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Exploring Solutions to Our Long-Term Fiscal Challenges

National Commission on Fiscal Responsibility and Reform

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Co-Chairs Bowles and Simpson and members of the National Commission on Fiscal Responsibility and Reform, thank you for inviting me to discuss solutions to the nation's long-term fiscal challenge. It is an important issue for the future health of the economy, generational equity, and the ability of all Americans to enjoy rising standards of living.

I am here representing The Concord Coalition, a nonpartisan organization dedicated to strengthening the nation's long-term economic prospects through sound and sustainable fiscal policy. Concord's co-chairs are former senators, Warren B. Rudman (R-NH) and Bob Kerrey (D-NE). They, along with Concord's President former Commerce Secretary Peter G. Peterson and our nationwide membership, have consistently urged Washington policymakers to produce a credible plan for long-term fiscal sustainability.

In that regard, let me express The Concord Coalition's strong appreciation and support for your commitment to work in a bipartisan way on meaningful solutions. We hope it will set a positive example and result in recommendations that will be adopted by the Obama Administration and Congress.

At your request, my testimony today will address how the commission should approach its task, what should be targeted to reach the goal of balancing the budget excluding interest costs by 2015, and an illustrative plan for doing so. I will also discuss key aspects of the long-term challenge and potential strategies for dealing with it.

I. Overview

All Americans, regardless of political party or ideological perspective, want to leave a more prosperous, secure and compassionate nation to future generations. Yet, we are putting our nation's future at risk with an unsustainable fiscal policy that promises more debt than prosperity, a level of taxation that we would not tolerate for ourselves, and diminished prospects for families to enjoy a higher standard of living.

Beyond fiscal imbalance, today's budget policies threaten to place ever-tighter constraints on the ability of future generations to determine their own priorities or to meet challenges that cannot be foreseen. As the share of federal resources pledged to retirement and health care benefits grows, it will leave shrinking amounts for all other purposes. Generational fairness requires a major course correction.

The real choices require scaling back future health care and retirement promises, raising revenues to pay for them, or some combination of both. This is not a matter of ideology. It is basic math. Americans may have very different views about whether it would be better if the federal government were both taxing and spending at 18 percent of GDP or taxing and spending at 25 percent of GDP. No one, however, would advocate that the government tax at 18 percent of GDP and spend at 25 percent. This would certainly shatter the economy. Yet, this is the future we are now embarked upon.

While there is no quick fix, there are things we can begin doing now that will result in a much brighter picture for future generations. These do not include "slashing" entitlements or "killing the economy with tax increases." They do require that everything be on the table.

A sustainable deficit reduction effort will require all parties to compromise. Starkly partisan budget proposals may appeal to true believers and party loyalists, but a plan to reduce the deficit is unlikely to succeed over the long-term without sufficient political will to enforce it. A successful plan must be capable of resisting pressure to undo the tough choices it contains. The best way to ensure that a plan can stand up over time is to infuse it with broad bipartisan support from the beginning.

II. Approaching the task

The executive order creating this commission gives you two very ambitious tasks -- find a way to balance the budget excluding interest on the debt by 2015, and meaningfully improve the long-term fiscal outlook.

I have three general suggestions for how the commission should approach these tasks.

- Do not feel constrained by "political realities."
- Focus on solutions to the long-term structural imbalance even if the 2015 goal proves elusive.
- Do as much as you can within your limited resources to educate the public about the magnitude of the problem, and engage them in the search for solutions.

Political realities

Political realities got us into this problem. It is all too easy to promise spending increases and tax cuts. By contrast, your fiscal goals require substantial spending cuts from projected levels, equivalent tax increases, or -- most likely -- a combination of both.

Neither party wants to be the first to propose such tough choices out of fear that the other side will attack them. Similarly, neither side wants to discuss possible compromises of their own priorities out of fear that the other side will take the concessions and run. Unfortunately, these fears are justified. Yet if the commission succumbs to these fears, you will not be able to produce meaningful solutions. What you need to do is "bend the curve" of political reality. The status quo won't do.

Long-term focus

While I agree with the 2015 goal as a substantive matter, I worry that it could become a distraction by, in effect, engaging the commission in work traditionally handled by the congressional budget committees. In my view, the commission's time would be better spent working on solutions to our long-term structural deficit. Achieving a specific five-year goal, while important, is something that should be done through the regular budget process. What the regular budget process doesn't do, however, is force attention on the long-term structural imbalance.

