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5 Reasons Why a Debt Commission Is the Wrong Prescription

By Sharon Parrott and Joel Friedman

The House Budget Committee has scheduled a hearing tomorrow to consider creating a fiscal commission, noting the nation’s growing level of debt. But a commission is the wrong prescription for the country.

Raising revenues is central to any responsible effort to reduce deficits, but there is no sign that long-standing Republican resistance to raising revenues has reversed or even softened. Moreover, a fiscal commission is likely to focus narrowly on reducing deficits, ignoring other important policy challenges — from addressing climate change to broadening opportunity and reducing hardship. Ignoring these and other important issues could lead a commission to recommend policies that would reduce deficits but harm the country in important ways.

House Republicans’ lack of serious interest in finding bipartisan solutions to the nation’s fiscal challenges is exemplified by the House Budget Committee proposing to create a commission in a budget resolution that lays out extreme fiscal policies and that was adopted with only Republican support. The budget resolution calls for large-scale deficit reduction to be achieved by taking health care, food assistance, and other assistance from people with low incomes; slashing funding that supports a wide range of basic government functions; and making massive cuts through unspecified “government-wide savings.” The fiscal blueprint fails to identify a single revenue increase and includes a provision intended to allow for an unlimited amount of new, unpaid-for tax cuts.

Indeed, every Republican budget — congressional or presidential since 2011 — has prioritized deep cuts in government investments and program areas that are critical to people, communities, and the economy, but has refused to consider raising revenues to meet national needs.¹ Republicans have not supported significant tax increases since the 1990 bipartisan budget agreement, while pushing through significant, unpaid-for tax cuts in 2001, 2003, and 2017.

Here are five reasons why a debt-focused commission is the wrong way for the nation to face our serious policy and fiscal challenges.

¹ Richard Kogan and Joel Friedman, “Five Things to Look for in the House Republican Budget Resolution,” CBPP, September 18, 2023, <https://www.cbpp.org/research/federal-budget/five-things-to-look-for-in-the-house-republican-budget-resolution>.

1) The only way to responsibly reduce deficits without slashing investments in people and the economy or turning our back on commitments made in Social Security, Medicare, and Medicaid is to raise revenues as a central component of any plan. But long-standing Republican resistance to raising revenues has prevented a bipartisan agreement to do so.

The Congressional Budget Office's long-term debt projections have long shown debt rising relative to the size of the economy in coming decades; while it's not clear what level of debt would pose significant economic concerns, policymakers likely will need to adjust fiscal policy in the future to bring down projected debt levels. Debt is a problem to the degree that the cost of servicing the debt crowds out addressing other priorities, or when it weakens our ability to respond to crises.

Policymakers and others have proposed various fiscal targets for commissions, including limiting the debt to the size of the economy by 2033, as Reps. Scott Peters and Bill Huizenga proposed in their fiscal commission bill.² This is a challenging fiscal target to hit but would require far less deficit reduction than trying to balance the budget by 2033, as the House Budget Resolution purports to do.

To stabilize the debt ratio as Peters and Huizenga propose but without raising revenues and without cutting Social Security, Medicare, defense, and veterans' benefits — program areas some Republicans say they will shield from cuts — would require cutting everything else in the budget by *30 percent*. If policymakers extend the 2017 tax cuts that are slated to expire in 2025 without offsetting their cost with other revenue-raisers, then the cuts would have to be deeper still — 43 percent.

That would almost certainly mean taking food assistance and health coverage away from people with low incomes, including children and people with disabilities, and slashing investments in areas such as education, basic research, law enforcement, food and drug safety, transportation and ports, and substance use disorder treatment, to name just a few. The cuts would drive up poverty and the number of people without health coverage, narrow opportunity, and hurt the economy, which depends on investment and a skilled and healthy workforce. Such cuts would also preclude addressing the areas where *more* investment is needed, such as climate change or child care.

Alternatively, of course, policymakers could decide to substantially cut Social Security and Medicare, defense, or veterans' benefits to lessen the cuts in other areas while forgoing raising revenues — this too would be irresponsible and highly unpopular among both policymakers and the public.

The need to raise revenues is clear, but Republican budgets have repeatedly demonstrated that there is no support among Republican lawmakers to countenance serious revenue increases.³ Indeed, congressional Republicans have consistently pushed damaging cuts in IRS funding, including efforts in this Congress to roll back the badly needed investment in IRS modernization, weakening the agency's ability to even just collect the taxes that are already legally owed.

² Fiscal Commission Act of 2023, <https://scottpeters.house.gov/cache/files/5/a/5a3e52b5-0116-4e94-8ea5-2f316204339e/8EFA816ADA93537358756796BA050626.fiscal-commission-xml.pdf>.

³ Kogan and Friedman.

2) The nation faces a series of significant challenges in addition to its debt level, and a commission focused only on debt could embrace policies that would worsen other challenges.

A commission focused only on the “math problem” — the difference between revenues and spending — could prioritize solutions that would reduce projected deficits and debt but *exacerbate* our under-investment in people, communities, and the economy, particularly in the absence of a commitment to raise revenues. Cutting health care, education, investments in children, and incentives for energy transition may result in a near-term reduction in the fiscal deficit, but such cuts would exacerbate our investment deficit and have harmful long-term consequences on both individuals and the country as a whole.

Commissions are not well designed to consider the broad array of challenges facing the country, which are at the heart of fiscal policymaking. Without that broader focus, a debt commission risks making recommendations that, while trying to address one problem, could be harmful to the country overall. Indeed, it is somewhat ironic that members of Congress would consider delegating policymaking responsibility to a commission, when congressional committees, with their deep and broad expertise, are better suited to the task.

