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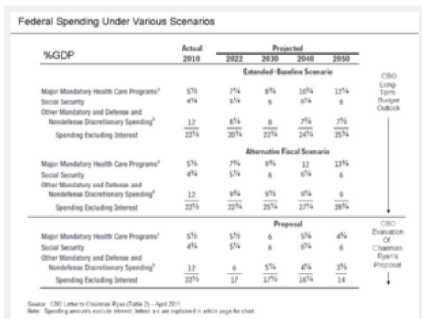
Unwilling to Get Real On Spending, Obama Pulls Out the 'Washington Monument' Card

By James Harrigan & Antony Davies



Federal Spending Under Various Scenarios

%GDP	Actual 2010	Projected 2022	2030	2040	2050	
		Extended-Baseline Scenario				CBO Long-Term Budget Outlook
Major Mandatory Health Care Programs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Social Security	[illegible]	[illegible]	6	[illegible]	6	
Other Mandatory and Defense and Nondefense Discretionary Spending	12	[illegible]	8	[illegible]	[illegible]	
Spending Excluding Interest	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
		Alternative Fiscal Scenario				
Major Mandatory Health Care Programs	[illegible]	[illegible]	[illegible]	12	[illegible]	
Social Security	[illegible]	[illegible]	6	[illegible]	6	
Other Mandatory and Defense and Nondefense Discretionary Spending	12	[illegible]	[illegible]	[illegible]	9	
Spending Excluding Interest	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
		Proposal				CBO Evaluation Of Chairman Ryan's Proposal
Major Mandatory Health Care Programs	[illegible]	[illegible]	6	[illegible]	[illegible]	
Social Security	[illegible]	[illegible]	6	[illegible]	6	
Other Mandatory and Defense and Nondefense Discretionary Spending	12	6	[illegible]	[illegible]	[illegible]	
Spending Excluding Interest	[illegible]	17	[illegible]	[illegible]	14	

Federal spending as % GDP under CBO and Ryan Scenarios (Photo credit: Wikipedia)

Now that the carnival of sequestration blame is over we are being treated to a modified version of the Washington Monument gambit. This is the ploy used by politicians and bureaucrats every time it becomes necessary to cut anything in the federal budget. Politicians learned long ago that the best way to beat back budget cuts was to focus the cuts on areas that would “hurt” the most so that the cuts would appear unreasonable. The strategy has come to be known as the “Washington Monument Gambit.”

Last week the White House announced that it would be closed for tours just as Washington heads into its busiest school tourism season. The White House was aided by a media eager to breathlessly report cataclysmic scenarios of airport security delays, furloughed meat inspectors, and shuttered park lands. Instead of nightmare scenarios it would be more inspiring if our leaders could dream up and realize real fiscal reforms that end the cycle of budget doom.

So what is the actual issue? Washington wrings its collective hands over a sequestration that purports to cut $1.2 trillion from the budget. But that’s over 10 years. This year’s cuts are a mere $44 billion, an amount the President claims will cost the economy thousands of jobs. The President’s track record on understanding job creation is nothing short of abysmal. Worse still is the budgeting ability of the entire political class. The truth is that we needed the sequester because neither the President nor Congress has the courage to cut much of anything. And if Washington can’t cut $44 billion this year, how will they ever cut the remaining $1.15 trillion over the next decade?

The President has repeatedly called for “shared sacrifice” and, since January, every American household has been paying two-percent more in payroll taxes. Now that it’s the government’s turn to slash spending by a mere one-percent, the President can't seem to find a way. Shared sacrifice appears to mean that we sacrifice while the government shares.

Conclusion? We've been living beyond our means for so long that there is nothing standing between the federal government and the likelihood of either default or runaway inflation other than serious spending cuts. It's that simple.

In February, the Congressional Budget Office forecast that the federal debt would rise from $16 trillion today to $25 trillion ten years from now. But of the 121 forecasts CBO has made since 1997, it has underestimated future debt 80 percent of the time. For forecasts five or more years into the future, CBO has underestimated the debt almost 95 percent of the time. If we adjust CBO's $25 trillion forecast to account for its typical 80 percent underestimation, we can expect the debt to be almost $50 trillion by 2023.

If the Fed risks runaway inflation by holding interest rates at their current levels for the next decade, the interest on that $50 trillion will eat 30 cents out of every tax dollar the government collects. If the Fed allows interest rates to rise to their historical average, interest on the $50 trillion will eat 70 cents of every tax dollar. And if you don't believe the adjustment to the CBO forecast, just assume that tax revenue and spending will grow at the same annual rate that they have since 1970. Throw in the assumption that interest rates remain at their current low levels for the next decade, and you have a $30 trillion debt in ten years. Even this extremely conservative forecast is higher than CBO's forecast.

This is what our future holds because our politicians are unwilling to take the first steps toward financial solvency. They cannot find a way to cut 1 percent from a budget that would have to be cut by almost 25 percent to be balanced. And remember, with our massive debt, a few balanced budgets are not enough. We need decades of balanced budgets, and we need them starting now. In 10 years, it will be too late.

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