The value of this commission is that it provides a rare opportunity to break out of the "regular order," and look at those options that will have their greatest effect beyond the five-year window.

The President should be commended for establishing a five-year deficit reduction goal in his budget. Congress should work to achieve his goal, or even improve upon it, as Senator Conrad did in the Senate Budget Committee's budget resolution. For the commission, however, it would be far better to spend its limited time and political will on shoring up the unsustainable long-term outlook. Opportunities such as this don't come around very often.

Public engagement

Because the meaningful options are politically difficult, the active involvement of the American people is critical. Without greater understanding of the problem among the public, community leaders, business leaders and home state media, elected leaders are unlikely to break out of their comfortable partisan talking points -- and unlikely to agree on solutions.

In that regard, you may be interested in the experience of The Fiscal Wake-Up Tour, a joint public awareness initiative by The Concord Coalition, the Budgeting for National Priorities Project at The Brookings Institution, The Heritage Foundation, and The Peter G. Peterson Foundation.

For almost six years we have traveled the country explaining in plain terms why budget analysts of diverse perspectives are increasingly alarmed by the nation's long-term fiscal outlook. Our emphasis is on the key areas in which we have found consensus, such as:

- The overall dimensions of the problem
- The nature of the realistic trade-offs that must be confronted in finding solutions
- The adverse and inequitable consequences for future generations if we fail to make serious changes, sooner rather than later

Members of the Fiscal Wake-Up Tour do not necessarily agree on the ideal levels of spending, taxes and debt, but we do agree on the following key points:

- Current fiscal policy is unsustainable.
- There are no free lunch solutions, such as cutting waste, fraud, and abuse, or growing our way out of the problem.
- The best way to make the hard choices is through a bipartisan process with no preconditions.
- Public engagement and understanding is vital in finding solutions.
- This is not about numbers. It is a moral issue.

Our experience is that when audiences are told the facts, and shown that if they demand their "rights" to programs or policies it will have damaging economic effects to other groups or generations represented in the audience, they begin to accept the need for tradeoffs.

In addition to the Fiscal Wake-Up Tour, we have been working with Public Agenda and ViewPoint Learning on a project designed to provide insight into how attitudes evolve as people discuss difficult trade-offs with regard to long-term fiscal policy.

A report issued in September 2008 made the following observations:

- The public is strongly averse to big increases in the size of the national debt and, with the right kind of leadership, is prepared to accept sacrifices to avoid it.
- For most people, the overriding concern is not resistance to taxes but a profound lack of trust in government. People are willing to pay for what they want so long as they can be satisfied that government will spend the money wisely and for the purposes intended.
- Americans are willing to make changes in entitlements, but again on condition that trust and accountability exist.
- While there is continued strong support for defense spending, it is accompanied by the widespread perception that funds are misallocated and often wasted.
- Americans want to be engaged in addressing these issues and are frustrated by the lack of engagement that contributes to their mistrust of government.

These findings are consistent with the results of The Concord Coalition's Fiscal Stewardship Project -- which organized citizen advisory councils in cities across the country to develop solutions to the nation's fiscal challenges -- and the findings are consistent with the results from the National Town Meeting conducted in 60 cities on June 26, 2010 by the nonpartisan organization *AmericaSpeaks*.

III. The 2015 Goal

As noted above, I believe that the 2015 goal must be thought of as a checkpoint on the road to the longer-term goal of fiscal sustainability. It is important to view the 2015 goal in context. Options that may achieve this goal may do little to change the structural deficit, and yet some options that may meaningfully improve the structural deficit may do little to improve the outlook in 2015.

To the extent possible, the options you select to meet the 2015 goal should also be capable of producing savings beyond the five-year window. This would be aided, in part, by the reduction in projected interest costs that comes from near-term savings. However, even aggressive near-term savings would be overwhelmed by structural imbalances unless those imbalances are themselves addressed in the near term.

Social Security is a good example. For the most part, cost reductions in this program will need to be phased-in over many years to give people time to adjust their work and savings plans. It is hard to imagine any big savings from this program within the next five years. Immediate payroll tax increases would boost government revenues and improve the trust fund balance, but unless they were phased-in to meet benefit obligations the extra money would be spent on other programs. In effect, we would be using Social Security payroll taxes to reduce the deficit -- a result that would surely cause further confusion and resentment.

