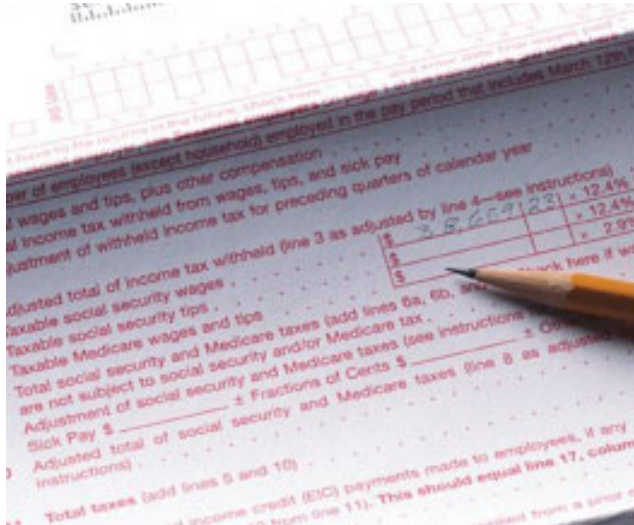


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- 1** Ease the burden on taxpayers with a smaller government
- 2** Balance the budget to avoid long-term financial disaster
- 3** Address public problems too long deferred



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▶ *How to Use This Guide*

Most voters' guides compare the candidates. That's useful, but how can you decide who you want in office until you're sure about what you want that politician to do? And these days that's harder to figure out than it should be.

When politicians present their plans, they naturally play up the quick, easy, cheap part of their program and downplay the messy, expensive, risky parts. In reality, however, many problems don't get solved without facing harsh choices; the government can't avoid pleasing some people and offending others.

First Choice 2004 is designed to help you make the most of your vote by having strong, informed opinions about what those choices might be. With these guides, you can find out more about the problems facing the nation and weigh your values against the policies politicians put forward.

With First Choice 2004, we're not claiming to have the "correct" solution to a problem. What you'll find here are some key facts

along with three different points of view about how to address the issue. Each point of view comes with the arguments for and against, along with some potential costs and tradeoffs. We focus on what each problem means to the average person – and because Public Agenda isn't pushing a particular solution, we're not interested in sugarcoating any options or trashing other points of view. We call this section **Chicework**.

That doesn't mean, by the way, that the broad choices we present are the only ways of dealing with a problem. Many people would mix and match from different perspectives, and you may have your own ideas we haven't considered. We're also not suggesting that you should go looking for a candidate who agrees with you on every single issue. What we are suggesting is that it'll be easier to judge the candidates if you've considered where you want the country to go in the next four years – and what you're willing to do to get there.



Originally launched in 1992, "Choose or Lose" is MTV's comprehensive pro-social campaign to inform young adults about the political process, voice their most urgent political concerns, compel leading Presidential candidates to address those concerns, and organize young adults aged 18-30 to register and vote. In 2004 the campaign is dubbed "20 Million Loud," a movement to mobilize more than 20 million people aged 18-30 to vote in the 2004 election.

You can find out more about Choose or Lose at our Web site, www.mtv.com.



Founded in 1975, Public Agenda is a nonpartisan, nonprofit organization devoted to public opinion and citizen education. Public Agenda's two-fold mission is to help American leaders better understand the public's point of view, while also helping citizens know more about critical policy issues so they can make thoughtful, informed decisions.

You can find out more about us at our Web site, www.publicagenda.org.

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Choicework In Brief: What Are the Options?

Approach One

Ease the burden on taxpayers with a smaller government

What should be done

- ▶ Keep taxes as low as possible, particularly taxes on income and investments that spur the economy. Make the tax cuts passed over the last three years permanent.
- ▶ Turn over more public functions, such as social services, to the private sector, which can provide them at lower cost.
- ▶ Give more domestic policy responsibilities to the states, which are closer to the people.
- ▶ Retool senior entitlements to allow people to invest their Social Security money and reduce the long-term cost of the system.

