created, as now seems likely, President Obama should appoint one by executive order,” Bixby said.

Concord observed that the near-term deficits, while striking, are not as alarming as the out year trend showing persistently high deficits even after the economy recovers. Worse yet, these out-year deficits assume major revenue increases and spending restraint inconsistent with recent political choices.

"The difference between the CBO current-law baseline and Concord's plausible baseline is the difference between a potentially sustainable fiscal outlook, with deficits declining to 2 1/2 to 3 percent of GDP within five years, and a clearly unsustainable one, with deficits remaining nearly as high as they are now," said Concord Coalition Chief Economist Diane Lim Rogers.

Under current law, the deficit falls due to a combination of declining outlays and rising revenues. Most of the narrowing of the gap comes from the revenue side. Under the Concord plausible baseline, the deficit-financed extension of expiring tax cuts alone adds more than \$7 trillion to the 10-year deficit -- more than doubling it.

“This demonstrates that the most significant fiscal policy choice facing our nation over the next few years is whether to continue our bad habit of routinely extending and deficit-financing expiring tax cuts, or whether to commit to a strict pay-as-you-go philosophy that would keep revenues at CBO baseline levels even if certain tax cuts are extended or more fundamental tax reforms are pursued,” Lim Rogers said.

Concord emphasized that even with higher revenues no fiscal sustainability plan will work without major cost-saving reforms of the three largest entitlement programs -- Medicare, Medicaid and Social Security. These three programs are projected to add permanent annual spending equal to 1.5 percent of GDP by 2020. The added cost burden grows to more than 5 percent by 2035 according to CBO’s long-term projections. Most of that growth is from Medicare and Medicaid.

“These numbers should serve as a timely reminder that health care reform is still needed and that cost control must be a key part of reform,” Bixby said.

The Concord Coalition’s plausible scenario is not a prediction of what will be or a recommendation of what should be, it is simply an illustration of where deficit-financed current policies are headed.

For more on the Concord Coalition plausible baseline, visit:

<http://www.concordcoalition.org/learn/budget/concord-coalition-plausible-baseline>

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The Concord Coalition is a nonpartisan, grassroots organization dedicated to balanced federal budgets and generationally responsible fiscal policy. Former U.S. Senators Warren B. Rudman (R-NH) and Bob Kerrey (D-NE) serve as Concord's co-chairs and former Secretary of Commerce Peter G. Peterson serves as president.