Illustrative Path

One can look at the Congressional Budget Office (CBO) budget baseline and find an obvious path for tax and spending policy that gets us to the goal of primary budget balance by 2015 -- as revenues and spending, not counting interest, both equal 19.7 percent of GDP (leaving a 2.6 percent of GDP deficit). Given the current, dramatic levels of deficits, this would be a reasonable outcome.

The discretionary spending baseline from CBO is actually higher than that of the President's budget with its three-year freeze of non-security discretionary spending. It is also higher than the Senate Budget Committee's draft budget. All of these show spending falling to approximately a full percentage point of GDP below the average since 1980. Cutting discretionary spending further would be quite difficult, both because drastic cuts in short-term spending during a fragile economic recovery are unwise, and because there just isn't enough discretionary spending to make a big difference when looking at ways to reach the short-term budget goal while also attacking the long-term spending problem. As mentioned above, the mandatory spending programs are the long-term problem, and such cuts would have to be phased in, and thus are not able to do major heavy lifting in the near-term.

That leaves us with tax policy. Sticking to the CBO current-law baseline on taxes, 19.7 percent of GDP, gets the budget deficit to the commission's target. Legislatively, that represents the easiest option, as policymakers simply need to do nothing and let current law play out.

However, that does not mean current law represents the most desirable policy path to achieve the baseline level of revenues. If reverting to the pre-2001 era tax policy (with its higher marginal tax rates) at the beginning of 2011 is deemed undesirable for political reasons, or out of economic concern for raising marginal tax rates during the early stages of economic recovery, tax policy could be reformed to achieve the same revenue levels without raising marginal tax rates.

The commission might find fertile common ground on steps to improve the tax code in ways that would increase efficiency and thus increase revenues. A thorough scrubbing of the system to identify preferences that serve no compelling use or that could be altered in a resetting of priorities is long overdue.

The fact that the commission's short-term goal is to achieve a lower deficit by 2015 and not sooner suggests a tax policy strategy that could acknowledge the concern of many economists about the dangers of "unwinding" our currently stimulative fiscal stance too quickly. The 2001 and 2003 tax cuts that President Obama has proposed to permanently extend could instead be extended only temporarily. If done for one or two years, this would be long enough not just to allow for a more solid economic recovery, but also long enough to develop a more fundamental reform of the federal tax system that could more efficiently achieve current-law revenue levels by 2015.

This would provide an opportunity to enact a tax policy that meets the commission's 2015 goal, while earning bipartisan support, while also building a tax system capable of remaining adequate and economically efficient over the longer term -- boosting our chances for economic growth and a more sustainable fiscal future.

IV. The Long-term Structural Deficit

Getting the short-term deficit under control is only the first step. Even with a near-term deficit reduction plan, fiscal policy would remain unsustainable over the long-term. The structural imbalance between future benefit promises for retirement and health care programs and the revenues projected to pay for them must be addressed head-on.

Automatic spending growth

The primary sources of the nation's long-range fiscal strain are the rising costs of health care and retirement programs. Thus, the most effective long-range solutions would be those that constrain the growth of these programs. This will require difficult choices regarding who should receive benefits, what level of benefits can be provided, and how those benefits should be delivered.

Any strategy for fiscal sustainability will require reform of our two largest and most popular public programs: Social Security and Medicare. Moreover, the choices that are made in this regard should not be made in a vacuum. Social Security and Medicare tax the same people (mostly workers) to pay benefits to the same people (mostly retirees). What matters fiscally and economically is the combined total cost of these programs relative to what we are willing to pay for them and through what taxes, especially in relationship to the rest of our budgeting priorities.

Medicare, Medicaid, and Health Care

Reaching consensus on Medicare and Medicaid reform will be difficult given the recently bruising health care reform debate. The new reform law takes a first step in moving away from the pernicious fee-for-service system, by encouraging experimentation on ways to incentivize groups of providers to make the switch from reimbursement for quantity to reimbursement for quality. The demonstration projects for Accountable Care Organizations (ACO's) to encourage coordinated care, and the bundling of payments for episodes of care, are just some of the ideas that show promise. Ultimately, however, the recent reform legislation does not do enough to change the perverse incentives in the current system.

The commission could help to reinforce the need for building more cost control into government health care programs by recommending a budget for these programs with triggers to keep spending and taxes in line with targeted levels. The most efficient way to enforce this budget is to move more decisively away from fee-for-service reimbursement and toward capitated prepayment.