Arguments for this approach

- ✓ The real cause of the budget deficit is the federal government's habit of overreaching itself. The public can spend its money more effectively than the government.
- ✓ Tax cuts help close the budget gap by spurring the economy and bringing in more tax revenue.

Arguments against this approach

- ✗ Taxes are the investment society makes for the services we need, ranging from public schools to the justice system.
- ✗ U.S. tax rates are already lower than they've been in decades.

Approach Two

Balance the budget to avoid long-term financial disaster

What should be done

- ▶ Don't create any new federal programs unless they are balanced with spending cuts or new taxes.
- ▶ Allow the tax cuts passed over the last three years to expire as planned.
- ▶ Raise the retirement age and adjust benefits to keep Social Security solvent.
- ▶ Increase Medicare premiums and encourage recipients to use HMOs to control costs.

Arguments for this approach

- ✓ Our current course of running up deficits is irresponsible – we're just passing off problems onto our children because we're unwilling to make tough decisions.
- ✓ Now is the best time to reform the senior entitlement programs, while the baby boomers are still in the workforce and the number of seniors covered is relatively small.

Arguments against this approach

- ✗ We have a deficit because of the war on terrorism and the poor economy -- things that can't be helped.
- ✗ We need to keep taxes low to stimulate the economy and create jobs. Besides, it's always better for taxpayers to keep their own money.

Approach Three

Address public problems too long deferred

What should be done

- ▶ The government should rely on taxes aimed at higher-income Americans, close loopholes and cut back on corporate tax breaks. Let the tax cuts passed over the last three years expire.
- ▶ Expand spending on critical domestic needs like education, health care and homeland security.
- ▶ Keep the promises made to the elderly and maintain Social Security benefits.
- ▶ Establish additional tax credits for higher education, child care and home ownership.

Arguments for this choice

- ✓ We can't go on ignoring the problems in our public schools and the fact that too many Americans don't have health care.
- ✓ It's better to raise taxes on upper-income people who can afford it than to put the burden on poor and middle-class people.

Arguments against this choice

- ✗ It's foolish to spend money now and ignore long-term problems with Social Security and Medicare. If we don't solve these problems, in a few decades the government won't have the money to deal with anything else.
- ✗ Persistent deficits drive up interest rates and hurts the economy.

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Choicework: Approach One

Ease the Burden on Taxpayers with a Smaller Government

The public knows how to spend its money better than the government does. It's the hard work and productivity of the average American that creates jobs, drives innovation, and builds wealth. By contrast, the federal government takes on far too much and mostly produces red tape. So it's only right that average Americans keep as much of their wealth as possible. High taxes slow the economy and keep people from getting ahead, so the government should keep the necessary evil of taxes as low as possible. In the future, the federal government should be smaller, only taking on the tasks no one else in society is suited to do. In the meantime, we may run deficits occasionally, but a deficit is preferable to a tax increase – particularly when the economy needs a boost.

What should be done?

- ▶ Keep taxes as low as possible, particularly taxes on income and investments that spur the economy.
- ▶ Turn over more public functions, such as social services, to the private sector, which can provide them at lower cost.
- ▶ Give more domestic policy responsibilities to the states, which are closer to the people. Focus the federal government on the tasks only it can perform, like national security.
- ▶ Retool senior entitlements to allow people to invest their Social Security money in stocks and reduce the overall cost of the system in the long run.

Arguments for this choice

- ✓ The real cause of the budget deficit is the federal government's habit of overreaching itself. The public can spend its money more effectively than the government ever could.
- ✓ Tax cuts actually help close the budget gap by spurring the economy and bringing in more tax revenue.
- ✓ The federal government should focus on truly national concerns, like defense and international relations. State and local governments are closer to the people they serve, and often are better suited to provide public services.
- ✓ Just because we can afford to do something doesn't mean we should. Government programs should be held to tough standards of necessity and accountability whether the overall budget is in balance or not.

