

# America's Fiscal Future and Needed Actions

ALEC Federal Debt Session

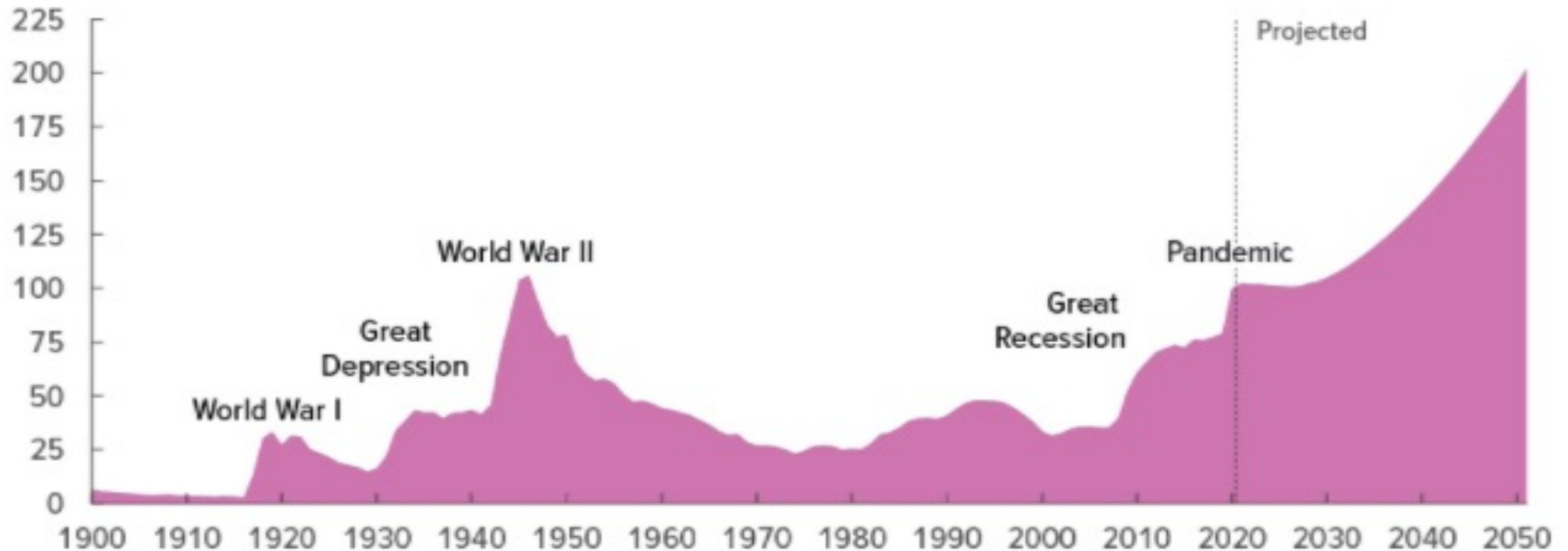
July 30, 2021

By: Hon. David M. Walker

Immediate Former U.S. Comptroller General

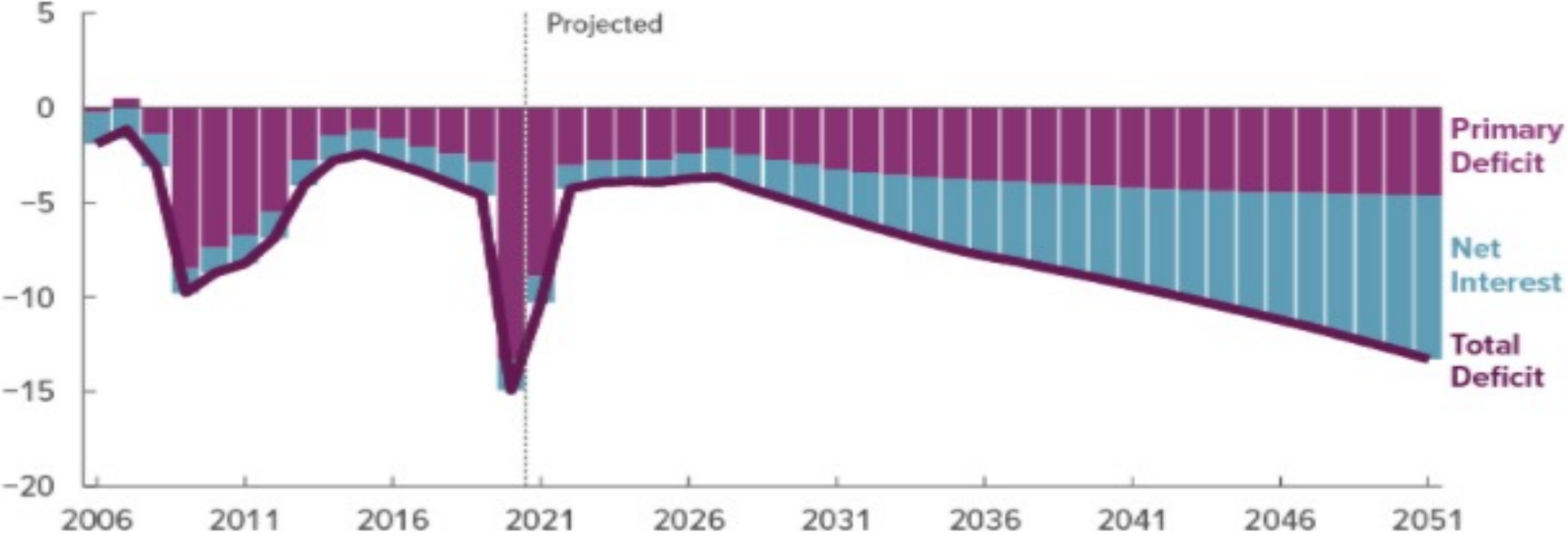
# Future Fiscal Path and Net Interest Spending Per CBO in March of 2021 Before the Latest COVID Legislation

