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Phony Freeze

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Fiscal Policy: The latest idea for reining in the federal government's runaway spending is to "freeze" nondefense discretionary outlays for three years. That may sound good, but it's just another gimmick.

We try not to be too cynical about politics, but the White House's proposed freeze will do nothing to address America's budget problems.

Last year alone, the U.S. deficit hit \$1.4 trillion on record spending of \$3.7 trillion. The freeze will apply only to \$447 billion in spending — just 12% of the total. Next year, if the freeze goes into effect, it will save just \$15 billion — and \$250 billion over 10 years.

Compared with the \$9 trillion in new debt and \$43 trillion in spending expected over the next decade, it's a pittance — not even a down payment on our gaping shortfalls.

We'd also feel better about a "freeze" if it weren't for the fact that nondefense discretionary spending surged 17.4% in President Obama's first year — after he ridiculed Sen. John McCain during the 2008 presidential campaign for proposing a freeze of his own.

"At best," says Dan Mitchell, a Cato Institute senior fellow, "the administration's spending-freeze proposal is akin to going on a monthlong binge in Vegas and then sleeping off the hangover."

That may be too kind. Today we have \$12.3 trillion in total public debt — more than twice the level in 2008. That debt will soar out of control once you add in the fiscal effects of the \$1 trillion health care overhaul, the \$787 billion stimulus and \$700 billion bailout bonanza that are all part of the White House's plans.

Focusing just on nondefense discretionary spending gets you nothing; that's one-eighth of all spending. A "freeze" merely gives the illusion of something being done while the budget continues to spin out of control.

Coincidentally, the nonpartisan Congressional Budget Office on Tuesday released its own estimates for the next decade of debt, deficits and spending. As is, they aren't pretty, and the freeze will have virtually no impact on them.

According to the CBO, the \$250 billion in savings amounts to a negligible 0.5% of the \$43 trillion in spending over the next decade. But it will no doubt be put to good political use, as congressional Democrats suddenly style themselves as fiscal conservatives during the 2010 campaign for passing a meaningless freeze.

All this does nothing to address the real problem of runaway entitlement spending. That's the part of the budget that is least under control and that is set to swamp the rest of the budget very soon.

Medicare is already running red ink, with Social Security set to follow by 2016. At current growth rates, total spending on Social Security, Medicare and Medicaid will total 18.5% of gross domestic product by 2052 — twice what it is now. By comparison, over the last 45 years, total U.S. tax revenues have averaged 18.4% of GDP.

That means entitlements will squeeze out all other government spending or lead to massive tax hikes on Americans — or some combination of both. They will drive our nation's debt relentlessly upward to a fiscal breaking point. Virtually every budget expert agrees this cannot go on, and yet no one addresses it — we just get gimmicks like spending "freezes."

If Obama and his economic advisers are really interested in attacking the budget deficits and spending, they should attack entitlement spending. We won't be holding our breath.