



Written by [Steve Byas](#) on January 21, 2016

## Congress, White House Ignore Grim CBO Debt Report

Last August, the nonpartisan Congressional Budget Office (CBO) released a grim report regarding projected federal spending and revenues, concluding that the present course of deficit spending cannot continue indefinitely.

CBO Director Keith Hall told reporters, "This is an unsustainable path here for federal debt. At some point, it's going to get to a very high level. Obviously, you can't predict tipping points, but at some point this becomes a problem."



Conservatives in and out of Congress expressed deep concern over the size and scope of the federal debt, especially since neither House Speaker John Boehner, Senate Majority Leader Mitch McConnell, nor President Barack Obama seemed to share that concern. In fact, Boehner had offered little resistance to the leftist agenda out of the White House. As Republican presidential candidate Ted Cruz told the Family Research Council's Values Voter Summit this past summer,

There's a frustration across this country.... Every election Republicans promise to fight for American principles, and then the day after the election we come to Washington and we don't fight for any of the principles we said we'd fight for.

With the exit of John Boehner, conservatives enjoyed a brief space of hope that his successor, Paul Ryan, would be everything that Boehner was not. However, it quickly became apparent that Ryan is in the same mold as his predecessor. As White House Deputy Press Secretary Eric Schultz told the press corps, the president has found in Ryan a man he can work with.

That is indeed the case. And members of Congress who want to take decisive action on the budget are cast as villains, while the Republican leadership in Congress works constantly with the White House to expand federal spending — e.g., the recent incredible \$1.1 trillion omnibus package.

And now, the CBO has announced that the federal deficit is expected to balloon by 24 percent. The deficit is projected at \$544 billion for 2016, the first year since 2009 that it has actually increased.

Even worse deficits are predicted for the rest of the decade.

Social Security will begin to draw on its trust funds in 2018 (in actuality, all monies collected to pay for future S.S. payments have already been spent on other programs, and the "trust fund" merely contains IOUs from the government to itself — so deficits will rise), and overall deficits will skyrocket past one trillion dollars by 2022. For perspective, the deficit for that year is expected to be greater than the entire federal budget's expenditures in the early years of the Reagan administration — and that included the massive buildup of the military during the Cold War.

"Turning a blind eye to the problem, as so many congressional and presidential candidates have done, merely means they are passing the buck to the next generation as concerns about political damage outweigh policy advantages," noted Steve Bell, the senior director of economic policy for the Bipartisan



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Policy Center.

It is a stark commentary on the magnitude of just how much federal deficits have exploded in recent years, that this last year's deficit was forecast to "fall" to \$426 billion, the lowest level of the Obama presidency. The record annual deficit was \$1.4 trillion in 2009, the first year of Obama's tenure, when the government dramatically increased spending, following flawed Keynesian economic theory in a futile attempt to pull the country out of the worst economic downturn since the Great Depression.

What is particularly alarming about the new deficit projection of \$544 billion is that the CBO originally predicted the figure to be \$414 billion.

In the five years since the 2007-2009 "Great Recession," deficits totaled \$5.6 trillion, and in four of the five years, the deficits were "larger relative to the size of the economy than they had been in any year since 1946." (Fiscal year 1946 included part of 1945 and the enormous spending involved in fighting a world war).

One of the negative effects that can be expected from such large deficits is that the government's creditors will insist on much higher interest rates in order for it to borrow money. Such a move, of course, would worsen the problem, as ever increasing amounts of dollars would be spent just to pay the interest on the national debt — and thus would not be spent on the principal. The CBO predicts that economic output would be lower, leading to less revenue, which in turn would cause an even larger increase in the national debt.

Federal spending is projected to rise from the present 20.5 percent of the gross domestic product (GDP) to 25.3 percent by 2040, mainly because of increased federal outlays for Social Security, Medicare, Medicaid, the Children's Health Insurance Program, and subsidies for health insurance purchased through ObamaCare's exchanges.

Federal revenues are also expected to rise under current law relative to GDP, though not as much as federal spending. By 2040, revenues going to the federal government would equal 19.4 percent of GDP (the 50-year average is 17.4 percent). The principal reason for the anticipated increases in federal revenues would be because American taxpayers would be pushed into higher tax brackets over time.

The CBO predicts that the debt will reach 103 percent of GDP by 2040.

