



Insight

Eakinomics: The Looming Budget Impasse

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Chatter about a government shutdown is rising, despite the public avowals of House Speaker John Boehner and Senate Majority Leader Mitch McConnell that they have no interest in closing the government. Unfortunately, not everyone in DC is on the same page; among Republicans the Planned Parenthood issue has reared its ugly head, Senate Democrats have filibustered every appropriations bill, and the administration has threatened to veto six of the bills even though they are not yet in final form for presidential signature. Given that a shutdown would be costly and economically counterproductive, I would argue that the president should drop cynical partisan politics, step up, and provide the leadership to get a funding bill across the finish line.

Stepping back, it would appear that there are three, related policy goals facing the Congress and administration: (1) fund the government, (2) raise the debt limit, and (3) address the dangers posed by the fiscal outlook. As I have noted before, over the next decade the debt and interest on that debt will spiral up to the point that the federal government will be essentially borrowing simply to pay interest on previous borrowing. This is dangerous territory. Moreover, the driving force is the rapid growth of entitlement programs like Medicare, Medicaid, the Affordable Care Act, and Social Security that are also squeezing the ability to fund national security, basic research, infrastructure, education and the other basic functions of government that even the Founders would recognize.

So the policy trifecta would be a bill that funds the government at suitable levels, raises the debt limit, and contains sufficient reductions in mandatory spending (i.e., entitlements) to lower the current and future deficits. That is a sensible policy package that fiscal conservatives should be happy to support. If their political opposition wants to oppose controlling the debt in favor of (a) a crisis in the market for Treasuries and (b) shutting the government, and (c) economic turmoil then they and the president should be willing to say why.