The commission could also prod members of Congress into expanding the scope of the newly created Medicare commission, or Independent Payment Advisory Board (IPAB). Currently, most physician payments, which are made based on the Sustainable Growth Rate (SGR) formula, are exempt from IPAB review and were left untouched by health care reform. This needs to change if we ever hope to reduce the volume and complexity of physician services in order to lower health care costs.

Given the obvious difficulties Congress has had in "fixing" the SGR -- a problem that has severe repercussions for both the President's commission's short term budget goal, and long-term fiscal focus -- it would make sense to pair some permanent (and necessarily costly) fix of the physician payment formula with an agreement to have the IPAB able to recommend and encourage the same type of move away from fee-for-service for physicians that it can for the rest of the health care provider population.

Ultimately, these efforts to reform the large government health care programs will take time and a willingness to continuously revisit and re-envision health care reform. They will also depend in large part on the ability for the government reforms to lead the way towards a more rational and efficient private health care system.

Social Security

Because controlling health benefit spending will be so difficult and to some degree, slow, it is all the more urgent to save what we can in Social Security. Everyone knows what needs to be done, but no one wants to do it. Because, the options are well known and have been debated for years, Social Security has gone from being the “third rail of American politics” to the “low hanging fruit.” The commission could have a powerful effect by making an obvious recommendation to phase-in benefit reductions and increase dedicated revenues.

The need for Social Security reform is increasingly apparent as the Baby Boomers have begun to receive retirement benefits. No longer can it be argued that excess cash flows from the Social Security payroll tax are making a positive contribution to the federal budget. This year, for the first time since 1983, it is expected that the program will pay out more than it takes in.

The Congressional Budget Office (CBO) projects that annual Social Security cash deficits will persist through 2013. Small surpluses will then reappear for a couple of years before turning into permanent and growing deficits by 2016. Over the coming 10-year budget window, Social Security will run a cumulative cash deficit of $223 billion, according to the CBO projections.

The emergence of cash flow deficits means that Social Security will need to begin redeeming the special U.S. Treasury bonds that make up its trust fund account.

That, in turn, will put pressure on the rest of the budget because the only choices available will be to cut other spending, raise taxes, or borrow the money (i.e., increase the deficit). What was once considered to be a “long-term” problem has moved to the present. And the longer one looks into the future, the larger the financing challenge becomes. According to the most recent Social Security Trustees report (2009) the annual cash deficit will reach 1.4 percent of GDP by 2035 before leveling off.

Fiscal considerations aside, there is also the issue of public trust in government. The public is increasingly frustrated with the inability or unwillingness of elected leaders to work together on solutions to known problems. Financial markets are also keeping a sharp eye on Washington’s ability to manage its deteriorating fiscal condition.

Reaching bipartisan consensus on a plan to shore up Social Security would send a positive signal to both the public and the financial markets. It would say to the public that politicians can work together to solve important problems, and it would say to financial markets that Washington is not paralyzed in the face of mounting debt.

A responsible reform plan must start with cost-saving measures that close Social Security's long-term cash deficit. Several benefit reduction strategies are possible. If the aim of reform is to address Social Security's financing problem at its source -- rising costs -- either adjusting the program for increasing longevity or constraining the growing value of its scheduled monthly benefits are the two most logical solutions. Options that The Concord Coalition has written about favorably include raising the so-called “normal” retirement age and shifting from wage-indexing to price-indexing for calculating new benefits. The most reasonable strategies stress gradualism and fair warning.

Raising taxes is certainly a substantive option, and one that is more fiscally responsible than unlimited borrowing, but choosing to raise future taxes to meet current law costs is similar to borrowing in that it places a claim on the expected earnings of today's children -- in effect confiscating their economic progress. If future generations want to sustain these higher costs it should be their choice, not the consequence of the current generation's refusal to plan responsibly for a known problem.

In Concord's view, payroll tax increases should only be considered within the context of a comprehensive plan that lowers long-term costs. Higher revenues today will do nothing to lessen Social Security's future burden without a mechanism to ensure that the extra money is translated into higher savings and a larger future economy rather than higher spending on current government programs.

In any event, reform options should not focus on trust fund solvency (or "actuarial balance"), but on the projected gap between benefits and dedicated revenues. Trust-fund accounting gives a highly misleading picture of Social Security's impact on the budget and the economy. It counts as assets trillions of dollars of contributions that have never been saved, while failing to count as liabilities trillions of dollars of benefits earned on those contributions but payable beyond the Trustees' time horizon.

