With Reconciliation Bill on the Table, CED Report Outlines Steps to Address the Nation’s Budget Vulnerabilities

New York, NY, September 30, 2021...As Congress remains embroiled in negotiations for a $3.5 trillion budget reconciliation bill that could fund a broad swath of long-standing Democratic legislative priorities and transform the role of government in the economy, the Committee for Economic Development of The Conference Board (CED) issued a new Solutions Brief report, The Reconciliation Bill: Finding an Affordable Way to Build Back Better. Bottomline: the skyrocketing costs could jeopardize economic recovery efforts and prove catastrophic if left unchecked.

As detailed in the report—the latest in a series of Solutions Briefs on Sustaining Capitalism—the reconciliation bill would be among the largest-dollar single pieces of legislation enacted in US history. However, the reconciliation process was originally intended to facilitate the enactment of painful deficit-reduction legislation, not to truncate the legislative process and move consideration behind closed doors. Adding to the vast price tag are “smoke-and-mirror” tactics that would drive costs well beyond the $3.5 trillion mark, further destabilizing the country’s precarious fiscal trajectory amid ongoing supply chain bottlenecks, inflationary fears, and the highly transmissible Delta variant.

“The nation’s fiscal outlook was unstable before the pandemic, and is significantly worse in COVID-19’s aftermath. Faced with a proliferating public debt and massive increases in spending—including $5.3 trillion in pandemic relief—the US economy is headed for dire financial troubles,” said Dr. Lori Esposito Murray, President of CED. “A top priority must be mitigating a future budget crisis spurred by a lack of foresight and an unwillingness to confront the mounting debt.”

Indeed, over the next decade, the US public debt is on an unsustainable path to surpass its highest historic level: 106.3 percent of GDP at the end of World War II. According to the latest projections from the Congressional Budget Office, annual increases in the budget baseline deficits over the next 10 years would increase the accumulated public debt from 79.2 percent of GDP at the end of fiscal year 2019 to 106.4 percent at the end of fiscal year 2031. That doesn’t include projected deficits from the yet-to-be-passed bipartisan infrastructure plan, which CBO estimates will add $256 billion to budget deficits over fiscal years 2021-2031. How these plans will be financed remains unknown.

In its new Solutions Brief, CED offers seven steps to address the nation’s structural economic issues and its budget vulnerabilities. They include:

- **Put the budget deficit and debt problem into the calculations:** The bottom line of the reconciliation exercise should be a future debt-burden path that is sustainable. Debt matters. The reconciliation bill should include the net savings needed to cap and ultimately reverse the growth of the ratio of the debt to the GDP.

- **No gimmicks:** Costs of chosen initiatives should not be hidden through foot-in-the-door expirations or belated phase-ins that merely hide the intention of making the programs permanent. The looming budget crisis will not be fooled.
• **Set priorities:** Once the nation has put the cost of a sustainable budget on the table, not all of the wishes in the current reconciliation debate will fit. Those initiatives must be transparently reviewed and prioritized.

• **Reform the tax system, don’t just increase rates:** Simply raising tax rates increases the burden where it already is the heaviest—on those who are already paying taxes. Tax reform removes preferential tax breaks because the best tax break for everybody is no tax breaks for anybody. Tax neutrality also yields the most efficient allocation of both capital and labor, and therefore the strongest and most sustainable economic growth.

• **Consider the pandemic increment to the debt:** CED urges consideration of a manageable first step: a separate federal financing authority with its own dedicated revenue source to service and ultimately retire the approximately $6.5 trillion pandemic increment to the debt.

• **Forbid the use of reconciliation to increase the deficit:** Reconciliation was created to help the Congress to take painful steps to reduce the deficit. Self-indulgence does not need a parliamentary head start. The budget law should be amended to make explicit that reconciliation may be invoked for deficit reduction only.

• **Consider another National Commission on Fiscal Responsibility and Reform:** Under the right circumstances, a commission can focus attention and bring neutral expertise to bear. If today’s elected policymakers cannot address this crucial issue, they should call for help.


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