



Fiscal Wake-Up Tour Visits Iowa: A True Reality Based Discussion

by John R. Hendrickson

Drake Law School on February 1, 2007, hosted an important event. It was not a town hall meeting with Senator Hillary Clinton or with former Massachusetts Governor Mitt Romney, but a discussion with a group of distinguished panelists who are bringing attention to the nation's growing fiscal crisis. The Fiscal Wake-Up Tour is a joint effort of The Concord Coalition, the Budgeting for National Priorities Project at the Brookings Institution, The Heritage Foundation, and David Walker, Comptroller General of the United States.¹

The growing fiscal crisis represents a serious challenge for policy makers to face, as tough decisions will have to be made in regard to entitlements such as Medicare and Social Security. In his 2008 budget, President George W. Bush has begun to address this problem in a moderate fashion. The President has proposed a \$2.9 trillion budget including \$1.14 trillion in discretionary spending and \$1.527 trillion in mandatory spending.²

The proposed budget is sure to create fierce debate on Capitol Hill, not only over taxes such as the alternative minimum tax (AMT), but also the \$716.5 billion in new spending for defense.³ Competitive debate always occurs over the questions of whether to provide more funding for "guns" or "butter." The first priority of government is to provide for the common defense, and the President should be applauded for increasing defense spending. With that said, the federal government still faces a fiscal crisis, which means that spending reductions and entitlement reforms should be initiated.

The President's budget, if enacted by Congress, is expected to balance the budget in five years. In addition the overall deficit has been reduced by 58%, which is good fiscal news.⁴ "The White House is projecting that its new budget will eliminate the deficit by 2012 assuming Mr. Bush's tax cuts are extended after 2010."⁵

The looming fiscal crisis is the reality of the bankruptcy of both Social Security and Medicare. "The impending retirement of 77 million baby boomers will trigger a \$39 trillion tsunami of unfunded entitlement costs over the next 75 years."⁶ Entitlements have placed enormous pressure on the budget, but with that said, it is not just entitlements, but national emergencies, the war on terror, and general out-of-control spending that have placed pressures on the budget.

It must be noted that national emergencies placed enormous strain on the budget, most notably the September 11, 2001, terrorist attacks and the relief efforts for Hurricane Katrina. Nevertheless, the looming concern is the entitlements. Dr. Stuart M. Butler, Vice-President for Domestic and Economic Policy Studies at The Heritage Foundation reported that "Medicare spending (including offsetting receipts) expanded 12 percent in 2006 and will grow 13 percent more in 2007. Combined Medicare and Medicaid spending now exceeds Social Security spending."⁷ In addition, Butler noted: "The combination of the 'big three' entitlements — Medicare and Social Security and Medicaid — will double from the current 8 percent of the GDP to 15 percent when today's newborn graduates from college, to nearly 20 percent of GDP when today's college graduates reach retirement in 2050."⁸

The 110th Congress needs to address the fiscal problems and the realities that come with that dilemma. We are over extending our fiscal reach and making promises to future generations that can not be kept. In addition, raising taxes will destroy economic growth. The solution lies in making some tough budget and entitlement reforms, including privatizing Social Security and budget reform proposals such as the line-item veto and the balanced budget amendment.

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In considering the President's budget, Congress will also have to keep in mind the necessity for larger defense spending, which must provide money for an increase in the armed forces, missile-defense systems, and providing resources to fight the long war on terror. The first priority for the budget should be national defense, especially with the growing tensions with Iran. Sacrifices on the home-front budget will have to be made or the worse alternative of increased taxes will be realized to pay for both the "guns" and the "butter" programs.

In addition, the focus needs to be on limiting government and not just tax cuts. Supply-side tax cut policies work, but to be truly effective they need to be wedded to spending cuts. "However, many in the Republican Party have focused exclusively on tax cuts and growing the economy without dealing with the tougher job of limiting government to its proper size, noted Ed Crane, President of the CATO Institute. "If Republicans concentrate just on growth and not on the proper role of government, the government will surely balloon because of entrenched interests, and ideological leftists are actively pressing for larger government all the time."⁹ The role of tax cuts should not be downplayed, but striving toward more limited constitutional government should be the first priority.

State Representative Marty Seifert, who is the Minority Leader in the Minnesota House of Representatives, offered a governing test that should be applied to all legislation that will help elected officials make constitutionally sound decisions. The test to evaluate legislation includes: "common sense, fiscal responsibility and lower taxes, personal responsibility and individual freedom, stronger families, and safety and security."¹⁰ This test for legislation will provide legislators and executives with a roadmap to fiscal health and security both abroad and on the home-front.

(Endnotes)

¹ Robert Bixby. "A Fiscal Wake-Up Call," The Concord Coalition, <<http://www.concordcoalition.org/events/fiscal-wake-up/about.html>> (February 2, 2007).

² David Rogers, "Bush Budget Sets Stage for Clashes with Congress," *The Wall Street Journal*, February 6, 2007, <http://online.wsj.com/article_print/SB117068414912098173.html> (February 6, 2007).

³ Ibid.

⁴ "Fiscal Revelation," *The Wall Street Journal*, February 6, 2007, <http://online.wsj.com/article_print/SB117073013002599121.html> (February 6, 2007).

⁵ Ibid.

⁶ Brian M. Riedl, "Bush Budget Reins in Entitlement Costs," WebMemo #1341, The Heritage Foundation, February 5, 2007.

⁷ Stuart M. Butler. "Solutions to our long-term fiscal challenges," Statement before The Committee on the Budget of the United States Senate, The Heritage Foundation, January 31, 2007.

⁸ Ibid.

⁹ Ed Crane. "The Republican Congress in Historical Context." in Chris Edwards and John Samples (eds.), *The Republican Revolution 10 Years Later*, CATO Institute, 2005, p. 20.

¹⁰ State Representative Marty Seifert, "House Republicans Focus on Relief, Reform and Results: Real Solutions for Real People Guide Legislative Agenda," News Release, January 13, 2007, <<http://www.house.leg.state.mn.us/members/pressreleasels85.asp?district=21A&pressid=168>> (February 9, 2007).

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