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America's Future

What Should Our Budget Priorities Be?

America is slowly coming out of a long recession. Unemployment, after peaking at 10 percent in 2009, has fallen below 8 percent; more new homes are being built, although just gradually. Despite the heavy blow we've taken in the last few years, the US economy is very large and still growing. Our national output, known as the gross domestic product, has expanded by 50 percent in the last decade.

There has been robust discussion across the country, some of it sparked by the recession,

about what we should do next. Our national debt is rising at a rate many view as unsustainable, and the "entitlement programs"—Social Security, Medicare, and Medicaid—are consuming an ever-larger chunk of the national budget. There are unmet needs in infrastructure, education, and health care.

We have significant resources, but they are finite. What direction should we take?

This issue advisory presents three options for deliberation, along with their drawbacks.

Option One: Keep Tightening Our Belt

Option	Actions	Drawbacks
<p>Though painful, the sequester (mandatory across-the-board budget cuts) showed that we can get by with less. We should continue cutting gradually to bring down the deficit, shrink the national debt, and let the private sector drive the recovery.</p>	<ul style="list-style-type: none"> ♦ Cut five percent of the government's budget across the board every year for at least the next five years. 	<ul style="list-style-type: none"> ♦ Steadily taking that much government spending out of the economy could stifle the recovery.
<p>Those who support this option say it is vital to keep entitlement programs like Social Security and Medicare financially fit by making changes that would slow their overall growth. These might include small payroll tax increases and raising the age of eligibility for Medicare.</p>	<ul style="list-style-type: none"> ♦ Raise the wage cap for Social Security payroll taxes. 	<ul style="list-style-type: none"> ♦ This would take billions of dollars out of the economy when it most needs them and could harm public support for Social Security.
<p>We also must recognize that the world continues to be a dangerous place and that we have responsibilities to our allies. We should not cut our defense budget while other nations, such as China, grow theirs.</p>	<ul style="list-style-type: none"> ♦ Increase payroll taxes to help balance Social Security and Medicare. 	<ul style="list-style-type: none"> ♦ This would likely mean small businesses would hire fewer workers.
<p><i>But, the cuts called for by this approach could stall economic recovery.</i></p>	<ul style="list-style-type: none"> ♦ Maintain the defense budget at current levels, increasing for inflation each year. 	<ul style="list-style-type: none"> ♦ A strong military could antagonize other nations.
	<ul style="list-style-type: none"> ♦ Lower the corporate tax rate to encourage more investment at home and allow the private sector to further recover. 	<ul style="list-style-type: none"> ♦ Corporations could simply keep the savings instead of investing them.

Option Two: Invest for the Future

Option	Actions	Drawbacks
<p>We are making progress on the deficit. We need to make some adjustments to entitlements, but now is not the time to slash programs; it may result in hobbling the recovery. Instead, we should make strategic expenditures and grow the economy, which in turn will shrink the deficit.</p> <p>Government spending is an important part of the economy, especially when the private sector slows in a recession. We should be prudent but not drastic. We ought to shift some spending from the defense budget and entitlement programs and put it into projects that will both put people to work and address other needs. Education is another vital area in which we should invest, especially in science and technology.</p> <p>This option would increase spending in certain strategic areas, introduce cost savings in Social Security and Medicare, and raise additional revenues by raising the capital gains tax and by growing the overall economy.</p> <p><i>But, this may mean putting the country deeper in debt.</i></p>	<ul style="list-style-type: none"> ◆ Launch a National Infrastructure Bank with at least \$50 billion in seed money. 	<ul style="list-style-type: none"> ◆ Such a bank could become a channel for pork-barrel spending.
	<ul style="list-style-type: none"> ◆ Raise the minimum wage to \$10 an hour. 	<ul style="list-style-type: none"> ◆ This could mean companies will hire fewer people.
	<ul style="list-style-type: none"> ◆ Raise the age at which individuals would become eligible for Social Security to 68 immediately. 	<ul style="list-style-type: none"> ◆ This could mean fewer available jobs for young people entering the workforce.
	<ul style="list-style-type: none"> ◆ Raise the capital gains tax. 	<ul style="list-style-type: none"> ◆ This could discourage investors.
	<ul style="list-style-type: none"> ◆ Increase education grants and low-cost loans to students. 	<ul style="list-style-type: none"> ◆ Easier money for school may cause students to value their education less.

