SETTING NATIONAL PRIORITIES

The New Environment

BY **ROBERT D. REISCHAUER**

THE ENVIRONMENT in which the debate over national priorities takes place has changed markedly over the past decade. The Cold War has ended, fortunately with a whimper not a bang, allowing the United States to scale back its military forces substantially and begin to redefine its relations with other nations. The pall that large and seemingly intractable budget deficits have cast on public sector initiatives as well as efforts to reduce tax burdens has lifted. After 28 years of uninterrupted red ink, the federal budget registered a surplus in fiscal 1998, and projections suggest that surpluses will continue for more than a decade if current tax and spending policies are not changed dramatically. While economic weakness abroad has created great uncertainty, the nation's economy remains unusually strong and resilient. The fraction of the adult population employed is at a record level, wages are growing across the income spectrum, and inflationary pressures continue to be remarkably subdued.

Furthermore, some of the most stubborn and divisive domestic problems of the 1970s and 1980s have moderated over the course of the 1990s. Crime rates have declined for several years. The number of people receiving welfare benefits has fallen more than 40 percent from its peak in 1994. Teen pregnancy and birth rates have fallen a little since the early 1990s. And the fiscal pressures that long crippled states and localities have eased, allowing them to address their problems without first begging for federal grants.

To be sure, the nation's problems have not disappeared. Growing numbers of people lack adequate health insurance; the elementary and secondary educational system continues to produce too many poorly educated graduates for a nation that will lead the world into the 21st century; income disparities continue to widen; and many children are raised in families with inadequate resources.

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In theory, the new, more benign policy environment should permit lawmakers to rank and address these and other priorities in a more deliberative and reasoned manner than was possible in the past. Whether they will avail themselves of this opportunity remains to be seen. With narrow congressional majorities, partisan divisions run deep on Capitol Hill. With Republicans split into moderate and conservative camps and Democrats divided among liberal, moderate, and conservative factions, leaders have a difficult time defining a party position on many issues let alone finding common ground with those across the aisle. With the White House and Congress controlled by different parties, agreement between the legislative and executive branches over just what the nation's priorities should be becomes difficult. With a presidential election less than two years away, cooperation across party lines becomes increasingly rare.

In spite of these obstacles, a consensus is emerging that issues involving elementary and secondary education, the family, and the consequences of rapid change in the health delivery system should be among the nation's top priorities. There is also growing agreement that, after a decade of retrenchment, it is time to reexamine the level of resources devoted to defense. Issues such as world trade, crime, and taxes remain on the agendas of many involved in the policy process.

While much attention remains focused on issues of immediate concern, the new policy environment has made it possible for policymakers to think about addressing the larger challenges that await the nation in the second and third decades of the next century. These involve the viability of the nation's basic retirement programs—Social Security and Medicare. After a year-long educational effort involving town meetings, debates, and discussion, the president and congressional leaders will try, early in 1999, to hammer out a plan to deal with Social Security's long-term fiscal imbalance. In March of 1999, the National Bipartisan Commission on the Future of Medicare, which was created by the Balanced Budget Act of 1997,

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will issue its recommendations for strengthening the health insurance program that is so vital to the aged and disabled. Both problems are complex, and their solutions inevitably will be divisive. If even one of them could be resolved within the next year or two, it would represent a major triumph for the nation's policymaking process, one that would build public confidence in government. If these efforts end in acrimonious debate and a deluge of demagoguery, the divisiveness could spill over into other policy areas, poisoning any effort to cooperate across party and ideological lines on policy development.

The following seven articles, most drawn from longer pieces in the forthcoming Brookings volume *Setting National Priorities*, analyze some of the important issues that are on the agendas of policymakers in the final year of the 20th century. ■

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