This will produce what is often called the "crowding-out effect." Federal borrowing would draw money away from private investment in productive capital, because a larger portion of private savings available to lenders would be used to buy government securities, rather than to finance private investment. The results would be stagnant growth, less business activity, and fewer jobs in the private sector — and, of course, less federal revenue, and an ever-increasing federal debt.

As federal spending on interest payments increases, the government will either have to raise taxes or reduce spending for benefits and services. Most likely, both will become part of the mix. Defense spending would be a prime target of budget cutters, rather than popular social programs.

Attempting to solve this problem simply by raising taxes appears impossible. As the CBO report noted,

Such a policy would require boosting revenues by 14 percent in each year over the 2016-2040 period relative to the amounts that CBO projects in the extended baseline. For households in the middle fifth of the income distribution in 2016, a 14 percent increase in all types of revenues would raise federal tax payments for that year by about \$1,700, on average.

Obviously, the longer Congress fails to address this problem, the more difficult it will be to solve.



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But Congress appears unwilling or unable to do so, even with Republicans in charge in both the House and the Senate. It's the same situation as was observed back in 1971 by liberal Republican Senator Hugh Scott of Pennsylvania, who stated that with Republican President Richard Nixon, "We [liberals] get the action and the conservatives get the rhetoric." And Speaker Paul Ryan and his leadership team in the House seem only too ready to continue that tradition.

For instance, although Ryan told Dana Bash of CNN that Planned Parenthood should not get one "red cent" from taxpayers, following that stern rhetoric he quickly explained that the abortion giant will not actually see any cuts in federal subsidies. "I think we need to be very clear about what we can and cannot achieve and not set expectations that we know we can't reach given the constraints of the Constitution," Ryan insisted. Constitutionalists, however, clearly understand that the "constraints of the Constitution" in fact preclude any funding of an organization such as Planned Parenthood.

Perhaps this is why radio talk-show host Laura Ingraham referred to Ryan as "basically John Boehner with better abs." After all, Paul Ryan's score on the *The New American's* Freedom Index (a congressional voting scorecard based on fidelity to the U.S. Constitution) is only a dismal 58 percent, compared to Boehner's slightly more anemic 52.

Anyone hearing Ryan concede that Congress will continue to finance Planned Parenthood would find it difficult to expect him to defund any other wildly unconstitutional government spending, even in the face of the grim CBO report. For instance, he joined with 78 other Republicans to support increased federal spending and additional debt in voting for the Bipartisan Budget Act of 2015, which basically repealed the modest budget constraints of the "sequester bill." This "bipartisan" bill is amazingly similar to the 1991 agreement reached by President Bush and the "bipartisan leaders" of the day to hike federal taxes. At that time, it was the Gramm-Rudman-Hollings legislation (which was achieving some modest restraints on federal spending) that was basically repealed. Readers might remember that this was when Bush broke his "read my lips, no new taxes" pledge.

Whenever taxpayers hear of a "bipartisan" agreement reached in D.C., and Republicans "reach across the aisle" (always a one-way reach, as Democrats never move in the direction of lower federal spending), taxpayers can expect to reach for lighter wallets.

It seems incredible now, but when a Republican Congress spent a billion dollars in peacetime for the first time, during the administration of Republican President Benjamin Harrison (1889-1893), voters retaliated by turning the House of Representatives over to the Democrats in 1890, and electing a Democrat president in 1892.

Today, however, frustrated voters cannot expect any change, whichever party they install in the White House. The last time the Republicans controlled both the White House and Congress, they also dramatically increased federal spending, even adding new federal programs, as well conducting a horrifically expensive war in Iraq.

Despite the seriousness of the growing deficit, neither the Democrat nor the Republican candidates for president have said much about the national debt in the present campaign. Senator Rand Paul (R-Ky.) made a few statements in that regard, but he was excluded from the most recent debate on the Fox Business Channel, with the network citing his "low" polling numbers.

While trimming spending for federal programs would certainly be helpful in shrinking the ballooning debt, what would really make a difference is the elimination of several unconstitutional departments — such as Education and Energy. After all, the country managed before those two departments were



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added to the already bloated federal government in the 1970s. It is also politically important to raise popular support for other less popular cuts in federal spending. For example, drastically reducing foreign aid, with the goal of ending it altogether, though not solving the problem of the national debt, would at least demonstrate to the cynical public that Congress is serious about addressing the problem.

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