John Podesta, President and Chief Executive Officer, Center for American Progress

Opening Remarks

Good morning and welcome. On behalf of the Center for American Progress, I join Bob Greenstein and the Center for Budget and Policy Priorities in welcoming you to today's conference on progressives and the national debt: consequences and solutions. We're pleased that there is great interest in today's program.

I'd like to start off by thanking Michael Ettlinger, who you saw just a minute ago, and Michael Linden for putting together this great report which, I think, really states in very clear terms what the problem is and the problem that Bob described, which is a long term problem, and our premise for today, which is that we need to deal with it. I also want to thank Bob Greenstein and CBPP for their partnership. This project actually began as a series of small group conversations with CBPP and some other friends that led us to conclude that we must expand the progressive debate about these issues. I don't think we can have a better partner than Bob. I want to say a word about him.

At the outset, when he was awarded the Heinz Award for public service in 2008, he was described as respected on both sides of the political aisle, widely viewed as an unbiased authoritative expert on a wide range of fiscal policy and poverty issues. His work has helped improve the economic outlook of millions of America's poorer citizens. So, fiscal realist and poverty advocate provide, to some extent, an unusual combination of perspectives. But in Bob's career they belong together. For, as he will discuss in our first panel in a little bit, it's the progressive perspective that brings us together today to discuss fiscal policy.

CBPP and CAP share a commitment to a robust, growing economy which can support progressive investments in healthcare, in energy and education to not only spur long term growth but also to provide opportunity for all Americans. So we come together as progressives to try to forge a shared approach to the national debt problem. We share a concern that the current fiscal path will undermine our ability to fulfill that vision. You'll see on this slide there are some differences between CBO and OMB and there are some technical different reasons for that. But both show structural deficits of above 4 percent and in the CBO's case, rising in the out-years. That's not sustainable. It will mean that we will see an increase in the rise in the debt-to-GDP going to again long term unsustainable levels.

I want to reiterate one point that Bob made, that is we're not here to talk about the short term deficit. While some would use short term deficits as an excuse to stall strategies to get the economy going again, this conference's sponsors believe it would be a mistake to take actions to reduce the deficit immediately while the economy is recovering from the worst recession since the Great Depression. It is the long term structural deficits and debt that pose the true challenge, not the numbers in the current year or the next fiscal year which resulted from responding to the current crisis that the current administration inherited. We're just beginning to be able to imagine a more robust economy that can support a long term strategy to move towards greater balance. As progressives we need to begin to sort this out ourselves before the conversation comes to us.

First, let's understand how we came to this point. The Administration's conservative critics argue that spending by the new administration produced an outlook of deficits over the next ten years topping, some would predict, over a trillion dollars annually. President Obama of course did take bold actions to stave off economic collapse and financial meltdown that he inherited. And fortunately, the concession is over the last nine months the United States and the rest of the world avoided what could have been a much longer and more severe period of economic decline.

The President's $787 billion dollar stimulus package and related emergency measures succeeded in pulling the economy back from the brink of disaster. But let's be clear, the Great Recession is itself a legacy of conservative reluctance to impose rational parameters on a Wall Street that was careening out of control. Moreover, President Obama's necessary action to stabilize our economy only account for one-sixth of the current deficit. More than 50 percent are directly attributable to policies put in place by the previous administration. I believe, in my own view, that it's the result of eight years of fiscal and economic mismanagement. That figure rises to over 70 percent when you account for the deep recession that occurred as a result of the economic policy pursued by the Bush Administration.

Some of us, of course, can remember back to 1992 to when the Federal Budget deficit was 4.6 percent of GDP and was projected to stay well above 4 percent for the rest of the decade. I'm joined here in the front of the room by some of my colleagues from the Clinton Administration who entered office in early 1993 and began to grapple with that problem. By 1998, President Clinton had turned what was supposed to be a huge deficit into a modest surplus, the first of four consecutive years of surplus, the longest continuing stretch in seventy years. I'd like to think that little dip belong the red line, 1998 to 2001 were Podesta years in the White House. In 2000 the United States enjoyed its largest budget surplus since 1948. President Bush, in fact, inherited surpluses that was supposed to last for over a decade. But his insistence on giving massive tax cuts to the very rich while waging two wars drove the Federal budget into a giant hole, turning a 236 billion dollar surplus he inherited into a 459 billion dollar deficit, from a surplus of 2.4 percent of GDP in 2000 to a steady stream of deficits culminating in last year's shortfall.

What does this mean for America's place in the world economy? During President Bush's two terms, publicly held debt increased by 72 percent or $2.5 trillion. America's debt to China grew ten-fold during those eight years from $60 billion to $630 billion dollars. So we're going to spend a long time working very hard paying off the interest on that debt. Other conservative failures also contributed to this giant hole. There was no serious effort to address the steady climb in health care costs as a percent of our nation's gross domestic product. The Medicare Drug Prescription Benefit was enacted, which is a good thing, but without any ability to pay for it or to in fact impose some fiscal discipline on the Drug Benefit itself by letting the government bargain for lower rates.

