



American Prosperity Under Fire

by Judd Gregg

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The American dream has traditionally meant that each generation works hard and makes sacrifices in order to pass a better life on to the next. This has always paved the way for a brighter future and increased prosperity. Yet, for the first time, the next generation is likely to inherit a future that is less bright and less prosperous than the one that we received.

Struggling With Recession

In the short term, Americans are struggling with a very serious economic downturn. They are worried about their jobs, the value of their homes, and their savings. They wonder about what the future holds and how will it impact their family. I certainly understand their concerns. This is a difficult time, but we are a strong and resilient nation, capable of recovering and emerging from this recession, and I have no doubt that we will do so.

However, the eyes of the country are on its leaders in Washington, D.C.—President Barack Obama and Congress—to put the country on a long-term path of financial stability. This means restraint. With rising deficits and a crisis looming in the unfunded entitlement programs, Americans want assurances that once this recession is finally behind us, we will not sink into economic quicksand again.

Unfortunately, the President's budget, the blueprint for our nation's fiscal priorities, does not offer a formula for long-term growth and prosperity. Instead, it seeks to explode the size of the government and move it sharply to the left. This expansion of government is partially funded through a massive tax hike. Yet the spending increases are so massive that even huge tax increases cannot keep pace, so the plan is for the government to borrow the rest from the future earnings of our children.

Increased Spending

To start, the President plans to increase spending by trillions of dollars over the next ten years—a \$1.4 trillion increase in discretionary spending and a \$1.1 trillion increase in mandatory spending during that period. Total federal spending will jump from the historical average of about 20 percent of Gross Domestic Product (GDP) to nearly 25 percent of GDP by 2019—a 25 percent permanent increase in the size of the federal government.

And after trillions of dollars are earmarked for new spending, the President still makes no hard choices to reform existing runaway spending. The budget fails to address or reform the major entitlement programs such as Social Security, Medicare, and Medicaid, which represent unfunded liabilities of \$67 trillion over the next 75 years. This is a tremendous missed opportunity for action, as the imminent retirement of the Baby Boom generation, combined with the skyrocketing costs of health care, put this crisis squarely on our doorstep.

A Teaspoon of Savings

True, the President recently unveiled a list of 121 programmatic terminations and reductions that would save \$17 billion in 2010, an effort that I applaud. However, put into the proper context, these savings represent less than half of 1 percent of the President's \$3.55 trillion Fiscal Year 2010 budget. This is like taking a spoonful of water out of a bathtub while the spigot is running full force.

And ironically, roughly 40 percent of the proposed savings had already been presented to Congress by President George W. Bush, but were rejected. But even if all of these savings are approved, in the end, it won't change the fact that the growth of government is out of control.

Taxpayer Burden

Who will pay for all this spending? There is no one else to turn to but the American taxpayer. The budget shows that we will be hit with the largest tax increase in U.S. history—\$1.5 trillion in new taxes over the next ten years. The President has assured taxpayers that only "the rich," or those earning more than \$250,000 annually, will pay more, but remember that many of these "rich" people are actually small business owners who file their taxes as individuals. Small businesses, the engine of growth in our economy, create about 70 percent of the new jobs each year. At a time when millions of Americans are out of work and new jobs are scarce, taxing job creators and further dampening the economy is certainly not the right answer. In addition, none of these taxes will go to reduce the deficit; instead, they will go to expand the size of government beyond what we can afford.

It's not just the top wage-earners who will see their taxes increase. The President's budget allows for a national sales tax on energy bills, so that anyone who flips on their light switch will face higher taxes. In fact, if the President gets what he wants in his cap and trade proposal, everybody who gets a utility bill will pay an average of \$3,000 more in taxes a year for their energy needs.

The President's choice to also borrow aggressively from our children adds, on average, \$1 trillion a year to the debt, a level of borrowing that is simply unsustainable. The budget will double the publicly-held debt in five years, and then triple it in ten years. Our debt will be \$17.3 trillion, or 82 percent of GDP, by 2019. How can a nation get out from underneath that kind of obligation?

To put this in perspective, in 2019, the average American household will owe \$130,000 in debt as a result of the past irresponsibility of the government. Ten years from now, we will spend more on interest payments on this debt than we will spend on education, energy, and transportation combined—almost four times as much, in fact. How can American families prosper in the future if so much of their resources must be devoted to our past folly?

America Deserves Better

I acknowledge that the President took office facing a significant economic challenge. Government support is needed in the short-term to stabilize our financial system and help our economy recover. But the recession will not last forever, and our budget should not be spent as if it will.

We have always passed on to future generations a better, stronger, more prosperous nation. Yet, the numbers in this budget do not lie—we are now heading into dangerous territory. If we continue on this course of reckless spending with annual deficits of over \$1 trillion and mushrooming debt, we will be the first Americans to pass on to our children a country they cannot afford. That is just wrong for one generation to do to another.

Our goal and our shared responsibility must be to pass on the same opportunities for growth and prosperity that we enjoyed. We must rein in government spending before it gets out of control. Our children and grandchildren deserve nothing less.

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