

Update: Fiscal Sustainability Task Force

April 5, 2007 Meeting

On April 5, 2007, Wendy Comes and Eileen Parlow met with the following “technical expert” members of the Task Force:

Joseph Antos, Wilson H. Taylor Scholar in Health Care and Retirement Policy, American Enterprise Institute;

James Duggan, Senior Economic Advisor for Social Security, Office of Economic Policy, U.S. Department of the Treasury;

Richard Foster, Chief Actuary, Center for Medicare and Medicaid;

Jagadeesh Gokhale, Senior Fellow, Cato Institute;

Stephen Goss, Chief Actuary, Social Security Administration;

Robert B. Anderson, attending for Patrick Locke, Chief, Budget Analysis Branch, Office of Management and Budget;

Thomas McCool, Director, Center for Economics, Government Accountability Office;

Benjamin R. Page, Principal Analyst, Macroeconomic Analysis Division, Congressional Budget Office;

Eugene Steuerle, Co-director, Urban-Brookings Tax Policy Center; Senior Fellow, Urban Institute.

Areas of Consensus

Definition of Sustainability

The group agreed that it would be ideal to have a formal definition and/or specific benchmarks for “fiscal sustainability,” and/or an extensive report on sustainability similar to what is currently done by some other countries such as the U.K. and Australia. However, the group agreed that useful and meaningful reporting can be developed in advance of such a framework, with explanations in the narrative about benchmarks used by others- such as the U.K.’s goal of under 40% debt-to-GDP ratio, and/or the intertemporal budget constraint (the assumption that all government spending must eventually be paid for by tax revenues).

Importance of Narrative

The group strongly emphasized the importance of narrative to accompany any data presented. Among the points that narrative needs to explain are:

- most importantly, that the problems are occurring in the present (to avoid the assumption that “you don’t have a termite problem until the house falls down”);
- assumptions are inherent in the projections, especially policy assumptions;
- continuation of current trends will require trade-offs between mandatory and discretionary spending (or much higher taxes); and
- uncertainty is inherent in any projection

Importance of Showing Trends

The group agreed that it is critical to show trends (past, present and whenever appropriate, future projections).

A majority of the group agreed that the OMB Table, “Long-Run Budget Projections”¹ includes many of the features that fiscal sustainability reporting should have:

- period-by-period data to show trends
- data expressed as a percentage of GDP
- data includes receipts, outlays by category, surplus or deficit, and Federal debt held by the public

Assumptions

The group agreed that policy assumptions inherent in the OMB Table- the 10-year President’s Budget- should NOT be used for fiscal sustainability reporting.

A majority of the members believe that for mandatory spending, a modified version of “current law” (ignoring the trust-fund exhaustion cap), which might also be termed “current services” represents the most reasonable assumption for social insurance programs. Projections for discretionary spending are more difficult, although there was some agreement that projecting discretionary spending growth at the same rate as GDP would be reasonable.

There was no consensus for economic projections, such as growth in GDP, although none of the members objected strongly to either CBO or OMB economic projections.

Per Capita Information

A majority of the group agreed that some per capita information would be useful and meaningful.

Areas to be Explored

Time Horizon

There was strong disagreement about the time horizon for projections, in particular 75-year versus infinite horizon. A possible compromise was suggested that would use whatever time period is necessary to reach a leveling-off point.

Communications Group meeting scheduled for June 19, 2007

Members of Congress:

Jim Cooper, D-TN

Mike Conaway, R-TX

Academia:

Paul Posner, Director of George Mason University’s Master of Public Administration program

Other:

Sheila Weinberg, Founder and CEO, Institute for Truth in Accounting

¹ Table 13-2, FY 2008 Budget of the U.S. Government, Analytical Perspectives