WASHINGTON — Erskine Bowles realized how tough his task will be leading President Obama's war on the federal budget deficit when he told his 90-year-old mother of his appointment. She was proud of him. Then she said, "Don't mess with my Medicare." It won't be the last threat Bowles gets this year as he directs an 18-member, bipartisan commission through an ocean of red ink that has never been deeper or more foreboding.

Under Obama's budget plan, the USA's debt in 2020 would be nearly the size of the entire economy then. Interest costs would be $900 billion, five times today's level. The White House, Congress, budget experts and typical Americans are growing anxious about the nation's mounting debt, which is helping to fuel the rise of the anti-tax, anti-big government Tea Party movement. Yet the only solutions capable of raising enough money are politically dangerous for the president and Congress: tax increases and major reductions in Medicare, Medicaid and Social Security. Neither Democrats nor Republicans want to take the first step.

The debt hasn't stopped conservatives from saying tax increases should be off the table when the panel debates how to close Washington's budget gap — an estimated $1.5 trillion this year alone, equal to the entire federal budget in 1995. Nor has it stopped liberals from saying Medicare, Social Security and other entitlements must be protected. Bowles, outgoing president of the University of North Carolina and a White House chief of staff under Bill Clinton, says neither taxes nor benefits can be off-limits. "We can't do this without a lot of pain," he says. His partner leading the panel, former senator Alan Simpson, a Wyoming Republican, eagerly awaits the howls of protest from both sides. "I'll be called the Republican toady," says the 6-foot-6, salty-tongued Simpson. "I don't give a crap."

Although a solution to the nation's $12.8 trillion debt remains elusive, most of the nation's power brokers agree on the problem: America owes too much money. By 2020, the taxes it is projected to collect barely would cover the benefits it has promised and the interest it must pay. Without changes, almost nothing will be left for defense, education, veterans or anything else. "To avoid large and unsustainable budget deficits, the nation will ultimately have to choose among higher taxes, modifications to entitlement programs such as Social Security and Medicare, less spending on everything else from education to defense, or some combination of the above," Federal Reserve Chairman Ben Bernanke said last week. Experts say the government could be forced to address the budget gap if lenders such as China become more worried about the size of the U.S. debt and demand higher interest rates on Treasury bonds. China reduced its U.S. debt portfolio in three consecutive months through January, the most recent statistics show.

"This is the most predictable financial crisis in the history of our country," says Rep. Paul Ryan, a Wisconsin Republican. He has proposed reducing future Medicare and Social Security benefits for people younger than 55 to prevent the programs from sucking up an ever larger share of federal taxes as Baby Boomers retire. "It's immoral to ignore it," Ryan says of the U.S. debt.

Most Americans don't want to ignore it. A USA TODAY/Gallup Poll in late March found that nearly two-thirds disapproved of Obama's handling of the deficit. Nearly 80% said it would be very important in their votes for Congress this fall — more than terrorism or the war in Afghanistan. The public awareness is best exemplified by the Tea Party movement, which has used the rise in government spending and debt to motivate thousands of people across the country. On Thursday, Tea Party activists will gather at the Washington Monument to rally against big government and the record deficit.

Young people are particularly vulnerable to the soaring debt. "Things are being done to you, not for you," warned David Walker, the former U.S. comptroller general, at a "Fiscal Solutions" forum at the University of Maryland this month. "Your future is being mortgaged because Government Finance notes on the website about this.

For now, the deficit is manageable, and necessary to help prod the economy back to health, say economists such as White House budget director Peter Orszag. So far this fiscal year, the debt held by the public — not including money the government owes itself — is 58% of the U.S. economy. It's roughly half Italy's 113% debt as a share of the economy's annual output. Japan's is 105%; Britain, France and Germany are between 62% and 70%. Interest on the debt can still be paid without major tax increases; creditors and credit agencies aren't panicking — yet. [NOTE: This is only because interest rates are at historically low levels. When they return to normal, interest costs will escalate sharply. See the Government Finance notes on the website about this.] Because of that, some liberals say deficit reduction should not be the government's Holy Grail, particularly when unemployment still hovers near 10%. Spending that benefits future generations should not be sacrificed, they say. It can boost economic growth, which would makes the debt a lesser percentage of the economy. "This idea that we're on a precipice and about to fall off a cliff — we're nowhere close to that," says Dean Baker, co-director of the liberal Center for Economic and Policy Research. He notes that in Britain, the debt reached more than 200% of the economy after World War II. [NOTE: And the British economy entered a prolonged decline then, too.]

