

## Obama's 'Mindless Austerity'

**Don't worry — he wants more deficits and more debt, but he also wants higher taxes.**

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In announcing his \$3.999 trillion budget proposal for FY 2016, President Obama said that he was putting an end to “mindless austerity” in federal spending. In response to which, one wants to ask, “What color is the sky on his planet?”

There has been no austerity, mindless or otherwise, during the Obama presidency (or, for that matter, the Bush presidency before that). Consider that federal spending under President Obama has risen from \$2.9 trillion in 2008 to \$3.65 trillion this year. And, while some 2009 spending, such as TARP, can fairly be blamed on his predecessor, President Obama is clearly responsible for at least \$1.6 trillion in increased spending above the levels he inherited. And, now he is asking to increase the annual budget by an additional \$3.11 trillion by 2025.

But what about the sequester? the president's defenders will say. The sequester may or may not have been “mindless,” but it really wasn't all that “austere.” Discretionary spending has plateaued because of the budget caps and the sequester, but it has not been cut significantly from 2009 levels. Of course, the GAO did report that precisely one government employee lost his job as a result of the sequester. God protect us from such austerity.

Perhaps austerity is relative. Certainly compared to the president's proposed spending spree, recent spending hikes look positively parsimonious. President Obama is calling for a \$37 billion increase in domestic discretionary spending and would match that with a \$38 billion increase in discretionary defense spending. In total, discretionary appropriations would be \$70 billion above sequestration levels after other minor related budget adjustments.

If we break down the president's budget request, we see that the Department of Housing and Urban Development would receive an 18 percent increase in spending compared to this year. The Departments of Commerce and Labor are in line for 11 percent hikes, while Health and Human Services will get 9 percent, and the Education Department, 5 percent.

The president's commitment to increased spending is not a one-time thing, either. Over the next ten years, the president's proposals would lead to spending that's more than \$1 trillion above the CBO baseline. And that baseline already assumes that spending will rise by \$2.46 trillion from 2015 to 2025.

Under the president's proposed budget, federal spending would increase from 20.8 percent of GDP today to 22.2 percent by 2025. That compares to a postwar average of 20.1 percent.

Worse, if you throw in state and local government spending, government at all levels will consume more than a third of everything we produce in this country.

The president's budget also abandons most efforts to reform entitlement spending. Whereas not so long ago President Obama was willing to tentatively consider minor reforms like chained CPI, those efforts are absent from the latest budget. The president does assume some savings in Medicare, but those would mostly come from slower growth of health-care costs, which may or may not materialize, and cuts in provider payments.

At least you can't accuse the president of not trying to pay for some of his spending binge. His budget calls for nearly \$1.9 trillion in higher taxes over the next ten years, mostly on businesses and higher-income earners. He would offset some of this with roughly \$310 billion in tax cuts for things like education and child care, but on net, he would increase taxes by almost \$1.6 trillion.

Despite the tax hikes, the president abandons any pretense at a balanced budget. In fact, this budget would add roughly \$7.65 trillion to the national debt over the next ten years. Deficits would remain elevated, approaching \$700 billion by 2025, even under his optimistic assumptions. Interest costs alone will grow from under \$230 billion this year (1.3 percent of GDP) to roughly \$800 billion in 2025 (2.8 percent of GDP).

Actually, the deficits and debt are likely to be far higher than projected, since the president relies heavily on our old friend, Rosy Scenario. For example, he continues to assume \$557 billion in savings over the next decade from winding down "overseas contingency operations." That doesn't really seem to be going so well right now.

The president also assumes a higher annual economic growth rate than the CBO does (2.5 versus 2.3 percent). Similarly, the president projects slightly lower unemployment and inflation rates than the CBO does. Finally, the president assumes roughly \$160 billion in net savings as a result of immigration reform. All of these assumptions could turn out to be true, but it seems risky to rely too heavily on them. Nor do these projections include supplemental spending for things like natural disasters or wars in the Middle East.

Even before President Obama decided to throw spending restraint to the wind, the consequences of our reckless profligacy were becoming apparent. According to the CBO, our children will be \$2,000 to \$5,000 a year poorer because the growing debt will slow future economic growth. That's not going to get any better as a result of the president's proposed budget.

Yet, amazingly, the president's budget may not be dead on arrival. Republicans in Congress are reportedly anxious to reach a compromise on spending. In particular, Republicans are anxious to increase spending for defense and transportation projects. Democrats, of course, are more than willing to trade increased spending on Republican priorities for increased spending on Democratic priorities. That's the sort of "reaching across the aisle" that has gotten us where we are today.

Ah, austerity, we hardly knew ye.

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