

Debt and the Super Committee

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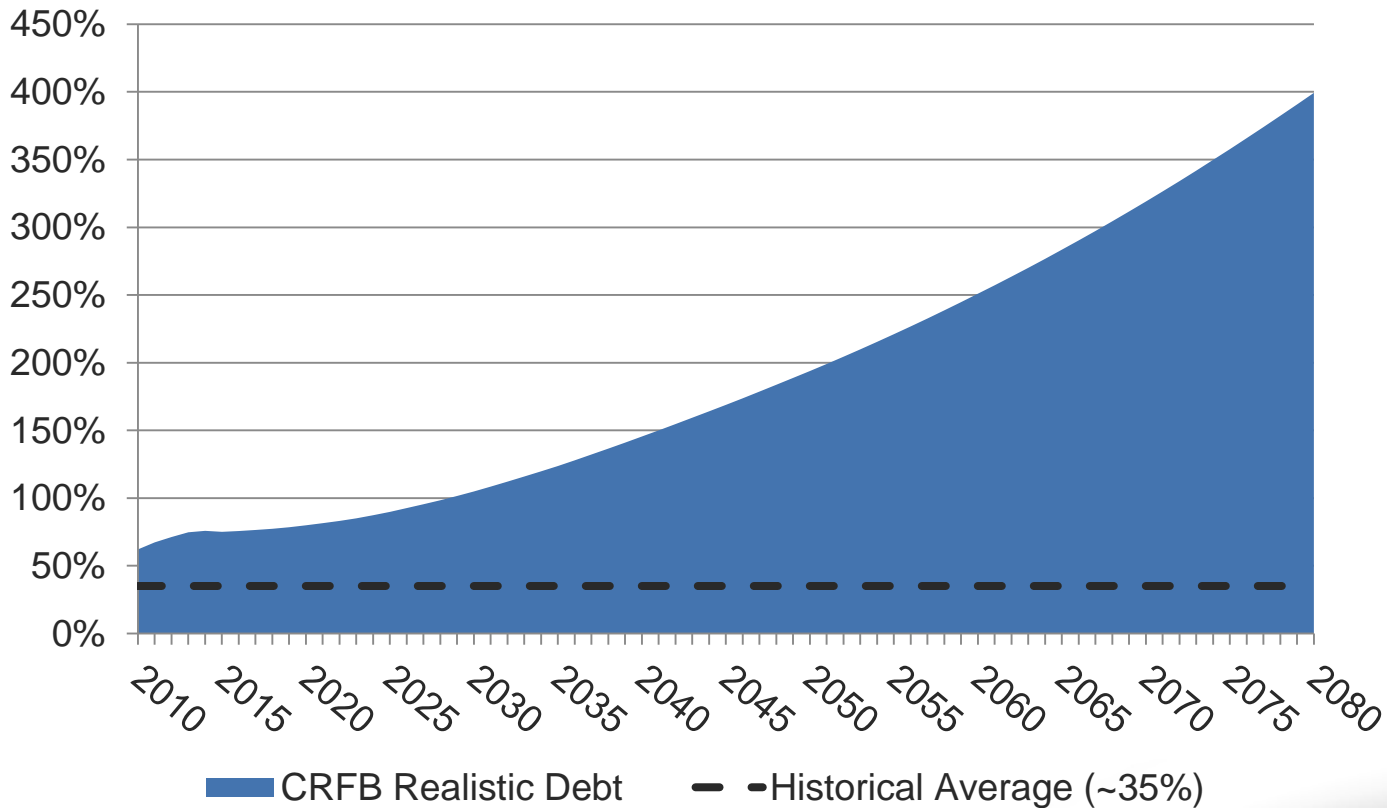
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**THE COMMITTEE FOR A
RESPONSIBLE FEDERAL BUDGET**

Debt Projections

CRFB Realistic Debt (Percent of GDP)



Note: CRFB Realistic Baseline assumes all 2001/2003/2010 income and estate taxes are extended, AMT patches, yearly “doc fixes”, and war costs continue to decline.

