Accumulating More Debt Is Borrowing Trouble

Item: In his State of the Union Address, reported the Washington Post for January 26, President Obama "for the first time" did not "hail a newly passed 'recovery act' or call for a 'new jobs bill.' Instead, he called for a five-year freeze in domestic spending, except for 'investments' in education, infrastructure and research."

Item: *The day following the address, the President "pressed his case" for "investment to grow the economy out of its budget woes," reported Reuters for January 27. This move "is key to his 2012 re-election chances."*

Item: *In his speech, as noted in the White House transcript, the President said that "the final critical step in winning the future is to make sure we aren't buried under a mountain of debt."*

Correction: We are *already* under an Everest of debt, to the point where it was $4 billion higher by the time newspapers were published the next day describing the State of the Union Address.

While making a head feint toward a government "freeze" of a mere 12 percent of the budget, the President also pushed for even more government "investments," which continue to make the ledger books bleed more red than a slaughterhouse. The alleged savings that would result from the supposed five-year "freeze" in certain areas would be far outstripped by the spending he also proposed, such as high-speed rail lines. Moreover, Obama called for a similar multi-year selective freeze last year; it went nowhere.

Even if the "freeze" of a small portion of spending were to take place, Senator Tom Coburn (R-Okla.) noted, that "won't even pay the interest on the debt we're about to accumulate" in the next two years. Real cuts are needed. As Coburn said: "The federal government is twice the size it was 10 years ago. It's 27 percent bigger now than it was two years ago."

Just because a word such as "investment" is used, or a hammer-and-sickle flag is not displayed, doesn't make this a "centrist" and "business-friendly" administration. Under Mr. Obama's watch, domestic agencies have been given an 84-percent increase in spending when the failed stimulus is included. Meanwhile, the Congressional Budget Office estimates that the deficits over the next 10 years will not fall below a trillion dollars in any given year — and that is when the CBO scores the new ObamaCare entitlement as *reducing* the deficit — which few believe outside of Cloud Cuckoo Land.

Speaking of this supposed potential freeze on some discretionary domestic spending, columnist Charles Krauthammer commented that "Obama seemed impressed … that it would produce $400 billion in savings over 10 years. That's an average of $40 billion a year. The deficit for last year *alone* was more than 30 times as much. And total federal spending was more than 85 times that amount. A $40 billion annual savings for a government that just racked up $3 trillion in new debt over the last two years is deeply unserious. It's spillage, a rounding error."

But we *are* hurting and will get worse because of our indebtedness. According to the CBO, in what is no doubt another of its fabled rosy scenarios, by 2020 the interest payments required each year will come close to $800 billion — which is more than all federal outlays in the federal budget as recently as 1982. At that point, it would take almost half of projected income-tax revenues to pay just the interest on the publicly held national debt.

Government spending is stupendous, but even these expenditures do not cover the full tab, so Uncle Sam keeps borrowing more to fund his counterproductive interventionist schemes — malinvestments that retard true employment growth. How much is being borrowed? Consider this from Dr. J.D. Foster, a top Heritage Foundation economist:

> Given that Washington will spend $3.7 trillion in 2010, a projected $1.5 trillion deficit for 2011 means that government borrowed nearly 40 cents of every dollar that it spent. This is the equivalent of financing the entire discretionary budget — which includes defense, homeland security, international, transportation, education, veterans' health, housing, justice, natural resources, environment, and community development spending — with borrowed funds.

There's plenty of blame to spread around. We were promised otherwise. When California Democrat Representative Nancy Pelosi became Speaker in January 2007, she pledged there would be "no new deficit spending." The National Debt at that point was $8.67 trillion. Just four years later, to the day, when she handed over her gavel, the National Debt had gone over $14 trillion — meaning she missed her vow by a mere $5.34 trillion. Promises are only as dependable as those who make them.

Of course, and it can't be repeated often enough in Washington, this isn't "congressional" money or "White House" money. It's yours. And mine. It also belongs to those running businesses who would like to expand. But because of economic uncertainties and the threat of more taxes, businesses are less likely to spend — that is, to make real capital investments.

Yet, Washington operates by its own make-believe rules. If a member of Congress won't spend money that we don't have, he is called a cheapskate. On the other hand, those who borrow and tax from the producers in the country so the government can spend those funds on its favored constituent groups are widely deemed to be "investing" in the future. The latter get the pat on the head from the establishment media.

Indeed, the *New York Times* got all huffy when the possibility of a $100 billion cut was proposed by some in the GOP — and that was one of the meekest offerings. The *Times* maintained: "Whatever the sum … cutting billions would be foolish at a time when joblessness is high and the recovery needs stimulus, not tightening…. Spending cuts need not and should not start today, but the nation needs to put a credible plan in place now to reduce the deficit as the economy recovers."

To the apparent surprise of many on the Left, we still have not been able to spend ourselves to prosperity. If "fiscal stimulus" really did work, as Alan Reynolds observed in *Investor's Business Daily*, "the U.S. economy should have been booming while the fiscal austerity countries lagged behind. Contrary to Keynesian doctrine, however, countries that explicitly shunned such 'fiscal stimulus' schemes are outperforming the U.S. Unemployment has fallen to 7.5% in Germany and 7.1% in Sweden, for example. In the U.S., federal nondefense spending rose to 20.5% of GDP in 2010 from 15.4% in 2000, with most of that enormous increase happening in 2009. Government growth has been a big drag on the private economy, not a stimulus."

Worse, we don't seem to learn. The drag is becoming an immovable anchor. Projected federal spending is set to chew up 43 percent of GDP by mid-century; when local and state government expenditures are added, government will be consuming a full 60 cents of every dollar produced in the United States. And the President has already tried and failed with such methods, well before he advocated doubling down with these new so-called investments. Stephen Moore explained in the *Wall Street Journal*:

> Total spending on what Mr. Obama's budget calls "investment outlays," outside of defense, rose 46% between 2008 and 2010, to $372 billion from $254 billion. Of that, education funding soared 116%, though it's anyone's guess how much of that investment found its way into a classroom….

As far as the infrastructure crisis, that's a myth too. If our bridges are collapsing and roads and airports are congested, it's not for a lack of funding. Transportation financing has climbed just under 40% since 2008. The administration secured a 60% increase in transit dollars in 2010.

Another big winner has been government investment in business — which used to be called corporate welfare. The Department of Commerce's budget has more than doubled since 2008, which is only slightly faster than the 81% budget hike for the Department of Energy and the 84% jack?pot that went to housing programs.

Keep in mind that these budgets have skyrocketed over the same two-year period when household incomes and spending — investment in families and children — have barely budged.

More government "investing" is exactly what we do not need. Still, new Senator Rand Paul (R-Ky.) has not made many friends among his colleagues on either side of the aisle with his plan to slash $500 billion from the budget — which would include defunding, eliminating, or consolidating the departments of Education, Energy and Housing, and Urban Development.

Some sacred cows would go too, including foreign aid to allies. As the Senator put it: "If you ask the American people if we should borrow money from China to give it to another foreign country, they look at you like you have three eyes."

Fiscal responsibility is entirely possible, given the proper will. Canada reduced spending from 17.5 percent of GDP to 11.3 percent.

We have a rendezvous with debt. That's a given. The longer we wait, the greater the pain.

— Photo: AP Images