Percentage of Gross Domestic Product



# Future Deficit Projection Per CBO in March 2021 Before the Latest COVID Legislation

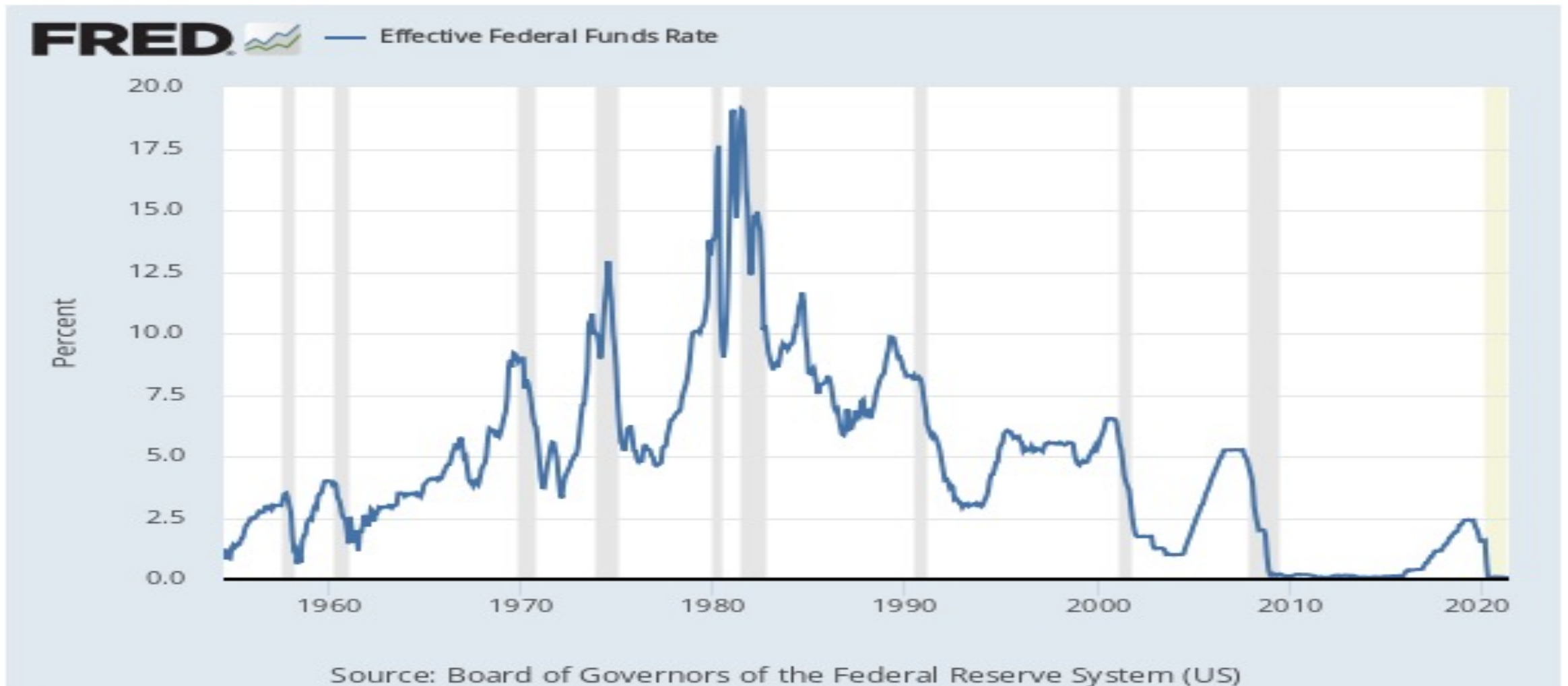
Percentage of Gross Domestic Product



# Different Fiscal Metrics (Fiscal 2020) In Trillions

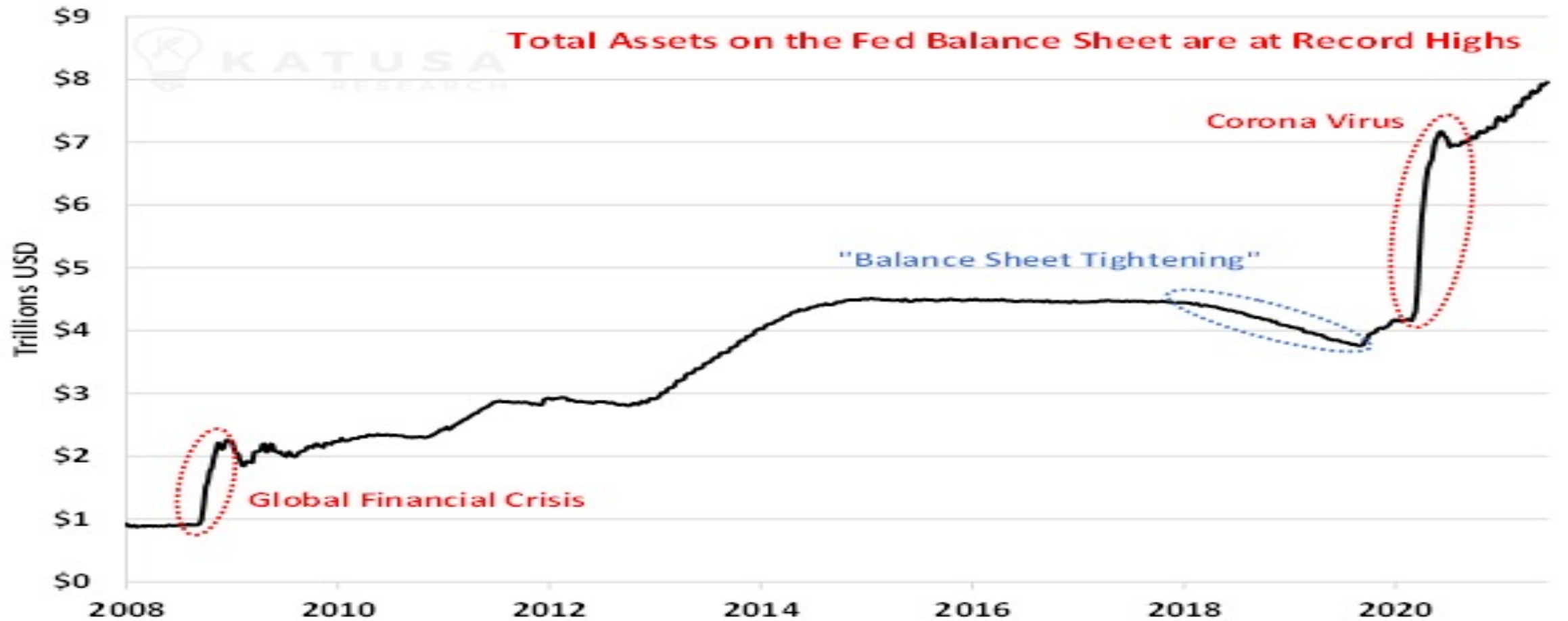
- Debt Held by the Public – \$21.1
  - Debt Held by Trust Funds – \$6.0
  - Total Debt Subject to the Debt Ceiling Limit – \$27.1
  - Total Pension and Retiree Health Care Obligations – \$9.4
  - Other Liabilities, Commitments and Contingencies – \$.1
  - Total Unfunded Social Security and Medicare Obligations (DPV for 75 Years) – \$65.5
  - Total - \$102.1
- 
- Items in Red are not on the Balance Sheet