These fiscally irresponsible policies did not only leave a lopsided fiscal legacy, they also produced tepid results when compared to progressive policies of the prior decade. GDP growth during President Bush's eight years was less than half of the GDP growth during the Clinton era and produced only one-tenth as many jobs: 23 million jobs during the eight years of Clinton and 2.5 million jobs during the eight years of Bush. I think if you take account for the job losses at the beginning of this year, which I think can be fairly attributed to the previous administration, he probably ended up as a net job loser. Middle class income growth stagnated in comparison, median income increased by $6,000 adjusted for inflation in the 1990s. I think we can sum up the record this way: progressive economic policies delivered results, conservative economic policies delivered disaster.

Unlike his predecessor, President Obama has expressed his commitment to deficit reduction and fiscal responsibility. I think he's following through on that. His current budget plan actually lowers the long term deficit compared to business as usual. One of his first actions was to scrap the Bush Administration's policy of hiding major government spending initiatives like the $900 billion spent on the Iraq War and the sunsetting of tax cuts—to hide them off the federal balance sheet. Instead I think he's put forward honest accounting of government spending. The President and his team have correctly indicated, I think, that health care reform must be the first step in putting the country on a sustainable fiscal footing.

It's been clear for years that healthcare costs have severely been hurting both the country's balance sheet and family bottom lines. During the previous administration, the largest categories of federal health care spending increased by almost 90 percent, an increase of 0.9 percent of GDP and are on track to equal 6 percent of GDP ten years from now, almost twice the amount spent on defense, if we have no reform. The average household's premiums have more than doubled over the last decade with 62 percent of bankruptcies now, contributing in part by medical bills. You'll hear later from David Cutler who has analyzed the massive swing not only in federal budgets but in family budgets that a successful health care delivery reform can produce. On the federal side alone we can see a savings of 3 percent of GDP just by having the healthcare industry achieve productivity gains that are average in the US economy. If we could just achieve in the healthcare industry average productivity gains, we can reduce the projected Federal budget by 3 percent of GDP.

The Administration is also working to capitalize, I think, on economic benefits of transitioning to a clean energy economy. The bill recently passed in the house, the American Clean Energy and Security Act, along with clean energy provisions in the stimulus bill that passed in February would create 1.7 million jobs. The investments in that bill and the recently introduced Kerry-Boxer bill are fully paid for and they do not add to the deficit. It's clear we need to be a global leader in the clean energy industries of the future to create stronger job growth. Apart from these two cornerstone initiatives, the President is also committed to reinstating pay-as-you-go rules in Congress and rolling back President Bush's tax cuts for the wealthiest Americans. All these policies are critical steps in the right direction. I think they've laid the groundwork for keeping long-term deficits under control while supporting economic recovery. But long-term deficits still remain a serious problem even after all that work's been done and as others will describe, have the potential to be dangerous if we don't take steps to address them when the economy fully recovers.

For those reasons I mentioned earlier—For the reasons I mentioned earlier—I think President Bush's profligate economic program and market fundamentalism and the economic and financial crisis that arrived at its conclusion and to a lesser extent the emergency measures that were necessary to pull our economy back from the brink, avoiding the negative consequences that could arise as a result from sustained long term deficits, pose a daunting challenge. There will be hard choices to make, but now is the time to prepare for making them.

The scale of the challenges we face, including that uptick in the line at the back end of this decade in respect to the deficit and therefore an increase in the national debt provide no easy answers. It will likely require a balanced approach that includes a variety of contributors and we've organized the conference to talk about many of these, but first and foremost, as I said, bending the curve on healthcare costs as part of comprehensive healthcare reform is critical and beyond healthcare reform, further reforms to entitlements, sustainable and affordable national security policies need to be implemented and a renewed commitment to setting priorities, only spending taxpayer dollars on programs that work, and a smarter and more productive government that makes the most out of every tax dollar.

Finally, and it has to be part of the discussion, we need to talk about revenue as well. If you look at this graph, the gap between what we are spending the revenue of the federal government is wide indeed. There are disagreements among progressives on how much to even pay attention to this problem but we can't make the kinds of investments that are included in that trend line while we continue to have revenues that are below by close to a percent of what we had during the boom years, I think particularly of the late 1990's. So I hope this conference can begin to identify where there's common ground for progressives, help us all focus on what we need to do to protect what matters to us most, the investments that we need. To put this discussion in further context, and a bit of a political context, we have asked someone who almost needs no introduction to provide preliminary comments before we move on to our first panel.

Charlie Cook is the publisher of the Cook Political Report and a political analyst for the National Journal Group and NBC News. He's authoritative, nonpartisan and prescient. Charlie Cook is the perfect person to help us see through the eyes of elected officials, the perils of both ignoring and addressing the national deficit and the national debt. So please join me in welcoming Charlie Cook.