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The Problem of Uncontrolled Government Spending

by John Hendrickson

This past year has been troublesome as the United States struggles to emerge into economic recovery from the "Great Recession." Unemployment still remains at 8.6 percent and the national debt has risen to over $15 trillion. The federal government continues to run yearly trillion-dollar deficits and Congress has failed to pass a budget in well over 900 days. The congressional Joint Select Committee on Deficit Reduction (Super Committee), which was charged with finding $1.2 trillion in spending cuts, failed to come up with a solution to reduce both spending and the national debt.

The failure of the Super Committee to come up with an agreement over spending cuts is a reflection of the deep philosophical divide between conservatism and liberalism in addressing the need to reduce federal spending as well as create pro-growth economic policies. Patrick J. Buchanan in his recent book, *Suicide of a Superpower: Will America Survive to 2025?*, outlined the financial problem that confronts the nation:

> In 2000, the United States ran a surplus. In 2009, it ran a deficit of $1.4 trillion — 10 percent of the economy. The 2010 deficit was almost equal, and the 2011 deficit is projected to be even higher. The national debt is surging to 100 percent of GDP, portending an eventual run on the dollar, a default, or Weimar-like inflation. The greatest creditor nation in history is now the world's greatest debtor.[1]

"Federal spending soared over the past decade, growing from 18 percent of Gross Domestic Product (GDP) in 2001 to 24 percent by 2011," noted Chris Edwards, who serves as Director of Tax Policy Studies at Cato Institute.[2] Edwards also argues that "government spending growth has already created giant deficits and displaced private-sector economic activity, but it could get much worse."[3] The problem centers on uncontrolled government spending, especially the spending on the entitlement programs of Social Security, Medicare, and Medicaid, which unless reformed threaten to consume the entire federal budget.

President Barack Obama and Democrats have called for increasing tax rates in order to raise revenue for the federal government, but raising tax rates would not only fail to solve the spending problem, but also create further economic uncertainty. "The country's deficit is exclusively a spending problem. Congress should reduce the budget deficit by cutting spending, and then turn to long overdue tax reform in pursuit of stronger economy….," noted J.D. Foster, who serves as a Senior Fellow at The Heritage Foundation.[4] This would include reducing tax rates across the board, such as lowering the corporate income tax and considering a flat tax or national sales tax system to replace the current tax code.

It was the philosophical disagreement over tax and spending policies that led Republicans and Democrats who served on the Super Committee to fail in their effort to find an agreement. As Representative Jeb Hensarling (R-TX), who served on the Super Committee, wrote in *The Wall Street Journal*:

> Ultimately, the committee did not succeed because we could not bridge the gap between two dramatically competing visions of the role government should play in a free society, the proper pur-

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pose and design of the social safety net, and the fundamentals of job creation and economic growth.[5]

As a consequence, $1.2 trillion in automatic cuts will occur unless Congress changes the law, but these cuts are seen as minimal. "'Failure' would actually mean more budget cuts and less taxes — and the budget cuts are far more likely to be real," noted Michael Tanner, a Senior Fellow at Cato Institute.[6] Senator Tom Coburn (R-OK) argued that "there will actually be no decrease in spending in the federal government" as a result of the mandatory cuts.[7]

Uncontrolled spending, a burdensome tax code, and significant and costly increases in regulations have resulted in the slow economic growth, high levels of unemployment, and economic uncertainty. Former Michigan Governor John Engler, who currently serves as President of the Business Roundtable, recently wrote that "the United States must respond on all fronts with policies to restructure the U.S. tax system, restrain regulatory excess, expand exports, develop domestic energy resources, and promote skills-oriented education."[8] These are the policies that the business community sees as essential in order to create a stronger economy.

"Government spending drives taxes, deficits, debt and inflation, so it's at the core of our economic problems," wrote Jim Powell, a Senior Fellow at Cato Institute.[9] It is clear that spending is the major domestic policy problem facing the nation today and it is vital that policymakers follow policies that will resolve fiscal and economic problems confronting the nation. The solution to reducing government spending and formulating pro-growth policies rests in returning to constitutional limited government. These are the policies that President Warren G. Harding, President Calvin Coolidge, and President Ronald Reagan utilized in creating periods of economic growth and prosperity. The future of the Republic depends on returning back to constitutional principles.

Endnotes:

[1]Patrick J. Buchanan, *Suicide of a Superpower: Will America Survive to 2025?*, Thomas Dunne Books, New York, 2011, p. 10.

[2]Chris Edwards, "The Case for Cuts," *Cato Policy Report*, Vol. XXXIII, No. 6, Cato Institute, Washington D.C., November/December 2011, <http://www.cato.org/pubs/policy_report/v33n6/cprv33n6-1.pdf> accessed on December 2, 2011.

[3]Ibid.

[4]J.D. Foster, "True Tax Reform: Improves the Economy, Does Not Raise Taxes," *Backgrounder*, No. 2619, The Heritage Foundation, Washington, D.C., November 2, 2011, <http://www.heritage.org/research/reports/2011/11/true-tax-reform-improves-the-economy-does-not-raise-taxes?query=True+Tax+Reform:+Improves+the+Economy+Does+Not+Raise+Taxes> accessed on December 2, 2011.

[5]Jeb Hensarling, "Why the Super Committee failed," *The Wall Street Journal*, Tuesday, November 22, 2011, p. A19.

[6]Michael D. Tanner, "Beware the balanced approach," Cato.org, Cato Institute, November 16, 2011, < http://www.cato.org/pub_display.php?pub_id=13867> accessed on December 2, 2011.

[7]Tom Coburn, "Dr. Coburn: No real decrease in spending when sequestration is carried out, it's time to stop lying to the American people," Office of Senator Tom Coburn, November 29, 2011, <http://coburn.senate.gov/public/index.cfm/floorstatements?ContentRecord_id=c0b26ac3-154d-4315-9a51-5e7d71950243&ContentType_id=471b9448-fc4b-4070-8bea-982855edf000&1fd77ac3-0abc-4c6c-8a34-83e054c25f63&Group_id=ba07c59f-46ff-4330-9cca-dea2d41c053d> accessed on December 2, 2011.

[8]John Engler, "What candidates need to know: U.S. business must be allowed to compete," *The Washington Times*, November 3, 2011, <http://www.washingtontimes.com/news/2011/nov/3/what-candidates-need-to-know/> accessed on December 2, 2011.

[9]Jim Powell, "Rich nations that went broke by spending too much," Cato.org, Cato Institute, Washington, D.C., November 29, 2011, < http://www.cato.org/pub_display.php?pub_id=13898> accessed on December 2, 2011.

John Hendrickson is a Research Analyst with Public Interest Institute, Mount Pleasant, Iowa. Contact him at Public.Interest.Institute@LimitedGovernment.org.

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