

We Can Handle the Deficit, but We'll Have to Do It Over Harry Reid's Political Hide.

Megan McArdle is not at all pleased with the latest debt numbers.

“Grim” doesn’t seem to be a terrifying enough word to describe the budget outlook that the CBO released Wednesday. Oh, sure, we sort of knew this was coming—tax cuts are expensive if you don’t find spending cuts to match. And yet the numbers still hit one like a punch to the gut. From a guy wearing brass knuckles. Wrapped around a roll of quarters. Shiny new quarters that you can’t really afford to use for punching people, because you’ve got a \$1.5 trillion budget deficit this year.

What is there to say?

Well, Daniel Mitchell of the Cato Institute read the same report and says we can balance the budget if we’d just slow our roll.

Balancing the budget is simple so long as politicians increase spending at a slower rate. If they freeze the budget, we almost balance the budget by 2017. If federal spending is capped so it grows 1 percent each year, the budget is balanced in 2019. And if the crowd in Washington can limit spending growth to about 2 percent each year, red ink almost disappears in just 10 years.

These numbers, incidentally, assume that the 2001 and 2003 tax cuts are made permanent (they are now scheduled to expire in two years). They also assume that the AMT is adjusted for inflation, so the chart shows that we can balance the budget without any increase in the tax burden.

I did these calculations last year, and found the same results. And I also examined how we balanced the budget in the 1990s and found that spending restraint was the key. The combination of a GOP Congress and Bill Clinton in the White House led to a four-year period of government spending growing by an average of just 2.9 percent each year.

Now that’s a pretty big “if” and it doesn’t quite address the entitlement bombs that are steadily ticking away while our politicians high-step around those third-rails. However, Mitchell has come to the same conclusion that Nick Gillespie and Veronique de Rugy reached last month. I calculated that over the last ten years, we could have given Washington an average raise of 2.5 percent each year (not far from the Clinton-era 2.9 that Mitchell found) and we’d have a balanced budget today.

As simple as that sounds, it’s still not going to be easy. Harry Reid, who leads a dwindling majority in the Senate, has promised that earmarks will be back no matter what the President and the Republicans have to say. Again, we go back to the Biblical truism that if you can’t be a faithful steward with a little, we sure as heck can’t trust you with a lot. Inevitably, we’re going to have to toss Reid and those who treat the national treasury

like their personal slush funds into the outer darkness of the private sector where they'll have to get by on their business skills and delightful personalities. I predict much weeping and gnashing of teeth.