Conservatives who have been content with smaller deficits and want to cut rather than raise taxes are less sanguine now that Obama's budget forecasts an annual deficit still hovering above 5% of the economy in 2020. "If there was a time for good deficits, that time is long gone," says Andrew Roth, a vice president at the conservative Club for Growth. "Deficits are never OK; they're tolerable. And they're not tolerable now."

Moody's Investors Service issued a warning in March that the nation's triple-A credit rating would come under pressure unless economic growth exceeded projections and tougher actions were taken to tackle the deficit. A reduced credit rating would cause creditors to demand higher interest rates, raising the cost of borrowing money. But under Obama's tax and spending proposals, annual deficits would push the public debt to 90% of the economy by 2020, a level unseen since the years after World War II. Then, it declined steadily for a quarter-century until bottoming out at 24% in 1974. Now, the retirement of the Baby Boom generation and rising health care costs project nothing but steady increases.
Congressional Budget Office director Douglas Elmendorf calls the 90% projection "very worrisome." Eventually, the global economy would be unable to absorb so much U.S. debt, forcing the government to borrow more from domestic sources of savings. That would cause interest rates to rise and investment spending to fall leading to "an excruciating set of trade-offs nobody would want to live through," Orszag says. "There aren't any easy answers, like cutting waste, fraud and abuse, or growing our way out of it," says Robert Bixby, executive director of the Concord Coalition, a fiscal watchdog group. "The problem is much bigger than that."

When the Bowles-Simpson commission sits down to business April 27, the choices it will face are grim, according to the Congressional Budget Office: •Health care costs are soaring. Medicare and Medicaid will cost more than $800 billion this year, the CBO says. By 2020, they'll cost $1.5 trillion. Raising Medicare's eligibility age from 65 to 67 would save $86 billion over 10 years. Raising the premium for doctors' bills from 25% to 35% would save $217 billion. That's peanuts compared to what the Treasury Department projects Medicare will owe over the next 75 years: $38 trillion. Solutions are more readily available for Social Security, which costs $715 billion this year, rising to $1.2 trillion in 2020.

William Novelli, a former CEO of [the pro-big-government, protect-benefits-for-seniors-at-any-cost] AARP, says possibilities include raising taxes or scaling back benefits for high earners, and increasing the early and regular retirement ages, now 62 and 67. Linking the annual increase of initial benefits for each new group of retirees to the rise in prices rather than faster-growing wages would save $195 billion over 10 years, the budget office says. Raising the retirement age faster, so that it reaches 67 in 2020 rather than 2027, would save $92 billion. More savings are available. Canceling the F-35 jet fighter would save $42 billion over 10 years. Reversing the Army's projected troop increase would save $92 billion. [This is what our European “allies” have done: pay for an ever-expanding welfare state by cutting defense spending to the bone and relying on someone else protect them. In their case, they rely on us for protection. Whom do we have to protect us? China?] Slashing highway funding to shore up the Highway Trust Fund, which helps pay for repairs, would save $107 billion. [I.e., let the roads crumble.] Then there are taxes. The biggest revenue boost would come from eliminating the Bush tax cuts passed by Congress in 2001 and 2003. If all of them were wiped out, the government would collect about $2.8 trillion more in taxes over the next decade, according to CBO. [And personal disposable income would thus be reduced by $2.8 trillion.] Ending the deduction for state and local taxes would raise $862 billion over 10 years. [ . . .reducing income by another $862 billion.] Limiting the deduction for charitable giving to amounts greater than 2% of adjusted gross income would raise $221 billion. [Etc.] A 50-cent gas tax increase would raise $605 billion. [Etc.]

None of those changes would be popular in Congress, which will get the commission's recommendations in December only if 14 of 18 commission members can agree on anything. Democratic leaders have pledged votes on any recommendations, but Congress doesn't have to act. Previous fiscal commissions produced reports that are gathering dust on government shelves. There were panels on entitlements in 1994, Medicare in 1999, Social Security in 2001, taxes in 2005. Their recommendations ranged from rational to radical; none was implemented. The 1994 panel led by Democratic Sen. Bob Kerrey of Nebraska and Republican Sen. John Danforth of Missouri laid out the problems facing Medicare, Social Security and other benefit programs, replete with glossy charts. But in the end, no more than six of the 32 members agreed on any one solution. "Benefits are popular. Paying for benefits is extremely unpopular," says Danforth, who left the Senate in 1995. For deficit reduction to succeed, he says, "the public has to get in front of the politicians."