Arguments against this choice

- ✗ We have a huge deficit, which can do serious damage to the economy, canceling out any benefit from tax cuts. We have to balance the budget and not pass this problem on to our grandchildren.
- ✗ You get what you pay for, and taxes are the investment society makes for the services we need, ranging from public schools to the justice system. If anything, programs like education and health care have been cut too much already.
- ✗ U.S. tax rates are already lower than they were a few decades ago and lower than in most other industrial nations.
- ✗ This ignores the approaching crisis in Social Security and Medicare. If we don't solve these problems now, we may break the budget and our promise to the elderly later. And, allowing people to invest Social Security funds may cost money in the short term.

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Chicework: Approach Two

Balance the Budget to Avoid Long-Term Financial Disaster

The federal budget is on a course for disaster and our first priority should be to turn it around. By allowing the government to run a deficit, we run the risk of harming the economy and burdening our children with the debts we were unwilling to pay. The federal government has to stop living beyond its means and giving out tax cuts like party favors. Unless we act now, senior entitlement programs like Social Security and Medicare will end up both breaking the budget and failing to serve the elderly when the baby boomers retire en masse. The critical task is balancing the budget and reforming the entitlement programs. Anything less means failing in our obligations to both our children and the elderly.

What should be done?

- ▶ Return to the "pay as you go" budget policies that helped us eliminate the last deficit. Don't create any new federal programs unless they are balanced with spending cuts or new taxes.
- ▶ Allow the tax cuts passed over the last three years to expire as planned.
- ▶ Raise the retirement age and adjust benefits to keep Social Security solvent. Eliminate Social Security payments for wealthy retirees.
- ▶ Increase Medicare premiums and encourage recipients to use HMOs to control costs.
- ▶ If we return to a budget surplus, use the money to either pay off the federal debt or bail out Social Security and Medicare.

Arguments for this choice

- ✓ Our current course of running up deficits is irresponsible – we're just passing off problems onto our own children because we're unwilling to make tough decisions.
- ✓ The tax cuts were meant as a short-term measure to boost the economy. Making them permanent would throw the budget out of balance for years.
- ✓ Now is the best time to reform the senior entitlement programs, while the baby boomers are still in the workforce and the number of seniors covered is relatively small.
- ✓ It's better to give senior citizens more limited benefits than to allow the Social Security and Medicare systems to collapse entirely. And shifting to a stock-investment system will cost more in the short term.

Arguments against this choice

- ✗ Deficits have their uses. After all, the country prospered during 30 years of nearly constant deficits, and the current deficit may have even helped spur the economy.
- ✗ We have a deficit because of the war on terrorism and the poor economy – things that can't be helped.
- ✗ We need to keep taxes low to stimulate the economy and create jobs. Besides, it's always better for taxpayers to keep their own money.
- ✗ We promised Social Security and Medicare to the elderly. We shouldn't balance the budget on the backs of senior citizens.

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Chicework: Approach Three

Address Public Problems Too Long Deferred

You get what you pay for and taxes are an investment we make as a society for the public services we need. What good is it to have a balanced budget or lower taxes if our schools are falling apart, our homeland security is poor, or sick people can't afford to get treatment? The question isn't what the government spends; it's what you want the government to do. For decades the deficit has been an excuse to avoid pressing public needs, even though the deficit never seemed to cause any tangible harm. After all, the country prospered during this period. Besides, deficits have their uses, particularly when it comes to stimulating the economy. It's time to address some of these long-delayed problems in education, health care, terrorism, child care and other areas. If the government needs more money, it should tax the wealthy and cut back on corporate tax breaks.

What Should Be Done?

- ▶ Let the estate tax and other tax cuts passed over the last three years expire as planned. The government should rely on taxes aimed at higher-income Americans and end tax breaks that only benefit big business.
- ▶ Expand spending on critical needs like education, health care and homeland security.
- ▶ Keep the promises we've made to the elderly and maintain Social Security benefits.
- ▶ Establish additional tax credits and deductions for higher education, child care and home ownership to help the middle class and lower-income Americans get ahead.

