# Obama’s Debt Commission Means More Spending, Debt, and Deception

"By the authority vested in me as President by the Constitution and the laws of the United States of America … there is established within the Executive Office of the President the National Commission on Fiscal Responsibility and Reform." Thus begins the Executive Order signed by President Barack Obama on February 18, creating what is being called the Debt Commission.

In his February 18 press conference announcing the new commission, President Obama stressed the need for such a body owing to the "severe fiscal crisis, brought on by years of bad habits in Washington." It is imperative, he insisted, that we "address the long-term quandary of a government that routinely and extravagantly spends more than it takes in."

"Without action," the President said, "the accumulated weight … of ever-increasing debt, will hobble our economy, it will cloud our future, and it will saddle every child in America with an intolerable burden." Incredibly, the President made these statements with a straight face, as though fully expecting his audience to believe that it is he alone who is standing against the bad habits of extravagant spending in Washington.

Stephen Moore at the *Wall Street Journal* was one of the few in the press who noted the patent absurdity of the Debt Commission announcement, observing that on that very same day "President Obama called for another $50 billion to $100 billion stimulus plan (and concomitant increase in the deficit)."

"It says a lot about Washington that almost no one got the irony of those paired announcements," Moore remarked. The reality, of course, is that plenty of folks in Washington — in the political realm as well as in the media — "got" what Moore refers to as "irony" (but which is really blatant mendacity and deception). The truth is that President Obama, like many previous occupants of the White House, as well as most of his former colleagues in the Congress — both Democrat and Republican — knows that it’s become an obligatory ritual for politicians to declaim and denounce budget deficits, and to profess concern about indenturing our children’s children with ever greater debt burdens, while continuing merrily on their spendthrift ways piling more debt on top of debt. In the Washington Wonderland they inhabit, words do not have any relationship to actions. This is so because the Washington press corps and their national counterparts aid and abet this deception, both by failing to point out the incongruity between the politicians’ words and actions, as well by actively promoting the ever-proliferating government programs that are being financed by ever-larger deficits.

The President's Executive Order contains the following mission statement for the new entity:

> The Commission is charged with identifying policies to improve the fiscal situation in the medium term and to achieve fiscal sustainability over the long run. Specifically, the Commission shall propose recommendations designed to balance the budget, excluding interest payments on the debt, by 2015. This result is projected to stabilize the debt-to-GDP ratio at an acceptable level once the economy recovers.

President Obama's we'll-balance-the-books-sometime-in-the-sweet-bye-and-bye (perhaps by 2015) is standard fare in Washington. It is more of the well-known and well-worn "Wimpie economics" that has bedeviled our national leaders for generations. You no doubt recall the always-ravenous Popeye cartoon character, Wimpie, who would famously propose: "I'll gladly pay you Tuesday for a hamburger today."

Like Wimpie's consumption, the government's ravenous spending/borrowing must always be satisfied immediately, but the promise of paying back the loan is soon forgotten. In fact, only a couple weeks after President Obama launched his new Debt Commission, the Congressional Budget Office (CBO) reported (see the original CBO report here) that far from balancing the budget by 2015, the Obama spending proposals would lead to deficits of nearly $1 trillion per year for the next decade. "Annual deficits under Obama's budget plan would be about $976 billion from 2011 through 2020, according to a CBO analysis," *The Hill* reported on March 5. However, even the CBO numbers are likely to be rosy compared to the real deficit numbers we would likely see, if "Obamanomics" proceed apace. As *The Hill* noted, the CBO's deficits are based on the expectation that the economy will "grow at about 4.4 percent annually during the last half of this decade, while the administration expects annual growth to range from 5.3 percent to 4.3 percent from 2015 to 2020." But what if economic growth is a point or two lower than the CBO projects — or even worse? Then, better plan on adding another zero (or more) to the deficit numbers.

**Assessing the Commissioners**

President Obama was joined at his February 18 press conference with the two men he named to co-chair the new Debt Commission, former Clinton White House Chief of Staff Erskine Bowles and former Republican Senate Whip Alan Simpson. "Alan Simpson is a flinty Wyoming truth-teller," the President said. "Through nearly two decades in the United States Senate, he earned a reputation for putting common sense and the people's welfare ahead of petty politics."

Then he turned to co-chair Bowles. "Erskine Bowles understands the importance of managing money responsibly in the public sector, where he ran the Small Business Administration and served as President Clinton's chief of staff," he said. "In that capacity, he brokered the 1997 budget agreement with Republicans that helped produce the first balanced budget in nearly 30 years."

"One is a good Republican, the other a good Democrat," President Obama said of his new Dynamic Duo. "But above all, both are patriotic Americans who are answering their country's call to free our future from the stranglehold of debt."

