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# Washington, D.C. Desperately Needs a Dose of Fiscal Restraint

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Regardless of how one feels about the ups and downs of the Russia saga currently engulfing Washington, one of its worst aspects is the way in which it sucks all the oxygen out of the room, relegating other vital issues to near invisibility. Thus, while Congress and the media were obsessed with Devin Nunes's much-ballyhooed memo late last week, virtually no one noticed a new Congressional Budget Office report that the federal government is on track to borrow $955 billion this year, an 84 percent increase in the deficit over last year.

That's the highest budget deficit since 2012. And while the trillion-dollar deficit of six years ago was driven in part by one-time events — TARP, the stimulus bills tied to the Great Recession — the current flood of red ink, driven as it is by much more intractable structural problems, seems unlikely to recede any time soon. Next year's deficit could top $1.1 trillion, and by 2027 we could see deficits as high as $2 trillion per year.

The reaction from Congress and the Trump administration has been a bipartisan shrug. Trump didn't mention the deficit or the debt even once in his State of the Union address. He did, however, call for $1.5 trillion in infrastructure spending over the next ten years (three times as much as Hillary Clinton proposed during the campaign), paid family leave, and a laundry list of other, more minor expenditures. And all of that is *before* we get to the $25 billion he wants for a border wall. On spending, Trump is not much more fiscally conservative than Bernie Sanders.

Meanwhile, *Politico* reports that any congressional deal to finally pass last October's budget is likely to be the costliest spending accord ever. Republicans are said to be circulating a proposal that would raise caps on domestic and defense spending by some $300 billion over the next two years, a bigger hike than in the three previous budget deals combined. Republicans are also reportedly considering an increase in Overseas Contingency Operations spending, which exists outside the budget caps. There will also likely be emergency spending for disaster relief. Entitlement reform is completely off the table.

All of this may not even be enough for Congressional Democrats, who are still threatening to derail a long-term spending deal — and force yet another short-term Continuing Resolution — because they want to spend even more. If Democrats have an answer to rising deficits, it is tax hikes, substituting “tax and spend” for the Republicans’ “borrow and spend.” The common denominator in those two formulas is “spend.”

Raising taxes would only slow economic growth, but funding this spending binge with a credit card carries its own consequences. Growing debt will impede future growth and leave the average worker more than $4000 poorer by 2047, compared to baseline wages.

In fact, concern over rising debt may be among the factors that contributed to the recent sell-off on Wall Street. Most economists believe that rising debt will eventually force interest rates higher. Higher interest rates will, in turn, mean still higher deficits, leading into a vicious cycle of rising debt, undercutting the dollar in the process and stoking fears of inflation.

Margaret Thatcher once said the problem with the modern welfare state is that “eventually you run out of other people’s money.” We are rapidly approaching that point, but nobody in Washington seems to care. Unified Republican control of government was supposed to save us from big-spending Democrats. It hasn’t quite turned out that way.

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