

THE HILL

Democratic Senators sound alarm on red ink

By Walter Alarkon - 10/19/09 08:16 PM ET

Senate Democrats are pressing Majority Leader Harry Reid to address the nation's rising debt with a special legislative process, despite reluctance from the White House and House leaders.

Nine Democrats and Sen. Joe Lieberman (I-Conn.) called on Reid (D-Nev.) last week to support the process, which would ensure any legislation aimed at curtailing debt gets serious consideration by lawmakers. Proponents have argued for a special panel to seriously consider fiscal policy changes, such as major tax hikes or spending cuts, that they fear wouldn't survive the normal committee process.

The debt is now at nearly \$12 trillion and expected to grow by \$9 trillion over the next decade. The renewed push for a legislative remedy comes just after the deficit reached a record high, \$1.4 trillion for fiscal 2009. The previous deficit record was \$455 billion in 2008. The Obama administration projects an additional \$9 trillion in debt over the next decade.

"We do not believe that action on these important issues will occur under the regular order in Congress," the senators wrote in a letter.

Lieberman and Democratic Sens. Evan Bayh (Ind.), Mark Udall (Colo.), Mark Begich (Alaska), Amy Klobuchar (Minn.), Dianne Feinstein (Calif.), Mark Warner (Va.), Bill Nelson (Fla.), Michael Bennet (Colo.) and Claire McCaskill (Mo.) signed the letter.

Bayh said he raised the possibility of a special fiscal legislative process with President Barack Obama during a White House meeting last week.

The deficit has been steadily growing in recent years because of entitlement spending and is expected to get even worse as the baby-boomer generation retires. The Congressional Budget Office expects the nearly \$700 billion total annual spending on Medicaid and Medicare to double over the next 10 years.

But red ink flowed even faster than projected in 2009 because of the bad economy and government efforts to fix it. Though the 2008 deficit was a record at the time, it more than tripled, to \$1.4 billion in 2009.

Spending increased from nearly \$3 trillion to \$3.5 trillion over the past year, as both the George W. Bush and Obama administrations spent billions on stimulus packages and industry bailouts. With profits down and unemployment rising to nearly 10 percent, tax revenue fell from \$2.5 trillion to \$2.1 trillion in 2009.

The business community has generally backed attempts to curtail debt, seen as a threat to the strength of the dollar and the U.S. economy as a whole.

Scott Talbott, senior vice president of the Financial Services Roundtable, said that financial firms are supportive of a bipartisan effort to address the country's fiscal imbalance.

"The rising debt hampers the U.S. economy and redirects resources away from U.S. taxpayers," Talbott said.

More than two dozen senators have now backed the idea of a special process to address the country's fiscal imbalance. Sens. Kent Conrad (D-N.D.) and Judd Gregg (R-N.H.) have pushed a bill creating a bipartisan panel of lawmakers and administration officials that would craft a package of legislative reforms. That proposal would then be fast-tracked for final votes in both chambers. Conrad and Gregg's plan was co-sponsored by 20 other senators, most of them Republican.

Lieberman and Sen. George Voinovich (R-Ohio) have put forth a similar plan, as have Reps. Frank Wolf (R-Va.) and Jim Cooper (D-Tenn.). All have said that the path to fiscal solvency requires politically perilous changes to entitlement programs, particularly Medicare, Medicaid and Social Security, which lawmakers are loath to support without the backing of both parties.

The idea of pushing through changes outside of regular order has powerful detractors, especially in the House. Speaker Nancy Pelosi (D-Calif.) and Ways and Means Chairman Charles Rangel (D-N.Y.) have argued that the existing committees should be able to weigh in on any major fiscal policy changes. They've noted that the proposals relying on an independent panel to craft a fiscal reform package aren't flexible, since they would limit lawmakers' amendments.

Gregg told The Hill last month that he's not aware of his plan coming up in serious negotiations with the White House.

The Democrats who signed the letter said a measure allowing a special process should be linked to a debt-limit increase. The administration has pressed the Senate to approve an increase to the \$12.1 trillion debt ceiling this fall, when federal debt is expected to surpass that number. The House approved increasing the limit to \$13 trillion last spring. The government risks defaulting with its creditors if the limit is breached.

The record deficit has fueled calls throughout Washington to get the red ink under control.

Federal Reserve Chairman Ben Bernanke said Monday that reducing trade imbalances with China and the federal debt will be key to avoiding future economic crises.

"The United States must increase its national saving rate," Bernanke said in a speech at the Federal Reserve Bank of San Francisco. "The most effective way to accomplish this goal is by establishing a sustainable fiscal trajectory, anchored by a clear commitment to substantially reduce federal deficits over time."

White House budget director Peter Orszag, in responding to the deficit announcement last week, said that the administration is looking at proposals to "put our country back on firm fiscal footing."

The Obama administration and Democrats have resisted GOP calls for immediate action to cut the deficit, arguing that pulling back spending while the country is still in a recession would slow a recovery.