However, if these are the saviors, we can be sure the American economy will soon expire from strangling. Alan Simpson may have started out in the Senate with many believing he was a fiscal conservative, but he gradually proved he had "grown" in office — a term the liberal commentariat applies to conservative politicians who shed their aversions to big government and begin moving leftward on economic and social issues. By the time he left office in 1996, Sen. Simpson's rating by the

National Taxpayers Union had dropped to 68 percent, three points below the average for Republicans in Congress, due to his increasingly spendthrift voting habits. But what has really endeared him to the liberals is his support for abortion, homosexual rights, and foreign aid. He also scored major points for authoring and successfully pushing the disastrous 1986 Simpson-Mazzoli Immigration Reform and Control Act (IRCA), which granted amnesty to millions of illegal aliens and encouraged widespread immigration fraud and new waves of illegal aliens. The current effort to grant another amnesty to additional millions of aliens who have come here illegally is testimony to Simpson's IRCA legacy.

Like Republican Senators John McCain, Olympia Snowe, Lindsey Graham, and Arlen Specter (now officially a Democrat), Simpson has won praise for being "independent," for being a "maverick," and for "crossing the aisle" to embrace liberal programs and policies. Typical of the accolades heaped on Simpson by the left-leaning establishment press is this bouquet from the *Washington Post* on February 17:

> Simpson, 78, represented Wyoming in the U.S. Senate from 1979 to 1997, rising to the post of Republican whip and gaining a reputation as an independent thinker willing to break from partisan orthodoxy. Since his retirement, he has taught at the Harvard Kennedy School of Government and served on the bipartisan Iraq Study Group, a congressional panel created to recommend changes to U.S. policy in Iraq.

Though long out of office, Simpson is still widely respected among the GOP rank and file, and Democrats hope his involvement will spur Republican leaders to cooperate in the politically delicate task of reordering the nation's fiscal priorities.

The *Post* bestowed similar laurels on Bowles. Adopting President Obama's wording almost verbatim, the *Post* praised him for "crafting a package of tax hikes, entitlement cuts and budget controls that helped generate the first balanced budgets in nearly 30 years."

The myth of balanced budgets and surpluses during the Clinton years has now been repeated so often in the press that it is accepted as fact by many of the media mavens and much of the public. However, as eminent free-market economist Hans F. Sennholz pointed out in his November 2000 essay, "The Surplus Hoax," President Clinton's "surpluses" were examples of "the art of fiscal legerdemain which turns a tax into a benefit and a deficit into a surplus."

"The federal budget surpluses since 1998," said Professor Sennholz, "…obscure significant federal expenditures through bookkeeping gimmickry, such as borrowing new money to pay off old loans and calling it 'debt reduction.'"

Erskine Bowles was a leader of the Clinton brain trust that came up with the accounting gimmickry. Dr. Sennholz explained how it works:

> The federal government spends Social Security money and other trust funds which constitute obligations to present and future recipients. It consumes them and thereby incurs obligations as binding as those to the owners of savings bonds. Yet, the Treasury treats them as revenue and hails them for generating surpluses. If a private banker were to treat trust fund deposits as income and profit, he would face criminal charges.

Instead of facing criminal charges, Bowles is being put in charge of an 18-member commission that may end up having tremendous influence over our nation's economic destiny. And that influence is not likely to be a healthy one. Indeed, there is every reason to suspect that it will perpetrate the same kind of accounting chicanery Professor Sennholz exposed, while providing cover for continually expanding budgets, heavier taxes — and greater deficits to boot.

President Obama appointed four additional commissioners, with the remaining 12 to be named by the Democratic and Republican leaders of the House and Senate. The four additional Obama appointees are:

* Dave M. Cote, since 2002 chairman and CEO of Honeywell International, a diversified technology and manufacturing conglomerate. Previously, he was chairman, chief executive officer, and president of TRW, which he joined after serving 25 years in various positions at General Electric.

* Ann Fudge, former chairman and CEO of advertising giant, Young & Rubicam Brands, has also served on the boards of the Bill and Melinda Gates Foundation, the Rockefeller Foundation, and the Council on Foreign Relations.

* Alice Rivlin, economist and founding director of the Congressional Budget Office, is a former vice chairman of the Federal Reserve and currently a senior fellow in the Economic Studies Program at the Brookings Institution and visiting professor at Georgetown University.

* Andy Stern, president of the Service Employees International Union (SEIU), represents 2.2 million healthcare workers, janitors, security officers, and public employees.

The three Democratic Senators named by Senate Majority Leader Harry Reid are hardly paragons of fiscal virtue. In fact, they are among the biggest deficit spenders in Congress.