Arguments For This Approach

- ✓ We can't go on ignoring the problems in our public schools and the fact that too many Americans don't have health care. In the long run, an ill-educated, unhealthy population will be more of a disaster than any deficit.
- ✓ It's better to raise taxes on upper-income people who can afford it than to put the burden on poor and middle-class people. Besides, tax rates are lower than they've been for decades.
- ✓ Sept. 11 showed that we need to beef up our domestic security to protect ourselves from international terrorism.
- ✓ The current deficit is a relatively small percentage of the total economy and probably won't cause any harm. Besides, the U.S. has had a deficit more often than not during the past three decades and we've managed to prosper anyway.

Arguments Against This Approach

- ✗ The government can't keep spending money it doesn't have – at least not forever. Deficits rob from our grandchildren, forcing them to pay for our wasteful habits.
- ✗ It's foolish to spend money now and ignore long-term, budget-busting problems with Social Security and Medicare. If we don't solve these problems, in a few decades the government won't have the money to deal with anything else.
- ✗ Tax increases hamper growth. It's much better to let the people keep and invest their own money, which is what really drives the economy.
- ✗ Large, persistent deficits hurt the economy by driving up interest rates and slowing economic growth.

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Status Report: Where Are We Now?

Think of the federal budget this way: the government isn't going to get anything done without money. *Your* money. And even in a federal budget of more than \$2 trillion, there isn't enough money for everything. So the budget is the best guide to what's really important to the government, because all the other decisions the government makes flow from the choices it makes about money.

And choices made now can have implications for years to come. What happens to the federal budget can affect how much your take-home pay will be, whether you can get a college loan or a home mortgage and how secure your retirement will be, not to mention the indirect impact on the quality of your local schools, roads and police.

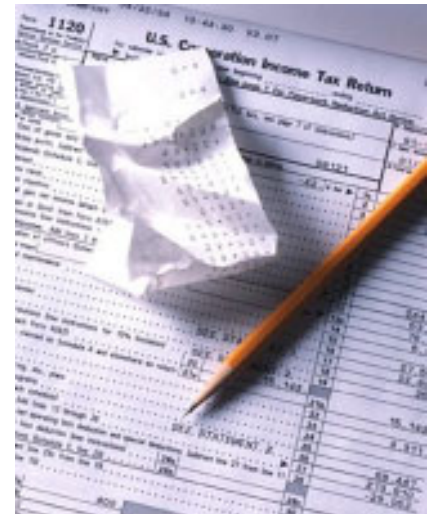
Much of the recent debate has

surrounded President Bush's \$1.3 billion in tax cuts, intended to spur the economy. Republicans say the cut will stimulate the economy which will raise incomes and thus bring in more revenue in the long run. Democrats say the tax cuts are one of the main reasons for the deficit and only benefit wealthier taxpayers.

So in the end, the budget debate comes down to what the government should spend its money on, and who should get taxed to pay for it.

Return of the Red

Five years ago, the U.S. government was projecting surpluses "as far as the eye could see." Then an economic downturn and the Sept. 11 attacks changed everything. When the economy weakens, more people are unemployed,

