



## The Budget: Battling Business As Usual

Cutting off the enormous sum of taxpayer dollars that the United States sends annually to Tel Aviv is simply not an option for Washington insiders. For that matter, the rest of the \$20 billion in overseas aid that Senator Paul wants to cut in his brash new \$500 billion budget reduction proposal is probably just as sacred. As is the roughly \$16 billion that Senator Paul wants to trim from funding for the U.S. occupation of Iraq and Afghanistan. Foreign aid, including support for overseas military occupations, is sacrosanct in official Washington and among the numerous public, private, and non-profit organizations whose continuance depends upon maintaining the foreign aid status quo.



And foreign aid is far from the only sacred cow. Reducing, let alone eliminating, the vast array of federal government subsidies — for agriculture, education, housing, and just about every other corner of the misnamed “private sector” — is something Capitol Hill mandarins refuse to contemplate. So is winding down the most wasteful and destructive programs of all — the gargantuan trans-generational wealth redistribution shell games (Social Security and Medicare). And every subsidy and spending program, no matter how inane or unconstitutional, is sure to have defenders in both parties wherever pork is diverted to constituents. In a city where every budgetary cow is sacred, no one wants his own ox gored.

Of all the incoming Republican freshmen, “Tea Party” candidates included, only a few seem to be serious about tackling America’s towering national debt. Senator Paul, so far, has been the most outspoken of this diminutive group. His plan to cut \$500 billion from the bloated federal budget this fiscal year is by far the most ambitious proposal so far vetted, especially in comparison with the mere \$100 billion that Republican Party spokesmen promised to cut if elected to a majority in the House. In stark contrast to the hundreds and even thousands of pages of deliberately opaque legalese typical of omnibus spending bills, Senator Paul’s plan is laid out on a mere 12 readable pages, and his proposals are simple and straightforward. Senator Paul’s legislation (the “Cut Federal Spending Act of 2011”) proposes truly significant spending cuts, including:

- \$42,542,000,000 from the Department of Agriculture;
- \$5,322,000,000 from the Department of Commerce;
- \$27,270,000,000 from the Department of Energy;
- \$26,510,000,000 from the Department of Health and Human Services;
- \$23,765,000,000 from the Department of Homeland Security;
- \$10,934,000,000 from the Department of the Interior;
- \$9,057,000,000 from the Department of Justice;



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- \$2,803,000,000 from the Department of Labor;
- \$20,321,000,000 from the Department of State;
- \$42,810,000,000 from the Department of Transportation; and
- \$3,238,000,000 from the Environmental Protection Agency.

Senator Paul's cuts would eliminate outright one entire department (the Department of Housing and Urban Development) and would cut another (the Department of Commerce) by 54 percent. As for the oft-maligned (and thoroughly unconstitutional) Department of Education, Senator Paul's legislation would defund everything except Pell Grants.

Nor does the Cut Federal Spending Act of 2011 shy away from specifics. The Affordable Housing Program, the Commission on Fine Arts, the Consumer Product Safety Commission, the Corporation for Public Broadcasting, the National Endowment for the Arts, the National Endowment for the Humanities, and the State Justice Institute are all slated for demolition.

On the other hand, Senator Paul's legislation would represent only a modest beginning to the painful process of restoring affordable government and pulling America back from the brink of fiscal ruin. The act does not contemplate rolling back Social Security, terminating America's hugely expensive overseas military commitments, or abolishing the Federal Reserve System — all necessary steps back to limited government and fiscal health. And there is a raft of unconstitutional, costly federal agencies — the Environmental Protection Agency and the Food and Drug Administration, for example — that must go the way of the woolly mammoth for the era of Big (and unaffordable) Government to truly expire.

Senator Paul understands that his proposed bill is but the beginning of what is needed. "This," he said in his response to the State of the Union address, "is the first step of many needed to confront the biggest threat to our national security — our country's perpetual debt."

In point of fact, the bill would do no more than roll back federal spending to 2008 pre-stimulus levels, as Senator Paul made very clear. To truly come to grips with a mind-numbing debt exceeding \$14 trillion, spending will need to be reduced to a fraction of what it is now — and this is a notion that Beltway insiders refuse to contemplate. CNN, in one of the establishment media's kinder assessments of Senator Paul's plan, called his relatively modest cuts both "staggering" and "eye-popping." Others were less charitable; an economist from the Brookings Institute, Isabel Sawhill, termed the cuts "wacko," although she declined to give particulars as to why she found Senator Paul's plan so objectionable. The *Lexington Herald-Leader* from Senator Paul's home state mocked his legislation as a "parlor game," pointing out all the alleged benefits the state of Kentucky receives from the federal funding of education and the food stamp program. According to the *Herald-Leader*, Senator Paul's "warped fiscal priorities" would move America closer to being "a land built on libertarian theory" but withal "a place that few Americans would want to leave their children." As for foreign aid, the cuts would (in a mixed metaphor unworthy of big-city journalism) "[leave] the world's sole superpower with no carrots and nothing but sticks in its diplomatic quiver."

