Fix the Debt

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5 Ways Washington Can Make Good on Promises to Fix the Debt

President Trump began his term in office with debt held by the public at 77 percent of the economy, higher than any new president besides Harry Truman. And it is forecast to grow indefinitely. With national debt racing towards record levels, the President says he wants address it. Here's how to tackle the debt:

1. Come up with a budget that reduces the debt path. The current trend of debt growing faster than the economy must be reversed. A federal budget should be approved that results in the debt growing slower than the economy. At the end of a decade, at the very least, it should leave debt relative to the economy lower than where it is today (78 percent of Gross Domestic Product) rather than the 96 percent it is projected to be.

2. Focus health care reform on cost control. The growth of health costs is among the biggest drivers of growing debt, and in fact, federal health care spending will account for more than half the expected increase in total spending as a share of the economy over the next ten years. As policymakers consider reforming health care and/or changing the Affordable Care Act (also known as Obamacare), they should:

1. Ensure reforms do not add to the debt;
2. Include reforms that extend the solvency of Medicare;
3. Focus on controlling the growth of health care costs.

3. Enact fiscally responsible tax reform. The recent tax cuts fell far short of the fundamental tax reform that is needed. Reforms should improve simplicity and fairness, encourage economic growth, and reduce the deficit. This can be done by addressing the more than $1.5 trillion in tax breaks that complicate the tax code, which will provide money to lower rates and reduce the deficit. Importantly, tax reform should not add to the debt or rely on overly optimistic claims about reforms paying for themselves.

4. Stop digging the debt hole deeper by paying for all new initiatives. The president and Congress should promise to not make the debt situation worse. Trillion-dollar budget deficits are already projected to return within two years. If Washington acts irresponsibly, deficits and debt will rise even higher. The first rule to getting out of a hole is to stop digging, and there's a simple way to do that: offset the costs of all new spending initiatives or tax cuts. Congress should abide by "pay as you go" and the president should veto legislation that adds to the debt.

5. Pursue Medicare, Social Security, and other spending reforms. Social Security's trust funds are expected to run out by 2034, when today's 51-year-olds reach the normal retirement age. If that happens, all recipients will face a 21 percent cut in benefits. Medicare faces an even more dire situation as the Hospital Insurance trust fund faces insolvency by 2026. These critical programs must be made sustainable for generations to come, and doing it sooner rather than later will allow changes to be less abrupt and spread out over time. False promises about "protecting" the programs by doing nothing leave participants vulnerable.

There are real opportunities now for policymakers to follow through on their commitment to get the debt under control. Fixing the debt will be critical to creating healthy and sustainable economic growth that will benefit all Americans.