3) Without a basic agreement that raising revenues must be central to any deficit-reduction plan, the commission would be set up for failure, even if it focused just on the debt.

It has been more than three decades since Republicans voted for any significant revenue increases, in the 1990 Budget Enforcement Act. Those revenue increases were only possible because a Republican President and congressional leaders from both parties committed upfront to raise revenue. Absent such a commitment, any fiscal commission would be set up for failure — if not in the commission itself, then if its recommendations face a vote in Congress.

The last fiscal commission — the 2010 National Commission on Fiscal Responsibility and Reform established by President Obama and chaired by Erskine Bowles and Alan Simpson — developed a series of recommendations for revenue increases and spending reductions. While a majority of commission members — including all Senate Republicans but no House Republicans — supported the commission’s recommendations, it failed to reach the threshold for support for the plan to be formally sent to Congress. Republicans’ willingness to endorse revenue increases has only fallen in the time since.

The Bowles-Simpson Commission didn’t lead to legislation, but it served as a backdrop to the 2011 budget negotiations between Speaker John Boehner and President Obama. In those negotiations House Republicans rejected revenue increases. The negotiations led to the 2011 Budget Control Act (BCA), which included a set of spending cuts and effectively created another commission — dubbed a “supercommittee” — made up of members of Congress and charged with developing legislation that would produce over \$1 trillion in deficit reduction. In large part because members didn’t agree on revenues, the supercommittee failed, triggering even larger spending cuts under the BCA.

While the Bowles-Simpson process firmly embraced an approach that included significant new revenues, only spending cuts became law through the BCA. Even after policymakers moderated the cuts on a bipartisan basis, they imposed real damage on one part of the budget: public services largely outside of entitlements.⁴

Some might justify a new commission with promises that it will “put everything on the table.” But such tepid promises are of little consequence if Republicans have not agreed that higher revenues must be a central part of the recommendations that would emerge from a debt commission.

The Base Realignment and Closure Commission’s Success Shows Importance of Agreement on Core Policy Questions

Policymakers often point to the Base Realignment and Closure Commission (BRAC) as an example of a successful commission, but that commission was fundamentally different from one on the federal debt. Its mandate was narrow: closing military bases. And the BRAC process was established with broad, bipartisan agreement that there were excess military installations and that some needed to be closed.

Recognizing that no member of Congress wants a base closed in their district or state, Congress established an expert panel and criteria to use to make recommendations for base closures – recommendations that would take effect automatically unless Congress explicitly overturned them. The BRAC’s task was tailored to implement a bipartisan consensus of *how* to close bases, not *whether* to close them. But the power that was delegated to the commission would be inappropriate in the context of broad budget and tax decisions.

4) Setting a commission up for failure could cause harm.

Some will argue that a fiscal commission is worth trying even if its chances of success are slim to none. But another failed commission can breed further distrust in government. Policymakers will undoubtedly justify their support of the commission by touting its expected positive impact. Those with no intention of supporting needed tax increases can look like they are serious about fiscal propriety by pushing for and serving on the commission. And then when the commission fails, the public will view this as another failure of government.

As troubling, while the commission discussion is underway, it is almost certain to confine its focus on basic deficit math, instead of focusing on what the country needs to spend to meet its obligations at home and abroad; broaden prosperity and opportunity; address climate change; and help people who face challenges affording the basics such as food, rent, health care, and child care — and then how to responsibly finance those investments. This misdiagnosing of the problem can affect the public’s view about whether policymakers are focused on the issues that matter to them.

⁴ David Reich and Richard Kogan, “Congress Should Reject Proposals to Cut Non-Defense Program Funding,” CBPP, March 8, 2023, <https://www.cbpp.org/research/federal-budget/congress-should-reject-proposals-to-cut-non-defense-program-funding>.

5) Rather than setting up a commission that's both a distraction and doomed to fail, policymakers should focus on the coming expiration of the individual provisions of the 2017 tax cuts and take steps to ensure that, at a minimum, they are not extended in ways that worsen our fiscal challenges.

The expiration of the 2017 tax cuts in 2025 will set the stage for the next major debate on fiscal policies affecting our long-term outlook. Extending all of them would cost more than \$3 trillion in the ten years after their scheduled expiration. Many Republican policymakers have said the tax cuts should all be extended without raising other revenues to cover the costs; indeed, many are interested in adding still more tax cuts on top. These expiring provisions are in addition to the very expensive, permanent corporate tax cuts that were also enacted in 2017.

These expensive and regressive tax cuts have failed to deliver on their proponents' "trickle down" promises.⁵ Policymakers concerned about deficits and debt should commit to not extending any tax cuts without paying for them, identifying the tax cuts that are unnecessary or wasteful and shouldn't continue, and raising additional revenues for critical national needs or deficit reduction. This would put the responsibility where it belongs — on high-income people and profitable corporations who benefit tremendously from government investment and often pay low effective tax rates because of the many ways they can shield income from taxation. Enacting thoughtful tax law is work that would pay off for the country. Rather than be distracted by a commission, policymakers should focus their attention on this imminent fiscal challenge.

Conclusion

Fiscal policy is about far more than the difference between revenues and spending. It is about whom and what we invest in, whom and what we leave behind, and how we raise the resources needed to make the investments that we value. A commission focused narrowly on deficit math — particularly one that does not start with a commitment to raise revenues — cannot grapple with these questions in responsible ways.

⁵ Chuck Marr and George Fenton, "Corporate Lobbying Campaign Against Biden Tax Proposals Is Inaccurate, Unpersuasive" CBPP, September 10, 2021, <https://www.cbpp.org/research/federal-tax/corporate-lobbying-campaign-against-biden-tax-proposals-is-inaccurate>.