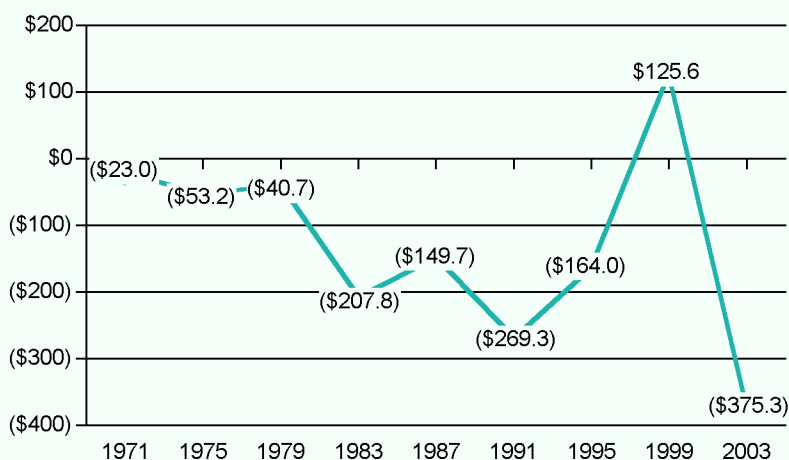


More about taxes and the deficit is available in our issue guides on [The Federal Budget](#) and [The Economy](#).

investments are sluggish and consumers have less money to spend — all of which decrease the amount the government gets in taxes.

Federal deficit / surplus

Federal surplus or deficit in billions of dollars, selected years, 1971-2003



Source: Budget of the United States Government, fiscal year 2005

The nonpartisan Congressional Budget Office now predicts that the government will end the 2004 fiscal year with a \$477 billion deficit — the largest in raw dollars in U.S. history.

It's important to remember that a balanced budget has been the exception, not the rule, over the last 30 years. The Bush administration says that it is dealing with extraordinary circumstances — a recession and the war on terrorism — and that the current deficit is the price of fueling an economic recovery while coping with a threat to national security.

Political will plays a role in deficits, too. It isn't so much that politicians and the public don't want the government's books to balance; it's that they usually want some-

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thing else even more. They don't want to sacrifice government programs (which after all do address real needs) or raise taxes (which impose a real burden), to the longer and less-tangible benefits of a balanced budget.

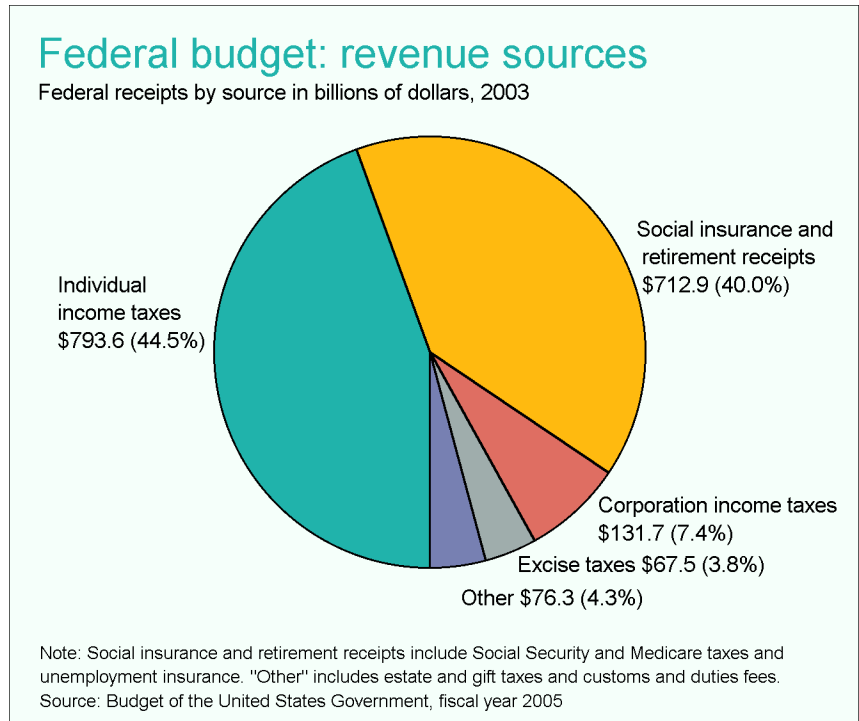
Back in Black?

The CBO projection does offer two spots of good news: first, that while the deficit is the largest ever in actual dollars, it's not that big a share of the overall economy (4.2 percent), so its impact may be limited. And second, the deficit should peak in 2004 and then decline over the next 10 years. Deficits are projected to total \$1.4 trillion for the five years after 2004.

