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“Pretend” budget discipline in Washington

By Jim Nowlan

Forty cents of every federal dollar spent this past year had to be borrowed, largely from our competitor, China. Yet because of fear of backlash from you and me, the folks back home, elected officials are afraid to tackle the sacred cows that are driving our nation into a Chinese debtors’ prison, where that country’s huge holdings of American bonds gives them leverage over our economic future.

Only by tackling the sacred cows of Medicare, Medicaid, Social Security, and the military can we ever come close to balancing the budget.

The federal budget is almost $4 trillion. Of that, deficit spending amounts to $1.5 trillion, that is, $1,500 billion.

The political problem is that the American public is basically comfortable with present spending levels for the four programs mentioned above. In other words, “don’t touch my Social Security or Medicare, but don’t tax me any more to pay for the programs.”

Something has to give, or we will not so slowly dissipate our nation’s wealth and see our per capita income drop significantly in purchasing power.

In his State of the State message, President Obama proposed a freeze on discretionary spending that would save $400 billion over a decade, which sounded bold, but is a really rather modest $40 billion a year. Remember, I said the deficit this past year alone was $1,500 billion.

We could also, hypothetically, slash federal workers' pay, which probably sounds just fine to those in the American public who aren't federal workers. Indeed, federal workers do much better than those in the private sector. In 2009, our three million federal civilian workers took home an average of $103,000 in total compensation, versus about $55,432 for those in the private sector. Of course, that is comparing apples and oranges in terms of overall skill and education levels required, yet still a big difference.

If we were to cut every federal worker's pay by $10,000 a year, that would only reduce the $1,500 billion deficit by $30 billion.

As for the sacred cows of government spending, even the rabid Tea Party budget cutters are becoming skittish. As reported in the New York Times, for example, freshman representative Vicky Hartzler (R-Missouri), elected on a platform of "reining in runaway spending," has backed away from cuts in the Pentagon budget, especially not any at military installations in her district. And many members of Congress have installations in their districts that provide good jobs.

Nor do any Republicans or Democrats talk about cutting Medicare, and regular efforts to reduce reimbursements to doctors are routinely blocked. Some Republicans are willing to privatize Social Security, but the public is skittish about that idea.

Here is a run down of the big spending programs for 2011:

- Social Security, $771 billion;
- Defense, $700 billion;
- Interest on the national debt, $597 billion;

- Medicare, $508 billion;
- Medicaid, $378 billion.

These total about $3 trillion. All the rest of the federal budget could be eliminated and there would still be a deficit of about $500 billion!

Recent blue-ribbon commissions on the federal budget have taken on these sacred cows. And Defense secretary Robert Gates has proposed big cuts in his own budget, yet well-entrenched defense industry lobbies are fighting his initiatives, just as lobbies for seniors and other interests are protecting their respective budget slices.

With the next elections always just around the corner, it seems, Congress and the President appear unwilling to take on a public that would be apparently be outraged by cuts in the sacred cows. A CNN poll this month found that just one in five Americans considers the budget deficit to be serious enough to justify cuts in Social Security and Medicare.

So, until the American public generally accepts that cuts must be made in the big programs, or that revenues should be increased, for example, to accommodate Social Security and health care, we will continue down the path of national and personal economic decline.