What matters fiscally and economically is Social Security's cash balance. Reforms that focus just on actuarial balance may achieve temporary "solvency" but quickly leave the program "insolvent," as new years of large deficits are added to the 75-year average and trust fund surpluses are subtracted. That, in fact, is what happened in the case of the 1983 reforms. By 1985, the trustees estimated that the program was solvent for just 64 years, not 75, and 10 years later solvency was projected for just 35 years. That projection is now down to 28 years (from 2009).

As an example, consider the effect of raising the payroll tax by 2.2 percentage points, from 12.4 percent of taxable payroll to 14.6 percent. In the context of actuarial balance this reform would "fix" the problem. And yet, according to estimates by Social Security's chief actuary, this reform would only add 7 years of cash surpluses and close just 50 percent of the gap in the 75th year.

Meanwhile, nothing would prevent the government from simply spending the new revenues. For the 2.2 percent "solution" to work in something other than an accounting sense, the new money would have to be saved. That means politicians would have to allow the program's extra interest-earning assets to accumulate unspent for decades – a proposition that seems highly unlikely and in any event cannot be guaranteed.

Taxes

Low taxes encourage economic growth by providing incentives for work, saving and investment. Tax policy, however, should not be considered in isolation. If taxes fall too far below spending for too long, the resulting deficits will eventually cancel out whatever positive effect there may be from low taxes. In the final analysis, revenues must be sufficient to pay for the cost of government. Debt is not a painless alternative to taxation.

The tax burden is ultimately determined by the government's spending commitments and not the other way around. Spending restraint is, of course, the key to maintaining a sustainable fiscal policy and allowing future generations more of a choice in setting their own priorities. But experience has demonstrated that attempting to reduce spending simply by cutting taxes, or “starving the beast,” is a failed strategy. While reforms should be enacted that would substantially reduce the long-term growth in federal spending, it is unlikely that any realistic array of reforms will allow an aging society to hold spending to today's level.

The best fiscal policy is one that aims to prevent total spending, taxes or debt from reaching levels that could reduce economic growth and future standards of living. In that regard, The Concord Coalition believes that tax cuts scheduled to expire should not be permanently extended absent a plan for long-term fiscal sustainability.

As mentioned above, committing to only a temporary extension of the 2001 and 2003 tax cuts would reduce tax policy's contribution to the currently unsustainable budget outlook. Ideally, a requirement of revenue neutrality relative to the revenue levels under current law, combined with temporary tax cut extensions, would encourage and allow time for fundamental tax reform. Such reform would necessarily include a substantial amount of base broadening to reduce the myriad number of so-called “tax expenditures” that now cost the federal budget more than $1 trillion per year. They are called “tax expenditures” because there is often little to distinguish these tax breaks from spending programs. The credits, deductions and exclusions they provide are, for the most part, disguised federal subsidies designed to encourage certain behavior.

Many economists argue that it would be more efficient and transparent to provide these subsidies directly by writing a check rather than indirectly by funneling them through the tax code. In doing so, their policy rationale and cost would also be subject to more scrutiny since their current “auto pilot” status places them outside of annual review in a way similar to our current mandatory spending programs.

One of the most important and costly tax expenditures the commission should consider tackling is the exclusion of employer-provided health insurance. At a cost of around $250 billion per year, it is actually the single largest tax expenditure in the federal budget. Eliminating or sharply reducing the tax preference for employer-provided health care is widely viewed as one of the most efficient tax policy changes we could make to the federal tax system. It would substantially broaden the tax base and make the tax system more neutral with respect to different forms of income. It would also be a "progressive" tax policy change because currently, the exclusion is more valuable to people in higher tax brackets. Finally, this change has had bipartisan backing in the past.

But perhaps most significantly, reducing the employer-provided health exclusion would have two effects that would work synergistically toward the commission's central goal of achieving fiscal sustainability over the longer term. First, it would reduce the distortion in consumer health care prices and the tax preference’s encouragement of excessive demand for health care that leads to higher overall health care system costs. Second, because the cost of the full exclusion is one that grows over time with health costs, reducing or eliminating the exclusion would mean that a tax reform package that starts out revenue neutral relative to current law in 2015 would likely be revenue gaining relative to current law in the years beyond 2015. So this particular tax policy change would be consistent with tax reform, health reform, and fiscal sustainability goals.