That projection only holds with some big "ifs". The deficit will fall on its own *if* there are no new major spending programs; *if* the Bush tax cuts are allowed to expire as scheduled; and *if* the economy recovers as the CBO anticipates.

Who Pays?

Tax decisions are only partly about bringing in money to fund the government (although that's vital). They're also about whether taxes are fair and their broader impact on society. The government can and does use taxes to encourage or discourage all kinds of activities,



from promoting home ownership to curbing smoking.

For the federal government, the individual income taxes due every April 15 bear the brunt of the load (about 45 percent of all federal revenue). Supporters of the income tax say it's the fairest tax, because it's based on how much money you earn. The more you make, the more you pay, at least in theory. Very poor people don't have to

pay it at all.

Some critics say income taxes actually discourage investment by penalizing people who earn a lot. Others argue that corporations don't pay enough, or that a sales tax on what people buy would be fairer. Income taxes have another weakness: during boom times, it brings in a lot of money, but when there's a recession, incomes drop and so do income tax revenues.

The Public's Viewpoint

In opinion surveys, about half the public calls the federal deficit a "very serious" problem while another third says it's "somewhat serious." Half the public also expects the deficit will become a more serious problem in years to come. Yet **when asked to set priorities, the public ranks many other problems as more important than balancing the budget**, including the economy, fighting

terrorism, education and health care.

Surveys show the public divided on some basic questions regarding the federal budget. They are split, for example, on whether it is more important to control the deficit or reduce taxes. **Most people say they want a smaller government with fewer services, but they also support increased spending when specific projects are mentioned,**

such as fighting terrorism or improving education.

Similarly, people give mixed signals on tax cuts. Half of the public says federal income taxes are too high, but a majority also says the amount they pay is fair. **More Americans say they are bothered by the system's complexity and perceived unfairness than by how much they actually pay.**

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The budget deficit is at least partially caused by lagging income tax revenues.

The other broad complaint about the federal income tax is that it's complicated – in fact, surveys find people are less upset with the actual amount they pay than with the complexity of the tax system and the perception that rich people don't pay their fair share.

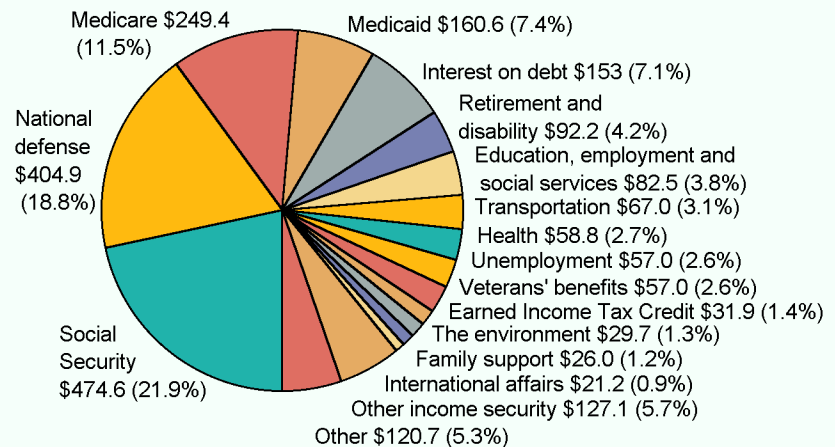
Can't Touch This

One of the longest-running debates in American history has been over the size of government – how much it should take on, and whether a large government is inherently bad or good. And of course, one option in balancing the budget is to cut spending.

Yet not everything in the budget can be cut, even if Congress and the president wanted to. Some programs, such as Social Security and Medicare, are “entitlements” the government is obligated by law to provide. Other services, ranging from national defense to national parks, may be vital but are still considered “discretionary” (and so are easier to cut). But that's usually the only place where presidents and members of Congress can get the money to do the things they really care about. Only about a third of the federal budget is discretionary

Federal budget: expenditures

Outlays by function in billions of dollars, fiscal year 2003



Notes: Federal outlays totaled \$2,157,637,000,000 in 2003. Family support includes TANF. International affairs includes foreign aid. Other income security includes housing assistance and food and nutrition assistance. "Other" includes the justice system, general government, agriculture, science, space and technology, and community and regional development. Percentages may not add to 100 percent because of rounding.