Such arguments are typical of the condescending views of the pro-Big Government camp, who cannot imagine the federal government playing a role any whit different from what it has played for the last several generations: the world's Sole Superpower charged with the moral imperative of micromanaging international affairs, and the provider of a cornucopia of consumer protections and corporate benefits to an American public long since emancipated from her wrongheaded love affair with individual liberty and the free market. In large swaths of the American intellectual and cultural landscape, the notion that



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much of the federal government, with all of its niggling controls, regulations, assessments, and impositions, could simply be defunded and vanish away, leaving the allegedly hapless, clueless private sector to its own devices, has become unthinkable.

The Republican establishment, not to be upstaged by upstarts like Senator Paul and Representative Michele Bachmann (who has proposed \$400 billion worth of cuts herself), has trotted out its own program for fiscal discipline. "Washington's spending spree is over," proclaimed Paul Ryan, the Chairman of the House Budget Committee. "The spending limits will restore sanity to a broken budget process." Lofty rhetoric, but Republicans have had their chances in the past — in 1994, for example, after a landslide takeover of both houses of Congress — to make a dent in the federal debt, but every time, they've shown themselves to be just as addicted to Big Government as their partisan adversaries.

And true to form, they're already falling spectacularly short of promised budgetary restraint, failing to come close even to the very modest \$100 billion in cuts pledged in last year's pre-election rhetoric. The plan unveiled on February 3 by House Republicans included such tepid proposals as a freeze (instead of a three-percent increase) in the budget of the Department of Homeland Security, an increase of "only" \$10 billion in the Pentagon's budget (as against the \$23 billion increase the Obama administration wants), and a puny six-percent cut in foreign aid. These and other such half-measures add up to an inconsequential grand total of \$58 billion — scarcely more than a tenth of the annual interest due on our national debt; by comparison, consider that the savings afforded by Senator Paul's allegedly "wacky" cuts are roughly equal to one year's interest payments.

If the most ambitious proposal to cut the budget is barely equal to the annual interest, it is very clear that there is no disposition among the majority of elected lawmakers — freshman Republicans included — to do anything serious to address our catastrophic debt, which last year surpassed 95 percent of America's gross domestic product.

The hard reality, which almost no one in Washington, let alone on Capitol Hill, is willing to acknowledge, is that America is completely broke. If the GDP represents our national income, then we now owe an entire year's salary. This is the same as a single household with \$75,000 in annual income having an unsecured debt of \$75,000. Paying off the debt is, of course, impossible if our hypothetical family chooses neither to reduce expenditures nor to increase its income. In point of fact, our national "household" is not only doing neither of the above, it continues to aggressively increase its own debt by borrowing more to make payments on debt previously accrued, and by spending more and more with each passing year.

Yet official Washington remains steadfast in its opposition to staunching the flow of red ink. Chris Van Hollen, the ranking Democrat on the House Budget Committee, protested that the minuscule cuts proposed by House Republicans "will harm the economy and put more people out of work," while the Obama administration, the AP reports, fretted that the cuts "could cause widespread furloughs of federal employees, force vulnerable people off subsidized housing, reduce services in national parks and mean less aid to schools and police and fire departments."

In other words, no meaningful spending cut is acceptable, because every federal program defunded or underfunded will mean unemployed federal workers and shortchanged private sector beneficiaries. This is the same game Washington has been playing since the era of the New Deal: Every new spending program, once embarked upon, becomes a perpetual, sacred obligation, and every new employee added to the federal payroll becomes an indispensable member of the public-sector family.



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There are, of course, only two possible outcomes to this sorry state of affairs. Our elected leaders will either choose fiscal restraint now, or have it forced upon them later. The first option is preferable, because it will involve less pain in the long run. Drastic spending cuts coupled with freeing up the private sector from the Byzantine controls the federal government has imposed upon market activity would allow the debt to be paid down in short order. That is what happened immediately after World War II, and the result was years of unprecedented economic growth. The second option, should we permit our leaders to choose it, is the way of national bankruptcy. It will involve hyperinflation and the total collapse of the American economy. It will lead to a federal default and the total destruction of the dollar. Savings and livelihoods will be wiped out, as happened in Weimar Germany, and civil unrest will be a likely by-product. Under such conditions, a descent into authoritarian rule becomes a distinct possibility.

The latest crop of Republican revolutionaries is unlikely to be equal to the task of bringing Big Government to heel. At most, official Washington will continue to talk and to dither while the federal treasury hemorrhages. The only ray of hope is that the energy and vigilance that ignited the Tea Party movement will not abate, and that in two years' time, when yet another set of Republican promises have been shown up as a pious fraud, American voters will conduct another electoral purge and bring in leadership with more moral fortitude.

— Photo: Sen. Rand Paul



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