

Contents

Archives

Search

Contact

Feed

Subscribe

BERC

Working Together to Save Our Economy — and Get Reelected

Some of us in Congress are proposing a bipartisan commission with teeth to force Congress and the president to make tough choices on spending reform.

by **Jim Cooper***

The year 2008 is certainly shaping up to be a year of change, but it's not entirely the kind of change we have been hoping for. As I write these words, oil prices are hitting record highs while the dollar looks anemic against foreign currencies. Wall Street is reeling from a mortgage meltdown that has developed into a broader credit crunch. Consumer confidence has sagged, home foreclosures have soared, and no one knows if other shoes are yet to drop.

True, unemployment is only 5.5 percent, and Tennessee's economy is better than average due to our diversification and restraint. But when I look for chinks in America's economic armor, I am not particularly comforted by a \$45 trillion market for credit default swaps — financial instruments so complex that even highly trained professionals don't know how they work. That market alone is roughly three times the size of our national GDP. What happens if it unravels? The scary part is no one knows.

Of course, Tennessee is feeling the current slowdown acutely. Governor Phil Bredesen was forced to find \$468 million in cuts to the state budget to balance it against revenue shortfalls. This will not be pleasant, but it will keep the state economy sound.

This is the short-term picture, and I admit it isn't pretty. But the good news is that Tennessee will recover from the current slowdown. By law, our state balances its budget every year. Like any smart business or family budget in America, it doesn't spend more than it takes in.

I wish I could say the same about the federal government. The truth is, even if Tennessee ran a \$468 million budget



The spending-reform bill I've introduced with Virginia Congressman Frank Wolf is called the Securing America's Future Economy (SAFE) Act.

deficit, it would have a stronger balance sheet than the USA. That's why I often tell local and state officials that they are the richest levels of government in the United States. The federal government is running a world superpower economy on a credit card — running up deficit to the tune of more than \$500 billion this year — and our debts are piling up.

So who are our creditors? Japan, China, and the U.K., for starters. But countries like Saudi Arabia and the United Arab Emirates increasingly have so much cash sloshing around that they are bailing out American financial firms. Our addiction to oil, coupled with a weak economy, is doubling our current insecurity.

Even scarier, our national credit card borrows directly from future generations. What do I mean by that? The first wave of 3.2 million baby boomers is turning 62 this year. They'll become eligible for Medicare in 2011 and for their full Social Security benefits in 2012. There are 76 million more boomers coming right behind them, and too few workers to pay for their expected level of benefits. At the same time, the cost of healthcare is rising sharply: over the next few decades, health spending will consume an unmanageably large portion of our GDP.

If Barack Obama and John McCain look a little nervous these days, it's because their policy advisors have briefed them on this dire situation. And their political advisors have delivered even scarier news: the crisis will start happening during their first term in office — just as they're running for re-election. The year 2011 is sooner than you think.

But not to worry, I have already picked out the perfect inauguration gift for the next president, no matter who it is. It's a solution to the biggest problem he will face in office. The slow collapse of Medicare, Social Security, and other entitlement programs threatens to cut every senior's benefits, raise every worker's payroll taxes, and bankrupt America. The gift I'm offering is a long-term balanced budget, one that stems our nation's looming fiscal crisis before entitlement spending drowns the government in red ink.

Of course, it's too early to tell what that budget will look like, but everyone agrees it will require a good-faith, "everything is on the table" approach to make it happen. We're talking about a politically contentious combination of taxes and spending cuts, hard choices Congress so far has been unwilling to make.

That's why some of us in Congress are proposing a bipartisan commission with teeth, modeled after the Iraq Study Group and the military's base closing commission, to

force Congress and the president to make tough choices on spending reform. The bill I've introduced with Virginia Congressman Frank Wolf is called the Securing America's Future Economy (SAFE) Act (HR 3654), and I'm pleased to report that it has quickly earned broad bipartisan support. House Majority Leader Steny Hoyer, Minority Leader John Boehner, former Comptroller General David Walker, dozens of my congressional colleagues, and a host of outside experts have endorsed the SAFE Commission. Even Paul Volcker, the respected former Fed chair, called to voice his support for the bill.

It's become clear that the current president doesn't understand the magnitude of the problem — or worse yet, doesn't care. So in the absence of presidential leadership, we'll need leadership from presidential candidates. This is their lifeline, after all. Frank and I have asked all Republican and Democratic candidates to endorse the SAFE Commission bill so the next president and Congress can tackle fiscal reform early in 2009. Sadly, we didn't get very far with them. I'm hoping that Obama and McCain will realize the wisdom of tackling this problem head-on, with Congress, in a bipartisan fashion. It should be a no-brainer if they want to avoid drowning when the "silver tsunami" begins to crash ashore.

We really can't afford to wait. One of the top firms on Wall Street, Standard & Poor's, is already projecting that the U.S. Treasury bond will lose its AAA rating by 2012, the year the next president will be seeking reelection. Who could run again after destroying America's credit? S&P also projects that America's credit rating will sink to Mexico's level by 2020 and to junk-bond status by 2025.

So call McCain's or Obama's Senate office and ask where he stands on the Cooper-Wolf SAFE Commission. (It's also called "Conrad-Gregg" in the Senate.) Explain that the longer we wait to make tough choices, the more we push this financial disaster onto our children and grandchildren. And if that fails, tell them it will be a lot harder to get reelected without letting a bipartisan commission do the heavy lifting.

After all, the SAFE Commission is simply about a great nation planning to stay strong for future generations. As an inaugural gift, this isn't just for Obama or McCain; it's for the country. It's a life raft that's big enough for all of us.

Jim Cooper is the U.S. Representative for Tennessee's 5th District (Davidson, Wilson, and Cheatham Counties).