

Testimony for Presidents Commission on Fiscal Responsibility

My name is Joe Guggenheim of Bethesda Maryland. I am now a mostly retired small business person and publisher. In the interest of full disclosure, I have to admit that in fact in my earlier years I was once an economist

Thank you so very much for giving me the opportunity to speak to you on the daunting and critical issues the President has asked you to address.

I urge the commission to help to achieve long term fiscal balance primarily by emphasizing a vigorous policy of promoting economic growth and full employment. Moving toward balanced budgets in the short term or medium term is not nearly as important as full employment and the economic well being of all Americans.

To increase our anemic current rate of economic growth, targeted public investment should include major spending on critically needed infrastructure, education at all levels and job training, and revitalizing distressed communities while providing training and jobs for residents of these areas.

This Commission can play a critical role in dampening the outcry against any more fiscal stimulus when this is needed NOW to bring down excessive unemployment rates and achieve truly full employment

. A high growth economy in the long run can produce enough tax revenue to meet our national needs, combined with prudent measures to raise revenues and cut excessive military and other unnecessary spending .

As a society, we can sustain national debt at a higher percentage of economic output. There is no clear evidence of the potential impact of national debt of 50 % of GDP as compared to national debt of 100 percent of GDP. For more than 50 years, I have read the predictions of the forthcoming ruination of our nation because we were not balancing the federal budget. We have had extremely large deficits in the past few years. I am still waiting for somebody to point out exactly how during all these years we have suffered , in terms of the economic and social wellbeing of our citizens, because of the large deficits and national debt. The children and grandchildren of the original budget pessimists have already been born. Ask the parents if the lives of their children have been negatively affected by the national debt.. Instead, they might point to the negative effects of unemployment, housing foreclosures and vacant houses, and additionally for too many people living in distressed neighborhoods in our center cities and rural towns, poor schools, inadequate or no housing, high crime rates, and no jobs.

As a prosperous society there is no reason that we cannot sustain current benefit levels of social security, medicare and other entitlement and social spending, . The focus of budget policy should be on cutting costs rather than reducing benefit levels.

Better balancing of our budgets can also be achieved through substantial reductions in military spending, ending our two wars, eliminating tax loopholes and unnecessary tax expenditures, taxing capital gains at the same rates as individual income tax rates, substantially increased IRS efforts to audit tax returns, and if necessary, increases in income tax rates for upper middle income and wealthy individuals.

Because our nation is facing stagnation and low growth in the size of the labor force, a long term solution might include substantially liberalized immigration policies to attract skilled and/or motivated immigrants that would reduce the ratio of retired persons to active workers, would contribute to economic growth, and would produce substantial increases in social security and medicare tax receipts to help pay for entitlement programs. Highly developed European nations have used immigration to counter the impact of a stagnant population and labor force. Our own cities with large number of immigrants, such as Miami, New York and Los Angeles, have prospered in recent years. For over 100 years, this nation prospered mightily as millions of hard working immigrants looking for a better life flocked to our shores. We can learn something from our past history.

The federal reserve needs to maintain very low interest rates to promote business investment and help keep down interest payments on the national debt. The federal reserve in effect printed money to bail out big banks and corporations. In a low inflation or deflation environment, there is no reason they should not consider a similar policy to stimulate business and public investment to bail out a slow growth economy.

In 2001, the 10 year budget outlook by the Congressional Budget Office envisioned substantial budget surpluses and the total elimination of our national debt! This outlook envisioned a higher rate of economic growth. Unfortunately, our situation is totally different today primarily because of two wars, Bush-era tax cuts, anemic economic growth, and the current major recession..

If this commission because of time and personal constraints is unable to fully investigate what policies need to be adopted to promote full employment and rapid economic growth, you might recommend that another Presidential Commission be appointed to make recommendations on these vital issues.

Thank you so much for your willingness to listen to my ideas.