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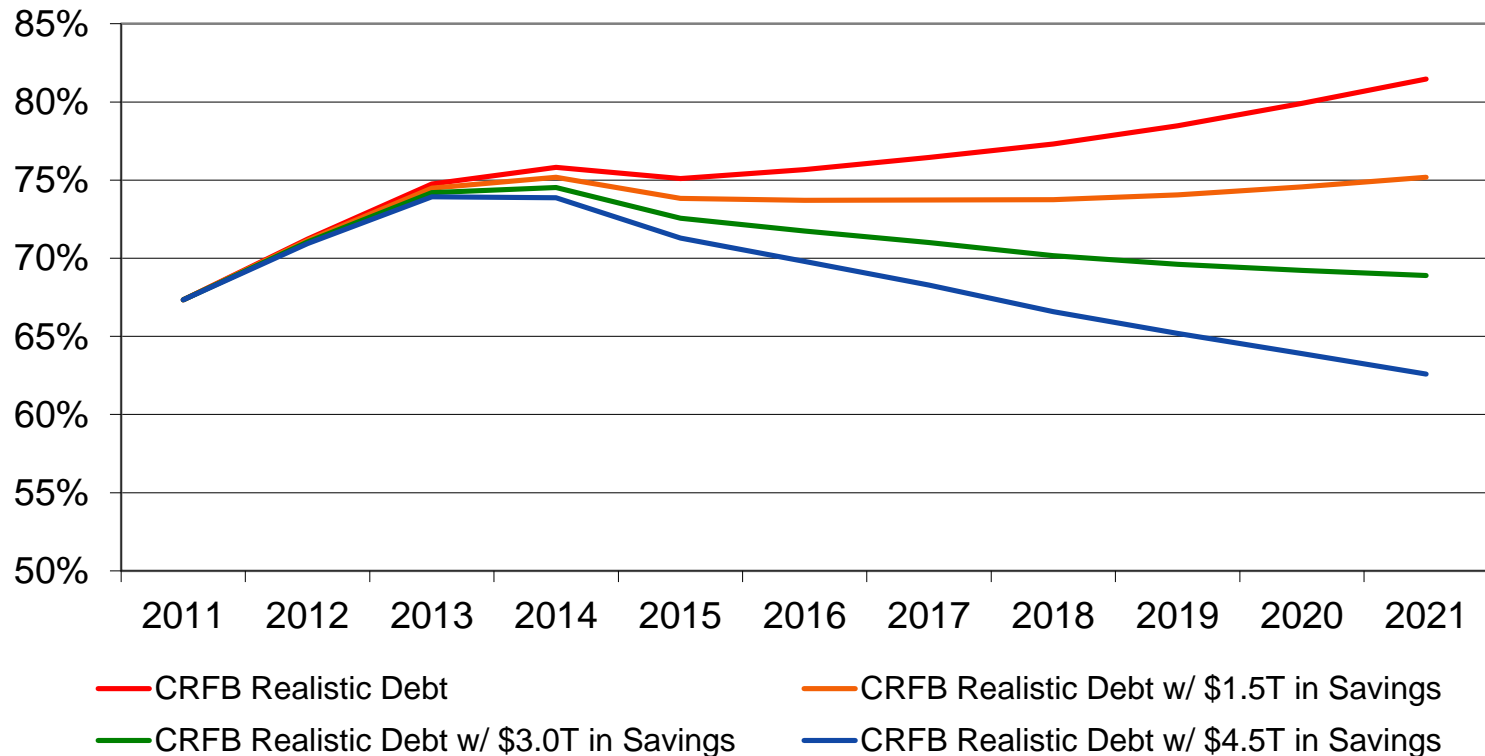
Consequences of Rising Debt

- **“Crowding Out”**
- **Higher Interest Payments**
- **Intergenerational Inequity**
- **Uncertain Policy and Economic Environment**
- **Eventual Fiscal Crisis**



Debt Projections under Several Scenarios

(Percent of GDP)



Note: CRFB Realistic Baseline assumes all 2001/2003/2010 income and estate taxes are extended, AMT patches, yearly “doc fixes”, and war costs continue to decline.

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The Logic of “Go Big”

- “Go Small?": Lots of pain for little gain
- “Go Big”
 - Needed to stabilize and reduce debt
 - Can actually make bipartisan compromise more likely
- Adding serious entitlement and tax reforms quickly pushes you into “Go Big”



Paths for the Super Committee

- Exceed mandate and propose 2-3 times the savings
- Meet/exceed mandate but propose a two-stage process for additional savings
- Push the deadline back to give them more time
- Meet/exceed their mandate
- Fail to achieve mandate but leave sequester in place
- Fail to achieve mandate and turn off sequester



Useful Resources

The Committee for a Responsible Federal Budget

<http://crfb.org>

<http://crfb.org/go-big>

Policy Papers:

Going Big Could Improve the Chances of Success

What We Hope to See from the Super Committee

Slideshow on Our Fiscal Challenges: Averting a Fiscal Crisis

Congressional Budget Office

July 16, 2010 report: The Macroeconomic and Budgetary Effects of an Illustrative Policy for Reducing the Federal Budget Deficit

