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Schakowsky's Telling Move
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Question: What was the most telling development on the fiscal front over the last week?

Was it:

A: The plan from the co-chairs of President Obama's fiscal commission, former Clinton White House Chief of Staff Erskine Bowles and former Wyoming Senator Alan Simpson; or

B: The plan from the Bipartisan Policy Center's (BPC) Debt Reduction Task Force, co-chaired by former Senate Budget Committee Chairman Pete Domenici and former White House Budget Director Alice Rivlin (for which – full disclosure – I have worked behind the scenes since September); or

C: The plan that Rep. Jan Schakowsky, a member of the President's fiscal commission, offered as an alternative to the Bowles-Simpson plan?

If you answered "C," you're right – however unconventional that view may be. In fact, Schakowsky's contribution to the deficit debate could signal an important sea change in the political culture, one that would dramatically improve prospects for serious deficit cutting.

Let's be clear: Schakowsky's move is important not because her plan has a snowball's chance in hell of receiving widespread support.

She would raise taxes on the wealthy and corporations and cut defense deeply, but she would then largely ignore the very heart of the long-term budget problem – the soaring growth in health care spending and the aging of the population that, combined, will drive up the costs of Medicare, Medicaid, and Social Security.

Nor is Schakowsky's move important because of her influence on the fiscal front. In fact, she's a rather predictable liberal in a House Democratic caucus that, since Election Day, has grown ever-more liberal. In shaping the debate, she won't hold a candle to Bowles and Simpson or Domenici and Rivlin.

Schakowsky's plan is important instead because she, a mainline liberal, felt compelled to do more than criticize the efforts of others. It shows that the nation's rising red ink is becoming a politically unavoidable fact of life, whether you're a no-Social-Security-or-Medicare-cuts liberal or a no-tax-increases conservative.

"I don't think we know how this is going to play out," Rivlin told the *Washington Post* for its budget story yesterday. "But I think a consensus is building that debt is a huge problem and that

we've got to take major action." Bowles added, "What's clear to me is that the era of debt-denial is over."

Yes, Rivlin and Bowles want to see action so, in that sense, their comments are self-serving. But, Schakowsky's effort suggests they're accurate as well. Here's why:

In recent years, the fiscal issue has been strangely disconnected from the real world of public policy in at least two ways.

First, the problem of deficits and debt has grown considerably, several private commissions have proposed plans this year to address it (of which the BPC's is just the latest), and Obama established his own commission to craft a plan.

But, in the real world of policy making, those nation's leaders have not only been avoiding the problem, they have been making it worse on several fronts – whether they were cutting taxes or adding prescription drug coverage to Medicare or fighting two wars, and refusing to offset the costs of any of it.

Second, deficit reduction has traditionally been led by “moderates.” In the 1980s and '90s, it was presidents like Republican George H.W. Bush and Democrat Bill Clinton and legislative leaders like Republicans Howard Baker, Bob Dole, and Bob Michel and Democrats Tip O'Neill, Tom Foley, Dan Rostenkowski, and Leon Panetta who spearheaded the efforts.

Moderates all, they understood that governing was the art of compromise; that to get something, you have to give something; and that a serious effort to craft a deficit-cutting package would require Republicans to accept tax increases and Democrats to do the same for domestic spending cuts.

But, in recent years, the parties have grown more ideologically strident, with Democrats more liberal, Republicans more conservative, and moderate members of each party shrinking in size and influence.

Republicans blocked tax hikes – deficits be damned. Democrats protected the big entitlements – deficits be damned. Receptivity within the parties for a balanced, broad-scale program of deficit reduction, akin to what the moderates crafted on several occasions during the earlier era, virtually disappeared.

That's the context in which Schakowsky's proposal has now appeared.

Writing today about the boldness of the Bowles-Simpson plan among other things, the *Wall Street Journal's* David Wessel concluded, "It's almost enough to make one optimistic."

I'm growing a bit more optimistic as well, but less because of Bowles and Simpson and more due to Schakowsky. She could well represent the onset of real political change on the fiscal landscape.

Yes, I know, we need Republicans to break ranks on tax hikes. But, for those who don't think they'll live to see it, think again. The key may well lay in a topic that is receiving growing attention – tax reform.

A plan that dramatically lowers rates and broadens the base, as both Bowles and Simpson and the BPC task force have proposed, will appeal to lots of Republicans. Team it with serious restraints on entitlements and discretionary spending, and raise more revenues by taxing consumption rather than income, as the BPC's task force also does, and Republicans just may take the deal.