THE CHIPPEWA HERALD

The silence about deficits in the 2016 presidential race

March 31, 2016

A couple of weeks before the 2000 presidential election, the federal government issued a report on its fiscal fortunes. In the fiscal year that had just ended, it said, tax revenues exceeded outlays by $237 billion. It was the third straight year of budget surpluses.

You read correctly: surpluses. Thanks to a combination of spending restrictions, a tax increase and a booming economy, Washington was not loading more burdens on future taxpayers. The accumulated debt held by the public actually shrank.

That's what Republican presidential candidate John Kasich is talking about when he says (with some exaggeration) that he "was the chief architect of balancing the federal budget," referring to his time as chairman of the House Budget Committee. He doesn't mention that he had some help in that achievement from a guy named Bill Clinton, whose wife is also running for president.

Today, though, "fiscal responsibility" is an oxymoron. Since 2001, the budget has never been balanced, and the federal debt has exploded to a hard-to-fathom $19 trillion.

You might think that damming the river of red ink would be high on the list of pressing issues before the electorate this year. But a balanced budget is not on the agenda for Kasich, Hillary Clinton or anyone else still in the presidential race. No one is campaigning on a vow to make Washington live within its means.

In fact, most of the candidates would increase federal spending — as though the $3.92 trillion outlay projected this year were pitifully inadequate.

According to an analysis of the candidates' plans by the nonpartisan Committee for a Responsible Federal Budget, Clinton would boost outlays by 2 percent, Donald Trump by 3 percent, Ted Cruz by 6 percent and Bernie Sanders by (gulp) 33 percent. Kasich is alone in planning to bring spending down, by 2 percent.

Expenditures are only one factor in producing deficits. The other is revenue. The Tax Policy Center estimates that Cruz's tax plan would cost $8.6 trillion in lost receipts over the next decade, while Trump's would slash federal income by $9.5 trillion. (Kasich, says the TPC, hasn't provided enough specifics for it to make an estimate.)

The Democrats would go the opposite direction by raising taxes. Clinton's changes would capture an extra $1.1 trillion over 10 years. Sanders' would bring in an additional $15.3 trillion — the catch being that the top federal tax rate would jump to 77 percent, roughly double the current maximum. The damage to the economy from Sanders' program would greatly exceed any benefit to the federal balance sheet.

The takeaway from listening to the candidates is that the grim federal budget outlook is only going to get worse. That they share with President Barack Obama. Under his plans, the annual deficit is projected to climb every year to $1.1 trillion by 2022 and keep heading upward.

Chris Edwards, director of tax policy studies at the libertarian Cato Institute in Washington, says that all these projections fail to take into account a looming likelihood: Economic history indicates we are likely to experience a recession under the next president, an event guaranteed to increase federal outlays and curtail revenues.

The last recession, he notes, cost the government more than $1 trillion by the time it was over. Blowing another large hole in federal budgets, he fears, could trigger a financial crisis by raising credible fears that the debt will grow to an unsustainable size, exceeding the government's ability to repay. And no, Greek olive oil doesn't help that dire prediction go down easier. Ask taxpayers of European nations trying to survive huge debts.

Sooner or later, our elected officials in Washington will have to reverse the federal government's alarming slide toward insolvency — or just let it fly over that cliff. But for now, our candidates for president are just going with the flow.