Source: Budget of the United States Government, fiscal year 2005

spending.

It isn't that entitlements are completely untouchable — Congress could change who's eligible for a program or the formulas by which benefits are spent. But changing Social Security is politically risky — many see it as a promise that must be kept. So today's budget choices are greatly influenced by decisions

that were made decades ago.

Does a Deficit Matter?

One group of economists would say that deficits have their uses. Moderate deficits can stimulate the economy, because additional government spending will create jobs. When deficit spending gets too big or goes on too long, however, all that government borrowing inevitably raises interest rates, increasing the cost for such things as car loans and home mortgages. Long-term deficits also cramp the government's ability to create new programs and respond to new circumstances.

Still another set of economists, though, feel that surpluses and deficits mean little in such a huge economy, and that an undue focus on red ink leads to program cuts or higher taxes, which do greater damage.

Face the Facts

What's the difference between the deficit and the debt? A deficit occurs when the federal government is spending more money than it is taking in. The federal debt (debt held by the public) is the cumulative total of money borrowed to finance deficits. The federal government borrowed \$373 billion from the public in 2003, which financed nearly the entire \$375 billion deficit. The debt held by the public was \$3.9 trillion at the end of the 2003 fiscal year.

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Additional Resources

- ▶ Visit our partner, **The New York Times Learning Network** for the latest campaign news, stories, and information on what the candidates are saying about these issues. For more information specifically on taxes and the budget, visit their **Issues in Depth** section.
- ▶ Even more information about the candidates and the campaign is available from our partner, **MTV's Choose or Lose**.
- ▶ **Youth Vote** is the nation's largest nonpartisan coalition working to increase the political involvement of 50 million Americans between 18-30 years old. The Youth Vote coalition consists of over one hundred diverse national organizations representing hundreds of organizations and millions of young people.
- ▶ **Kids Voting USA** fosters an informed electorate by educating and engaging students and their families in voting and other elements of effective civic engagement.
- ▶ To find out more about specific candidates running for office in your area, we suggest the nonpartisan Web sites **Project Vote Smart** or **DemocracyNet**.
- ▶ For more information on taxes and the budget, visit **Public Agenda Online's issue guide**.
- ▶ For more information on senior entitlements, visit Public Agenda Online's issue guides on **Social Security** and **Medicare**.
- ▶ Think you know this topic? Try our **Test Your Knowledge** feature.
- ▶ Think these choices don't go far enough? Do you want to mix and match options? Visit Public Agenda Online and try our **Create Your Own Choicework** feature.
- ▶ Want to find organizations on all sides of this issue? Visit **Sources and Resources**.
- ▶ Funding for First Choice 2004 was provided by the **Carnegie Corporation of New York**.

Set Your Own Priorities

Making public policy decisions isn't just about choosing the best way of attacking a problem – you also have to consider which problem should be tackled first. There are lots of things the government *could* do, and many it *should* do, but not even the federal government can do everything at once. So priorities have to be set. With our **First Things First** feature on Public Agenda Online, you can work through what you think the next administration should do – and what it should do first. Find out more at:

www.publicagenda.org/firstchoice2004/first-things-first.cfm

Find Out More About the Issues

If you like this edition of *First Choice 2004*, read some of our companion guides on:

- ▶ Terrorism and Foreign Policy
- ▶ Health Care
- ▶ Race and Affirmative Action
- ▶ Gay Rights
- ▶ Paying for College
- ▶ The Environment
- ▶ Jobs and the Economy
- ▶ Taxes and the Deficit
- ▶ Immigration

For even more detail, visit **Public Agenda Online**, which offers nonpartisan issue guides on 21 issues ranging from abortion to welfare reform.