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Bankrupting our nation

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— Though other major components of the economy are shrinking, the federal government continues its drastic and alarming growth.

Inheriting a $1.3 trillion annual budget deficit, the Obama administration rushed to pass a $787 billion spending bill earlier this year. The annual deficit has now quadrupled from $459 billion in 2008 to $1.85 trillion this year, moving from 3.2% of gross domestic product to 13.1%, which is more than twice the post-World War II record of 6% reached in 1983. Instead of moving to curb the growth of government expenditures, however, the current administration is proposing an average annual deficit of roughly $900 billion over the next decade.

The consequences of irresponsible spending are readily apparent. President Obama recently conceded the national debt will increase by $9 trillion over the next ten years, almost $2 trillion more than previously estimated.

To put the federal government's economic activity in proper perspective, since the inception of the republic more than 200 years ago, it has accumulated approximately $11.60 trillion in debt. Within the next 10 years, however, unless spending is reduced, the national debt will approach upwards of $20 trillion, encompassing 82% of GDP. The interest charged on such debt will range between $300 billion and $400 billion a year and will probably necessitate more borrowing. By 2040, the Government Accountability Office estimates that interest payments alone will absorb 30% of all government revenues.

Most economists agree; it is not healthy fiscal policy for governments to run deficits of 10% or more of GDP. Likewise, the federal government cannot be expected to keep adding to the monetary base without realizing significant inflation concerns, thereby increasing long-term interest rates and undermining the nation's economic viability. History aptly demonstrates the perils of increased government spending, higher taxes and inflationary prices.

Nevertheless, the Obama administration is seeking additional growth and spending by proposing to socialize an additional 17 percent of the economy through some form of nationalized health care. If passed, the expense to America's taxpayers would be crippling. One of the proposed House health care reform bills will cost an additional $2.4 trillion over 10 years, beginning in 2013. The President estimates the cost of his plan at $900 billion over the same period – a deceptively low number, considering his liberal fiscal tendencies.

The Wall Street Journal recently presented a more accurate summary of healthcare reform costs, by reporting "current healthcare reform proposals in the House and Senate would cost between $1 and $1.2 trillion over the next decade; depending on the type of policy enacted and the scope of government's role, the true cost could edge closer to $1.5 trillion or more. Divided over 10 years this equals roughly 7.5% of annual discretionary spending based on the fiscal year 2008 budget, and an increasingly larger share of discretionary spending heading out toward 2030 when interest and entitlements consume all federal revenues."

Unsound fiscal policies have directed our nation down an unsustainable path. President Obama's proposed tax increases will not keep up with the historic spending increases his administration has proposed, and his policies do little to offset the crushing debt accumulated by previous administrations.

More problematic, as wealth is forcibly removed from the private sector to fund government expansion, less capital is generally available for private consumption and investment. Such an approach is counterproductive, since higher government spending undermines nationwide economic growth by transferring additional resources away from the productive sector of the economy. The end result is predictable – private individuals and businesses incur a disproportionate financial burden, with fewer workers providing fewer goods and services. Increased unemployment in the private sector is the unintended but natural result of higher taxation.

In light of the above, any proposal to create a $1 trillion nationalized health care entitlement program is financially reckless and unaffordable. It is also an unnecessary expansion of government.

Granted, few claim to be completely satisfied with the current system, even though it provides the best doctors and finest care in the world. But instead of hampering future generations with record amounts of debt and a healthcare system beset by burdensome regulations, mandates, and government intervention, government must assure America’s entrepreneurial spirit by fostering incentives for individuals to invest and work, creating an environment where businesses thrive, workers prosper and health professionals practice medicine without fear and confusion.

Rather than further expanding its parasitic reach, the federal government should concentrate on eliminating fraud, along with wasteful and lower-priority programs.

It should also reduce its corruptive influence and enable free-market reforms to make health care coverage affordable for all Americans. Any serious discussion should focus on market-oriented, patient-centered ideas.

According to the Cato Institute, such policies include reforming the tax treatment of health insurance to assist with the creation of sizable health savings accounts; providing vouchers that allow the purchase of private coverage; and reforming state regulations to allow people to purchase insurance across state lines.

In addition, health insurance should be portable, controlled by the individual rather than the government.

Instead of a "one size fits all" federal approach, states should be allowed to take the lead on reform.

Representing real change we can actually afford, workable free-market solutions to our economic problems are limited only by the people’s imagination and perseverance.

If a sustainable answer is to be found, it will not come from the hallowed halls of Washington, but from the ingenuity of the American people.

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