

Magical thinking on the federal budget: Spend and save at the same time

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In the last week, I've interviewed seven budget and tax analysts on my radio show. Near the end of each interview, I've asked, in so many words, whether the runaway federal budgets this year and next could, in their opinion, be brought under control before we race off the cliff and into a fiscal void.

The consensus is that there are steps that could at least begin to do the job, but that political considerations make it unlikely. Tax policy analyst Daniel Mitchell of the Cato Institute did say, "If you're planning to live just another year or two, things look OK."

The good news, Mr. Mitchell said, is that the spending side of the new Obama budget unveiled the other day doesn't propose any big new initiatives to expand the burden of government. It contains no new budget busters like the stimulus scheme or the government-run health care plan.

"The bad news," he says, "is that the budget does nothing to undo any of the damage of the last two years. Nor does it undo any of the damage of the previous eight years. And because the president's budget refuses to address entitlement spending, it certainly doesn't do anything to avert the damage of rapidly expanding budgets over the next several decades."

Oh, have I mentioned that the budget we're talking about totals \$3.7 trillion and comes with a built-in one-year deficit of \$1.5 trillion, according to White House Budget Director Jacob Lew?

This is presented to us as a savings measure. We are supposed to believe that somehow we're going to save \$1.1 trillion over the next decade by continuing to spend much more than we take in. How does that work? Damned if I know.

The president wants to "invest" in things like high-speed rail systems and energy efficiency, and to better educate America's increasingly listless youths so we can become more competitive in the world economy.

He says the third budget in his presidency reflects a "new reality" and will allow for a greater focus on cutting spending and reducing the mounting deficits. He says critics are "impatient." He says that serious negotiations will begin about trimming entitlement programs, but he offers no specifics.

At the same time, he warns that spending cuts would hurt the phantom U.S. economic recovery. The mind whirls from the spin that Mr. Obama applies to the situation.

The amounts are so staggering as to be incomprehensible, yet the average American knows we're in deep trouble. The Huffington Post left is raging against cuts in social programs. The tea partiers and other budget hawks are fighting to get \$100 billion or so in spending reductions, a meaningless figure when compared to the extent of the ever-growing public debt.

We talk often of the political habit of "kicking the can down the road," a way of describing postponing painful but necessary decisions until the next election is over, or the politicians in question are safely out of office (or in their graves).

How can we reconcile the notion that the 10 years during which Mr. Lew says we'll begin to dig ourselves out of the hole are the same 10 years that promise an additional \$10 trillion in budgeted federal debt?

Politicians and their media amplifiers lie to us all the time. We're pretty much used to it. They told us the invasion of Iraq would be a "cakewalk." They passed a crushingly expensive fantasy called No Child Left Behind into law. That was one of those bipartisan efforts, always the worst kind.

They bailed out Wall Street with our money, much of it borrowed from China, and told us it was necessary lest the economy crash — while the bankers happily filled their pockets with bonuses for a job well done. If they meant a con job, it was indeed well done.

Economist Gary North says the public is buying the spin and for the first time in nearly three years is increasing credit card debt. It totaled \$800 billion in December, up by \$2.5 billion over November.

Student and auto loans were up as well, no doubt inspired by the example of our leaders. We seem hell-bent on spending ourselves into prosperity. This won't end well.

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