There are other ways to broaden the existing income tax base that would likely improve the efficiency of the tax system. The annual collection of "tax extenders" is long overdue for a closer look. While most of them have a laudable purpose, such as encouraging investments in new technologies or in economically distressed areas, Congress has not taken the time to examine whether they have been successful enough to justify raising taxes elsewhere or cutting other spending programs. None of them should be renewed without careful scrutiny and a clear justification.

Eliminating other itemized deductions, converting some deductions into credits, or capping deductions as the President proposed in his budget, could also accomplish the goal of raising revenue without substantial negative impacts on either economic growth or progressivity.

Besides making the existing income tax base broader and more efficient, fundamental and sustainable tax reform may require adopting additional tax bases. Over the years, many tax policy experts, both liberal- and conservative-leaning, have advocated for environmentally-motivated tax policy (such as a carbon tax or auctioned carbon permits system) or a value added tax (VAT) as additional sources of federal revenue that are considered relatively efficient taxes provided they are implemented in their broadest, purest forms with few exemptions. In fact, the advantage of coming up with these taxes is that they are more likely to be simple and broad (and hence efficient) because of our "starting from scratch."

V. Budget process

While budget rules alone will never be able to solve the nation's fiscal problems, enforcement mechanisms can bring greater accountability to the budget process and help provide Members of Congress with the political cover to make tough choices.

Any recommendations you make should be accompanied by a strong enforcement process to ensure that the assumed savings remain on track. The Budget Enforcement Act of 1990 (BEA) provides a good example of how process reforms can work with substantive goals to achieve results. This law combined policy changes to the pay-as-you-go (PAYGO) concept for entitlement and tax law, with caps on discretionary spending, which were enforced through sequestration. This year's renewal of statutory PAYGO will help in enforcing changes to entitlement and tax laws, but there is no current process to enforce savings from discretionary programs. In Concord's view, statutory caps, along with sequestration, should be included with your recommendations for discretionary spending.

As noted, the renewal of PAYGO is a positive step. However, it falls short of addressing the central long-term budget challenge, which is constraining the cost of existing entitlement programs. PAYGO requires Congress to offset the cost of new programs or expansions of existing programs. It does not apply to current-law benefits.

In fact, there is nothing in the budget process that requires Congress to review the current-law budget outlook beyond the next ten years, much less take corrective action. The current budget process encourages short-term thinking by focusing on a five or 10-year budget window. Yet, as analysts from all sides generally agree, our truly unsustainable fiscal problem stems from commitments that extend far into the future. A five or 10-year budget window may have been adequate back when most federal spending was appropriated annually. It is insufficient when most of the budget consists of entitlement programs rising on autopilot. It's time to include the long term in the budget process.

You could take a major step in improving the transparency of our future obligations and encourage actions to deal with them by recommending that future budget resolution set targets and estimates of entitlement and tax policy proposals stretching out for at least 40 years.

Congress should establish long-term targets for revenues and outlays by major spending category as part of the annual budget resolution. It should note how major legislative proposals assumed in the resolution would affect these targets and how the targets differ, if at all, from current law as projected by the CBO. Separate targets could be established, as a share of GDP at five-year intervals through 2040, for total revenues, defense spending, domestic discretionary spending, Social Security, Medicare, Medicaid, other entitlements, and net interest. If the targets differ from current-law projections, CBO could be required to issue a report with an illustrative menu of reform options capable of generating the proposed savings.

For enforcement purposes, triggers could be added that would either trim spending down to the targeted level or raise revenues. A version of this idea was proposed in the "Taking Back Our Fiscal Future" paper which I co-signed along with 15 other colleagues, including commission member Alice Rivlin.

VI. Conclusion

Daunting as the long-term projections are, there is nothing inevitable about a fiscal crisis. The problems we face -- essentially a structural imbalance between what government promises and what it collects in taxes to pay for those promises -- is one that can be cured in a timely way if we begin to address it now. In other words, the solution is in our own hands.

There is no better time to begin such an effort than now. Known dangers should be acknowledged in advance of a crisis and dealt with in a straightforward manner. By all means, we should debate the options and trade-offs. But we must act. Economic growth alone will not be enough to close the gap. Moreover, the sooner action is taken, the more gradual the remedies can be. The political system can adjust to unexpected good news. More problematic are the potentially harsh adjustments of deferring action on bad news projections that prove correct.

Concord's founding Co-Chair former Senator Paul Tsongas (D-MA) said, "The bond between parent and child is nature's strongest. Providing for the well-being of the young is how every generation of Americans undertook their stewardship."

Our time to act as generational stewards is now.