

CBO's Elmendorf encounters sharp partisan divide over road to economic recovery

By Jon H. Harsch

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Washington, Jan. 27 – In a three-day marathon, Congressional Budget Office (CBO) Director Douglas Elmendorf first spelled out the “daunting” and “unsustainable” federal deficit challenge in a briefing Tuesday. He then added more detail to his damage report in a House Budget Committee hearing Wednesday. On Thursday, he’ll testify in a Senate Budget Committee hearing.

Wednesday’s House hearing showed just how hard it will be to find the bipartisan support which Elmendorf said would help accelerate recovery from the deep ’08-’09 recession. House Budget Committee Ranking Member Paul Ryan (R-WI) set the standard for GOP criticism of the Obama administration’s policies. After praising Elmendorf for being “non-biased,” Ryan then charged that “When President Obama took office, America was in the midst of a crisis that shook our financial situation to its core and eclipsed access to credit markets. The administration exploited this crisis to pursue a relentless increase in federal spending and the size and reach of the government. Heading in this direction has made matters much worse for our fiscal future.”

Ryan concluded that while the administration’s proposed partial budget freeze is a step in the right direction, “It is time to get serious about ending Washington’s insatiable appetite

for increased spending and expanded government.”



House Budget Committee Chair John Spratt (D-SC)

House Budget Committee Chair John Spratt (D-SC) countered by presenting the Democrats’ repeated assertion that the Obama administration inherited a disastrous economic situation – and that Obama administration policies made the recession less severe than it otherwise would have been.

He noted that that in emerging from the recession, “the economy in the 3rd quarter of 2009 grew by 2.2%, nothing to cheer over, but that’s a movement in the right direction for sure, a swing of 7.6%, out of recession into growth in less than a year.”

Elmendorf responded positively, confirming that in CBO’s view “the stimulus package did moderate the severity and shorten the duration of the downturn.”

Rep. James McGovern (D-MA) offered a lengthy answer to Republican criticism. He said that “When I hear my Republican friends talk about the importance of trying to rein in spending, I would just remind them that under the Clinton administration, total spending grew at average annual rate of 3.5%. Under the Bush administration total spending grew at an average annual rate of 8.4%. The fact is that President Obama inherited a mess of an economy as a result of what I believe were fiscally irresponsible policies of the previous administration.”

McGovern concluded that without the stimulus package and other measures to revive the economy “I think we would be in a much bigger mess than we are right now.” He said “I find it ironic that the same people who drove this economy into a ditch are now complaining about the size of the tow truck.”

The conclusion of the non-partisan CBO’s “Budget and Economic Outlook: Fiscal Years 2010 to 2020” report released Tuesday is that bad as the current economic situation is, it could get worse unless Congress makes tough decisions to ratchet back spending and resists the temptation to renew expiring tax cuts. The CBO report states that:

“The severe economic downturn and nearly unprecedented turmoil in the financial system over the past few years – combined with federal policies implemented in response to those conditions – have caused deficits to climb dramatically. However, even after the economy has recovered and the budgetary costs of associated federal policies have waned, the budget outlook will remain daunting. If tax provisions expire as scheduled and discretionary spending grows at the rate of inflation each year (as assumed in CBO’s baseline), budget deficits averaging almost 3 percent of GDP will persist between 2013 and 2020. Federal debt held by the public will reach 67 percent of GDP by 2020, the largest share since the early 1950s. Moreover, if expiring tax provisions are extended or spending grows faster than is assumed in the baseline, those deficits – and the corresponding debt that will result – may be much larger.”

To read the 179-page CBO report released Tuesday, “The Budget and Economic Outlook: Fiscal Years 2010 to 2020,” go to:

<http://www.cbo.gov/ftpdocs/108xx/doc10871/01-26-Outlook.pdf>

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