They are:

* Sen. Richard Durbin of Illinois, who earned a pitiful 4 percent rating on the National Taxpayers Union's (NTU) scorecard for 111th Congress and an even worse 0 percent on *The New American's* Freedom Index (FI) for the 111th Congress. The American Conservative Union (ACU) gave him a cumulative score of 6.12 percent;

* Sen. Max Baucus of Montana – NTU 7 percent, FI 10 percent, ACU 14.21 percent;

* Sen. Kent Conrad of North Dakota -NTU 10 percent, FI 5 percent, ACU 19.28 percent;

The three Republican Senators named by Senate Minority Leader Mitch McConnell have considerably better voting records on fiscal issues than their Democratic counterparts. They are:

* Sen. Judd Gregg of New Hampshire – NTU 80 percent, FI 50 percent, and ACU 78S.68 percent;

* Sen. Tom Coburn of Oklahoma – NTU 97 percent, FI 100 percent, and ACU 98 percent;

* Sen. Mike Crapo of Idaho – NTU 86 percent; 2009, FI 75 percent, and ACU 92.27 percent.

The three Republicans named by House Minority Leader John Boehner are, likewise, fairly solid on fiscal issues. They are:

* Rep. Paul Ryan of Wisconsin – NTU 90 percent, FI 95 percent, and ACU 92.36 percent;

* Rep. Jeb Hensarling of Texas – NTU 95 percent, FI 95 percent, ACU 98.81 percent;

* Rep. Dave Camp of Michigan – NTU 76 percent, FI 75 percent, and ACU 69.86 percent.

By March 18 House Speaker Nancy Pelosi had still not named her three appointments, but it is probably safe to predict that they will not be spending- or deficit-averse. Regardless of who she names, this much is sure: the commission will be heavily tilted toward port side, with little inclination to cut government spending. It is true that Congress must still vote on any of the commission's recommendations for them to go into effect, but Obama and the power elite promoting this process know that the commission will provide a powerful bully pulpit to push for even more government spending, taxes, and debt. The commission is tasked with delivering its report and its recommendations by December 1 of this year, which is convenient for a number of reasons. First, it is after the November elections, thus allowing Members of Congress to talk tough on cutting spending and debt while on the campaign stump, deferring action until later, during the lame-duck session of Congress.

Then things are likely to get very nasty, making the arm twisting, bribery and extortion employed for Obamacare mild by comparison. This is where Alan Simpson is expected to come in very handy in whipping reluctant Republicans into line. His off-hand comment in an interview with National Public Radio appears to have been made to send a chilling message. "And there are a lot of bitchers and whiners and snorters out there," he told NPR, "and we intend to listen to them all and then crush them."

It may have been this instinct of Alan "The Crusher" Simpson that caused the *Wall Street Journal's* Stephen Moore to comment that "for Mr. Obama's purposes, Alan Simpson is a master stroke since he's likely to commit Republicans to being the tax collectors for Obamanomics." Moore continued:

> Some are even calling it the "VAT Commission," because liberals want a bipartisan agreement to implement a European-style value-added tax that will raise federal revenues by about five percentage points of GDP. That's the amount federal spending has risen under President Obama. Since 2007 federal spending is up by nearly 25%.

**The Tax-and-spend Power Elite**

The value-added tax, or VAT, is but one of the many features of "Obamanomics" that the new commission can be expected to push — with important assistance from influential allies in the media, think tanks, and some of Wall Street's biggest firms. And of those, none is more influential than Peter G. Peterson, the insider's insider of finance and politics. In fact, it is not a stretch to say that Obama's Debt Commission could actually be called the Peterson Commission, since Peterson has been the moving force behind the idea for at least the past couple years. Best known today as the billionaire co-founder of the fabulously wealthy Blackstone Group private equity and asset management firm, the 84-year-old Peterson has been a global mover and shaker for decades. A former Secretary of Commerce (under President Nixon), Peterson was chairman of the Federal Reserve Bank of New York (from 2000-2004), the most important and powerful branch of the Fed. Two of his most important power bases have been the Council on Foreign Relations (CFR) and the Institute for International Economics (IIE).

The CFR has dominated American politics like no other organization, its members frequently occupying the White House and the top positions in both the Democratic and Republican parties, as well as most of the top Cabinet and policy posts in every administration since Franklin Delano Roosevelt. Historian Arthur M. Schlesinger, Jr. (a CFR member) has called the CFR a "front organization [for] the heart of the American Establishment," while Richard Rovere, editor and columnist for the *New Yorker* (and also a CFR member) described it as "a sort of Presidium for that part of the Establishment that guides our destiny as a nation." Rovere's choice of the word "Presidium" was telling, referring to the ultra-secret and dictatorial inner circle of Communist Party elites that ran the Supreme Soviet of the Soviet Union.

