Exclusive: Budget Experts Offer 5 Actions To Cut America’s Trillion-Dollar Deficits

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According to recent projections, the United States federal budget deficit will reach nearly $1 trillion again next year for the first time since 2012. Budget experts are offering some concrete steps the country can take to reverse that trend in the years ahead.

The Wall Street Journal reported on Tuesday that the deficit totaled $532.24 billion for the period from October through May, which is a 23 percent increase from the same period last year.

The increased deficit reflected a 6 percent rise in government spending, which outpaced a 3 percent increase in revenues to the U.S. Treasury.

The CBO forecast in April that the deficit will come in at $804 billion for the year, or $139 billion more than 2017. The deficit will reach $981 billion in fiscal year 2019, according to Bloomberg. It is on track to pass $1 trillion in 2020, Bloomberg reported.

The problem is not necessarily on the revenue side. Through April of this year, the federal government collected over $2 trillion in payments. April in fact witnessed the largest monthly surplus on record at $214 billion. However, the federal budget now exceeds $4 trillion per year.

The Western Journal spoke with two budget experts, who between them have decades of experience grappling with the nation’s finances. Both have offered their expertise in recent testimony before Congress.

James Capretta holds the Milton Friedman chair at the American Enterprise Institute and prior to coming to AEI served in the White House’s Office of Management and Budget from 2001-2004 under President George W. Bush. Prior to that he was a policy analyst on the U.S. Senate Budget Committee and the House Ways and Means Committee.

Chris Edwards is the director of tax policy studies at the Cato Institute and editor of DownsizingGovernment.org. Before joining Cato, Edwards served as an economist on the congressional Joint Economic Committee and with the non-partisan Tax Foundation.

"There is a major disconnect between the level of revenue we're willing to collect at the federal level and how much spending commitments we've made," Capretta told WJ.

"You're not going to be able to correct that quickly but they ought to stop making adjustments in spending commitments that have a effect on total spending five, 10, 15 years out," he added.

Edwards agreed, but offered a starker assessment.

"We facing a complete disaster," he said. "The United States, our republic in over two centuries, has never been such a disastrous fiscal situation.

"Our federal government debt will soon surpass the level that it peaked at in World War II," the economist explained. "But the situation is worse than that because World War II was followed by decades of high economic growth."

House Budget Committee

He noted that in the years following the war, Congress and the president were keen on cutting the debt. In fact, the federal government experienced surpluses in the late 1940s under President Harry Truman and again in multiple years under President Dwight Eisenhower.

However, both administrations pre-dated most of the federal entitlement programs that now make up two-thirds of federal government spending. Even Social Security, launched in the 1930s, was still young with most paying in, but a relative few drawing benefits.

Both Capretta and Edwards agree any solution to the nation's mounting debt will have to address entitlement programs.

A failure to do so will mean ever increasing deficits, forcing the government to borrow more money and paying higher interest rates to attract investors.

Higher interest rates will make it harder for businesses and individuals to borrow, which will lead to a declining economy.

"It's a slow withering of our strength and capacity over time," Capretta said.

He offered areas of reform that begin to reverse the trend.

Medicare: The program ranks third among all federal government spending, behind Social Security and defense, and is soon to take over the No. 2 slot. Capretta argues that the United States should shift to a premium support modellike the one promoted by House Speaker Paul Ryan. People will then be free to purchase their own health coverage.

Further, for those entering the program in the future, means-testing must be introduced, so people who have the financial ability to pay for their coverage or pay a greater percentage of their coverage do so.

Medicaid: The budget expert says the federal government needs to rethink its relationship with the states, which in fact administer the program. Rather than an open-ended federal commitment, Capretta advocates for a “predictable financing program” based on population or another definitive measure.

Information technology: Capretta calls for better use of information technology, including downsizing the bricks-and-mortar aspect of the federal government. There are all kinds of different offices for all kinds of different things located all over the country. Much more can be done online with the country now firmly embedded in the internet age.

Edwards offered some similar prescriptions, but emphasized that the federal government needs to shift responsibility to the states for several programs.

“Aid to states is $700 billion a year now,” he said. “The federal government spends on things that are not federal: they are state and local.”

Shift responsibility to states: The economist says Medicaid, highways, education, and public housing, ultimately fall in the purview of state and local governments.

“The federal government is in a far worse, desperate financial situation than the states are, so why does the federal government keep subsidizing the states for state activities? It makes absolutely no sense,” Edwards argues.

Privatize: The government should put Amtrak and the Postal Service up for sale. Further, it should sell off portions of its vast federal land holdings, particularly in the West.

Both Capretta and Edwards emphasized there are no quick fixes, but policy makers must start to bend the debt curve down today, or else the country will face a much bleaker tomorrow.