This issue advisory was prepared for the National Issues Forums Institute (NIFI) in collaboration with the Kettering Foundation. National Issues Forums issue guides are used by civic and educational organizations interested in addressing public issues. These organizations use the books in locally initiated forums convened each year in hundreds of communities. Recent topics have included US politics, economic security, America’s role in the world, and immigration. For more information on the National Issues Forums, visit the website: www.nifi.org.

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Option Three: Tame the Monsters

Option	Actions	Drawbacks
<p>The steady growth of defense, Social Security, and Medicare/Medicaid are the main drivers consuming the federal budget. Meanwhile, our national debt is growing by approximately one trillion dollars a year. We need to get these money pits under control, quickly, and let taxpayers keep more of their money.</p> <p>This option says we need to act decisively, and now. Since we are no longer at war, the Pentagon needs to return to its pre-war spending levels. According to government figures, we can save at least \$160 billion a year by doing this.</p> <p>Social Security and Medicare, in turn, should be need-based and self-sustaining. We should get away from the whole concept of “entitlement,” which is bankrupting those programs. We also should reform and simplify the tax code.</p> <p>Once we get the deficit under control, we can tackle other needs, such as education and infrastructure.</p>	<ul style="list-style-type: none"> Put Social Security and Medicare on an as-needed basis (“means testing”). 	<ul style="list-style-type: none"> This would drain the savings of many middle-class seniors.
	<ul style="list-style-type: none"> Cut defense budgets back to the levels of a decade ago. 	<ul style="list-style-type: none"> Such a severe cutback would devastate many communities that rely on military spending.
	<ul style="list-style-type: none"> End the \$400 billion Joint Strike Fighter project and rely on proven, cheaper aircraft. 	<ul style="list-style-type: none"> The United States could fall behind in fighter aircraft development while other nations overtake us.
	<ul style="list-style-type: none"> Reduce Medicare reimbursements for services provided. 	<ul style="list-style-type: none"> This could make more doctors unwilling to take Medicare patients.
	<ul style="list-style-type: none"> Reform and simplify the tax code to spur investment. 	<ul style="list-style-type: none"> This may reduce government revenue and could increase the deficit.

But, this could make life much harder for many people.



Founded in 1927, the Kettering Foundation of Dayton, Ohio (with offices in Washington, DC, and New York City), is a nonprofit, nonpartisan research institute that studies the public’s role in democracy. It has provided issue guides and other research for the National Issues Forums. For information about the Kettering Foundation, please visit www.kettering.org or contact the foundation at 200 Commons Road, Dayton, Ohio 45459-2799. Phone: 1-800-221-3657.

About This Issue Advisory

Increasing attention on the national debt and federal budget shortfalls has brought with it questions about how and where to cut the nation's spending. Underlying this is a question about the proper role of government. Deliberative forums on this issue will not be easy. It will be important to remember, and remind participants, that the objective of these forums is to begin to work through the tension between collective security, the well-being of all, and individual freedoms.

Participants in these forums may become angry, and those with strong feelings may feel attacked by those who hold other points of view. This can sidetrack the deliberation. In productive deliberation, people examine the advantages and disadvantages of different options for addressing a difficult public problem, weighing these against the things they hold deeply valuable.

The framework outlined in this issue advisory presents three options and provides an alternative means for moving forward in order to avoid polarizing rhetoric. Each option is rooted in a shared concern, proposes a distinct strategy for addressing the problem, and includes roles for citizens to play. Equally important, each option presents the drawbacks inherent in each action. Recognizing these drawbacks allows people to see the trade-offs that they must consider in pursuing any action. It is these drawbacks, in large part, that make coming to shared judgment so difficult—

but ultimately, so productive.

One effective way to hold effective deliberative forums on this issue:

- Ask people to describe how the government budget cuts have affected them or their families. Many will have direct experiences that they can relate. They are likely to mention the concerns identified in the framework.
- Consider each option one at a time, using the actions and drawbacks as examples to illustrate what each option entails.
- Review the conversation as a group, identifying any areas of common ground as well as issues that still must be worked through.

The goal of this framework is to assist people in moving from initial reactions to more reflective judgment. That requires serious deliberation or weighing options for action against the things people hold valuable.