# Effective Federal Funds Rate



# Federal Reserve Balance Sheet

## Federal Reserve Balance Sheet: Total Assets



# Truth in Accounting 2020 State Rankings

## Top 5 Sunshine States

1.	Alaska:	\$77,400	●
2.	North Dakota:	\$37,700	●
3.	Wyoming:	\$19,600	●
4.	Utah:	\$5,500	●
5.	Tennessee:	\$3,400	↑

## Top 5 Sinkhole States

50.	New Jersey:	-\$57,900	●
49.	Illinois:	-\$52,000	●
48.	Connecticut:	-\$50,700	●
47.	Hawaii:	-\$31,700	↓
46.	Massachusetts:	-\$30,100	↑

# Bad News Flows Downhill

- Higher Federal Taxes
- Fewer State and Local Grants
- More Federal Unfunded Mandates



# Restoring Federal Fiscal Sanity Will Require

- Additional Financial Transparency and Integrity
- Revised Budget Process and Controls
- Reprioritized and Reduced Discretionary Spending
- Restructured Social Insurance Programs
- Additional Targeted Investments
- Increased Revenues
- A Statutory Fiscal Sustainability Commission
- A Fiscal Responsibility Constitutional Amendment

# Two Needed Actions

- A statutory federal Fiscal Sustainability Commission that addresses that flaws in the 2010 Simpson/Bowles Commission approach
- A Federal Fiscal Responsibility Constitutional Amendment

# Proposed Public Debt/GDP Constitutional Limits

- An overall Public Debt/GDP “credit card” limit with limited exceptions (e.g., formal Declaration of War, for specified reasons with a supermajority vote of both houses of Congress and the signature of the President).
- A future Public Debt/GDP target with annual targets, triggers and automatic enforcement mechanisms and limited annual exceptions (e.g., formal Declaration of War, for specified reasons with a supermajority vote of both houses of Congress and the signature of the President).
- Violations of either provision would result in current Members not being able to stand for re-election.

# Benefits of the Public Debt/GDP Approach

- Represents an approach that most economists can agree on
- Represents an approach that has the greatest potential to achieve bi-partisan and trans-ideological support
- Is more flexible and yet less gameable than a “balanced budget” approach
- Is pro-growth oriented
- Allows elected officials to decide what the proper mix of spending cuts, additional investments, and revenue increases should be
- Has automatic enforcement and accountability mechanisms