

Congress's debate on the federal budget this week provided a vital opportunity to confront the severity of our country's fiscal condition. For years under the previous Administration, we put off a reckoning, and now our nation is constrained by trillions in debt and billions in interest payments. Democrats are tackling this problem with a budget that makes strategic investments in our future growth -- especially in the areas of education, energy and health care -- while cutting our deficit in half by 2013. Passing that budget this week is the prerequisite to three hard steps back to fiscal responsibility.

The first step is economic recovery. The longer we remain in this recession, the less revenue we'll have to work with to reduce our deficit. In order to jump-start the economy, President Barack Obama has already instituted dramatic policies. They include legislation with the power to save or create 3.5 million jobs, a plan to address the mortgage mess at the root of this crisis, and continued efforts to restore the flow of credit to families and businesses.

In the short term, many of those steps mean deficit spending, something that, as a fiscal hawk, I've often criticized. But economists widely argue that given the severity of this crisis, spending is the only way out of the recession, since only the government has the resources to stabilize our markets and spark demand.

Such deficit spending would be reckless, however, without a plan to get our deficit back under control. Indeed, the second step on the road back to responsibility requires an honest account of where we are. For the first time in years, for example, the president is refusing to hide the costs of two wars. And if you doubt how tough the Democratic plan is, just look at the special interests lining up to complain about its savings -- from health insurance companies facing competitive bidding for Medicare Advantage plans to hedge-fund managers who will no longer be able to take advantage of tax loopholes.

Mr. Obama has also joined House Democrats to push for the reinstatement of the pay-as-you-go rule, which would require our government to pay for what it buys. He has led by example by spelling out how he would pay for his major initiatives, including increased Pell Grants for students, health-care reform, and clean energy plans.

Furthermore, Mr. Obama has asked a board led by former Federal Reserve Chairman Paul Volcker to make recommendations for tax reforms that would allow for an extension of his tax

cut for 95% of Americans, and a permanent solution for the alternative minimum tax without increasing the deficit.

The third step is renewing our commitment to America's long-term economic health. Our investments must be made with an eye toward savings and growth. Better educational opportunities, from early childhood through college, can build a workforce that is competitive with the best in the world. Investments in new energy technologies such as wind, solar and a smart electric grid, can bring down costs in the long term. And because health care costs are straining family budgets, crippling American businesses, and consuming more of our budget each year, it is essential that we expand access to health care while bringing costs down. The Democratic budget makes these investments a priority, and they can all bring us high returns.

But the single most important thing we can do to get our budget under control is to deal with the costs of our entitlement programs: Social Security, Medicare and Medicaid.

Fixing Medicare and Medicaid is inseparable from health care reform. We will never be able to control the growth in spending of these programs as long as health care costs continue to increase at more than twice the rate of inflation. We know the policy options necessary to make Social Security fiscally sound: restraining the growth of benefits, bringing more revenues into the system, and raising the retirement age, among others. We simply need the bipartisan will to choose and implement such reforms.

All of these steps will require serious work ahead. But there has never been a more crucial moment for cooperation. These challenges are everyone's, and we will confront them with the gravity the times demand. If not, we will only dig a deeper hole for future generations.