

The Battle of the Budget Rages On

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by Gary Palmer

Republican Speaker of the House John Boehner may have negotiated an agreement with the Obama Administration and the Democrat Congressional leadership to cut spending by \$38.5 billion, but it sure seems like the Republicans came away with a loss.

It seems that way in part because, though it is being touted as the largest spending cut in American history, it falls far short of the \$100 billion they promised to cut during the 2010 election campaign. Even more problematic, it is just a drop in the proverbial bucket of the \$14 trillion federal debt. As Rep. Jeb Hensarling (R-Texas) put it, "Relative to the size of the problem it's not even a rounding error. In that case, we probably all deserve to be tarred and feathered."

According to Chris Edwards of the Cato Institute, at least some of the \$38.5 billion in cuts were already planned by the Obama Administration or were funds that haven't been allocated yet which further diminishes the value of the cuts. Even though the Republican leadership achieved some cuts, the federal government will continue to spend at a pace faster than the economy is growing.

The Republicans appear vulnerable to the public's reaction to a government shutdown as if shutting down the government will have some immediate cataclysmic impact. It will not.

Since 1976, the federal government has shut down 17 times. Prior to 1981, government agencies simply continued to function even though Congress had not approved a budget. But two opinions by President Jimmy Carter's Attorney General Benjamin R. Civiletti changed that. Civiletti declared that, with the exception of government agencies involved in protecting human life and property, all government agencies must suspend operations until new appropriations were enacted. Civiletti strictly interpreted the Antideficiency Act, an 1870 law that requires the suspension of an agency's operations until Congress appropriates funding.

While Civiletti's opinions made government shutdowns more problematic, it did not stop them. Since 1981, the federal government has been allowed to shut down 11 times, eight of which occurred during the Reagan Administration. Unfortunately, the shutdown that the Republicans remember best is the 21-day shutdown that hurt the Republicans in the 1996 election. The difference now is that the American public understands that we must make serious cuts in federal spending or face massive tax increases and a stagnant economy for years to come.

While the Republicans should work in good faith with the Democrats, they must push toward serious cuts in federal spending. Last March, Dallas Federal Reserve Bank president Richard Fisher warned that the United States is on the path to fiscal insolvency. Fisher said, "If we continue down on the path on which the fiscal authorities put us, we will become insolvent, the question is when."

Moreover, *Financial Times* reported that the International Monetary Fund (IMF) says the United States lacks a credible strategy to stabilize its mounting public debt and has called for a broad plan to reduce its annual deficits and its debt, including reforms to reduce liabilities for Medicare and Social Security.

Even the Obama Administration and the Democrat leadership realize that we must do something about deficit spending and the federal debt. As expected, their remedies are centered on tax increases and without credible spending cuts and serious reforms to federal entitlement programs that even the IMF recognizes must be made to reduce our debt.

Cutting spending in order to get the nation's fiscal house in order is primarily why voters elected Republicans in the last election. Political considerations aside, the Republicans in Congress must recognize the seriousness of the situation and act in the long-term best interest of America. Tough decisions on spending cuts are absolutely necessary to save us from insolvency.

The second round of the battle of the budget will take place when Congress votes on whether or not to raise the debt ceiling. This is where a line must be drawn. The Republicans must force spending cuts that they have thus far failed to achieve, even if it means allowing the government to shut down.

The real battle is not about specific dollar amounts. It is about fundamentally reforming federal spending including reforms for entitlement spending such as those outlined in the budget proposed by Rep. Paul Ryan (R-Wisconsin).

Americans must understand that closing federal agencies until Congress enacts serious spending cuts will not be a catastrophe. The real catastrophe will occur if Congress does not enact serious reforms that will cut trillions, not billions from our federal debt.

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