Peterson mentored under banking titan David Rockefeller, who served as CFR chairman from 1970-1985. Peterson succeeded Rockefeller as CFR chairman, serving in that capacity for 22 years (1985-2007), longer than any other CFR chairman. He currently holds the position of chairman emeritus, while Rockefeller continues as honorary chairman. Of Obama's new National Commission on

Fiscal Responsibility and Reform, Erskine Bowles, Alice Rivlin, and Ann Fudge are CFR members.

Peterson was founding chairman of the Institute for International Economics (IIE), which, according to Martin Walker of the *London Observer*, "may be the most influential think-tank on the planet," with "an extraordinary record in turning ideas into effective policy." Much of the IIE's extraordinary influence comes from its close ties to the CFR. And no one exemplified those ties more than Peterson. In fact, the IIE is now officially known as the Peter G. Peterson Institute for International Economics.

Peterson is also a co-founder of the Concord Coalition, where he currently serves as co-chairman and president. It is principally through the Concord Coalition that he has been pushing for the establishment of the "independent" commission, the primary purpose of which, the public is told, is drawing attention to, and halting, America's runaway deficit spending. Like many of his cronies at Goldman Sachs, Morgan Stanley, JPMorgan Chase, and other Wall Street Insider firms, Peterson has been able to join the ranks of the super-rich thanks largely to that government spending and the mountains of debt that the Federal Reserve and its coterie of elite private bankers have encouraged for decades. Although Peterson and his Concord Coalition colleagues inveigh against deficit spending out of one side of their mouths, they cheer it on out of the other, as we see in a recent *Christian Science Monitor* article, in which Concord provides "conservative" support for Obama's "stimulus" spending. In a February 1 article, the *Monitor* reported:

> President Obama's proposed $3.83 trillion 2011 budget is intended to hit a centrist fiscal sweet spot. It is meant to contain enough spending to cushion high unemployment and enough fiscal rigor to reduce long-term federal deficits….

It is true that there is an inherent tension in trying to rein in budget deficits during a recession, say some fiscal experts. But there is nothing inconsistent about combining short-term stimulus with long-term fiscal rigor, says Diane Lim Rogers, chief economist for The Concord Coalition, a group which supports efforts to reduce the federal deficit.

> Such an apparently contradictory combination "is precisely what current circumstances call for," says Ms. Rogers. "A contrary strategy — concentrating on stimulus or deficit reduction alone without regard to timing — would carry a higher risk for the economy."

Peterson's real passion is not about drastically cutting the size and cost of government — which is what we desperately need — but convincing the public that we must close the deficit by paying more taxes. Since the 1980s, Peterson has been lobbying for a 25-cent-a-gallon federal tax on gasoline, as well as a European-style value-added tax, or "consumption tax," that would add a tax to goods and services at every stage of production.

Another pet project of Peterson and the Concord Coalition is promoting federal legislation for "mandatory supplemental individual savings accounts" that would be deducted from payroll, just as Social Security and income taxes are already deducted. This is necessary, says Peterson, because Americans are consuming too much and not saving enough. Of course, Peterson views consumption differently when it is himself and his fellow moguls who are doing the consuming. He is not likely to give up his own "lifestyles of the rich and famous" any time soon, and he didn't seem to mind the ultra-conspicuous ostentation of his close friend (and Blackstone Group chairman) Stephen Schwarzman when he threw the "birthday party of the century" a couple of years ago.

The theme of a "consumption tax" and government-mandated savings was sounded again recently in the CFR journal, *Foreign Affairs*, by C. Fred Bergsten, director and chief economist at Peterson's IIE. The mandatory savings scheme would, of course, provide the government with even more "trust funds" to raid, just as they have done with Social Security funds to finance their unending binges. Bergsten (a CFR member) also argued in the same November/December 2009 *Foreign Affairs* article in favor of "a broader carbon tax that would limit energy usage and have the additional benefit of helping control global warming," allowing "the Federal Reserve to run a relatively easy monetary policy," and encouraging the International Monetary Fund (IMF) to issue a trillion dollars in Special Drawing Rights (SDRs) over the next five years. The recommendations for the Fed and the IMF are, of course, prescriptions for wild government spending, which Peterson and the Concord Coalition claim to oppose. All of the recommendations fit with the globalist, world-government agenda of Peterson, Bergsten and the CFR-IIE elite. The proposals are completely in line with their longstanding support for empowering the United Nations, IMF, World Trade Organization, and other UN-related organizations with global taxing, spending, regulating, and governing powers. And the same proposals are completely at odds with their professed aims of fiscal responsibility.

All propaganda to the contrary notwithstanding, the real purpose of the Obama-Peterson Debt Commission is not to bring about "fiscal responsibility," but to ramp up political support for massive new tax, spend, and borrow policies.

*Related content:*

I.O.U.S.A. How Much?!

Obama's "Pay As You Go" Deception

Confronting the National Debt

Picture of (from left to right) President Obama, Erskine Bowles, and Alan Simpson: AP Images