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2012 elections to be fought over deficit

By Jim Nowlan

All parties to the debate are agreed that the federal government cannot continue to borrow 40 cents for every dollar it spends. With Republicans first, then Obama more recently, laying out their budget reform ideas, the ship of state has begun to turn, ponderously, like a supertanker, in the direction of serious deficit reduction.

The debate and actions to be taken in the coming years are as important as those over the original creation of Social Security in the 1930s and Medicare in 1965.

I predict that Congress and President will not be able to agree on serious deficit reduction in the coming year. That means the 2012 presidential and congressional elections will be fought over such issues as whether to end Medicare as we know it (the Democrats will charge the GOP with that heresy) and to increase taxes to bring down the deficit (Republicans have already been charging Obama and the Dems with this ploy).

Additional major issues will be bruited: shifting the responsibility for Medicaid growth from the federal government and onto the backs of the states; cutting defense spending, and eliminating tax breaks like mortgage deductions on second homes as well as for charitable deductions, among other big deal topics.

Whenever the dust settles, some taxpayers will be paying more and serious cuts in spending will have been put in place.

To their credit, Republicans under the baton of U. S. Rep. Paul Ryan (R-Wisconsin) initiated the debate with bold proposals to transform Medicare and Medicaid

(the latter a federal-state program for low income and nursing home health care).

Medicare would become a big tax credit so seniors could buy their own insurance, and states would bear the burden of curtailing Medicaid costs. Together the programs provide health care for 100 million Americans.

Both sides of the debate appear to be interested in eliminating individual and corporate exemptions and loopholes. Democrats would use the money to bring the deficit down, and the GOP, to lower overall tax rates.

Health care is the biggest challenge in deficit reduction. I doubt members of Congress will mess too much with Medicare, which is popular with the older set. The problem with Medicare is that the individual has no incentive to be frugal. For the most part, we oldsters just go to the doc or hospital and Medicare pays.

Ideally, the patient needs to be encouraged to practice good health, e.g. have periodic physicals, quit smoking, control weight and exercise. This could be accomplished by imposing out-of-pocket costs on those who don't practice good health, or even have them lose certain health care benefits if they continue their costly bad health practices. These are draconian suggestions, I admit, but unhealthy lifestyles account for a huge chunk of health care costs.

Ironically, even if more people adopt healthy lifestyles, they will simply live longer and require expensive health care over their extended years. This suggests that ultimately some form of health care rationing will be required in order to limit costs of health care, but no one is yet willing to raise that specter.

But without saying as much, if costs of Medicaid and Medicare are cut significantly, care will be rationed to some extent, that is, some people will no longer be receiving care, or as much of it.

Nevertheless, the process of deficit reduction has begun. Next is development of a general “framework” that will describe what is “on the table” for consideration, without agreement as to any specifics. This will come early this summer, to ensure support for a favorable vote on raising the debt ceiling, which simply has to be done to meet our huge international debt obligations.

About the same time, most states will have redrawn congressional districts, so members of the House and their prospective opponents will know where they must take their messages.

What will those messages be? Much will depend upon public opinion, whose pulse will be taken regularly on deficit reduction options. This is where you come in. Keep in mind that members of Congress follow more than they lead. Email your congressman with your perspectives on budget deficit reduction, but the option of doing nothing is no longer available. The long debate has begun.