



The Year of Uncertainty

by John Hendrickson

The term “uncertainty” has dominated the economy in 2010 as the recovery from the “Great Recession” continues to be slow. Unemployment remains at 9.6 percent, and economic growth is currently too slow to create the needed jobs to reverse unemployment. Federal spending continues to grow as the national debt (at least \$13 trillion) and deficits increase at dangerous rates consuming much of the Gross Domestic Product. The Congressional Budget Office provided an estimate that the deficit for 2010 will be at least \$1.292 trillion, which is lower than the 2009 deficit of \$1.4 trillion.¹ The Federal Reserve is attempting to stimulate the economy by initiating “quantitative easing,” which will inject more money into the economy. The threat of inflation and further economic decline is a reality, and anxiety is still felt over public policies being initiated and proposed by the current Congress and Administration. In order to resolve the uncertainty and solve our national economic and social problems, we must return to our tradition of constitutional limited government.

An additional cause for major anxiety is the looming tax increase in January 2011 that will occur unless the Bush Tax Cuts are renewed. It is uncertain if Congress will extend all of the tax cuts before next year. The Patient Protection and Affordable Care Act (health-care reform) is also causing concern with its cost and impact on jobs. The health-care reform law is estimated to cost at least “\$2.7 trillion over ten years” and “add \$352 billion to the national debt over that period.”² The Patient Protection and Affordable Care Act is not only questionable constitutionally, but it will add to the entitlement burden that is already in crisis with Social Security, Medicare, and Medicaid, which threaten to consume the entire budget unless reformed.

The expansion of the regulatory state has also brought considerable uncertainty to the private sector. Both business and the financial sector face an expanded regulatory state, which will also include new health-care regulations. “During fiscal year 2010, 43 new major regulations were adopted by the Obama administration, with net new burdens on Americans exceeding \$26.5 billion each year, a record increase.”³ In addition, “the cost of regulations at all levels in the U.S. is estimated to be more than \$1.5 trillion per year.”⁴ The expansion of the regulatory state is not only an additional “hidden tax” burden, but also discourages the expansion of the private sector.⁵

The progressive agenda that President Obama and the Democrat Congress are following is rooted in the progressive philosophy that rejects limited government. In a recent article, Thomas Sowell noted that “the very same kinds of policies that were tried — and failed — during the 1930s are being carried out in Washington today, with the advocates of such policies often invoking FDR’s New Deal as a model.”⁶ In response to the Great Depression, President Roosevelt utilized Keynesian stimulus spending, expansion of regulations, and the emergence of the welfare state, which, although not exactly the same, are consistent with the laws and policies of the current Administration. In fact, some progressive/liberals are arguing that the Administration did not spend enough in the original stimulus bill!

In order to reverse the current policy trend and economic decline, policymakers must return to traditional limited government. George M. Humphrey who served as Secretary of the Treasury under President Dwight D. Eisenhower was a champion of sound fiscal and monetary policy who admonished against high taxes and reckless spending. For sound fiscal policy, and therefore a sound economy, Humphrey stated that government must reduce government spending, pursue tax reduction, and “establish the practice of living within our federal means with balanced budgets.”⁷ Humphrey also argued the importance of a strong dollar.

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Following a sound fiscal policy will require cutting government spending, along with renewing the Bush Tax Cuts, paying down the national debt, and pursuing further tax reform and a balanced budget. Entitlement reform is also mandatory to prevent a fiscal train wreck. The Heritage Foundation recently issued a report that demonstrated how \$343 billion could be eliminated from the federal budget.⁸ The Cato Institute has also provided recommendations in limiting government through its “downsizing the Federal Government” Website.⁹ Both are concrete examples that provide specific reductions in the size and scope of government. This approach combined with Representative Paul Ryan’s (R-WI) American Roadmap proposal to reform taxes and entitlements is a solid example of sound policy measures that will address the issue of taxes and spending.

In a recent *Wall Street Journal* article, several leading economic policy scholars from the Hoover Institution echoed Humphrey’s principles in bringing about economic recovery. These policy proposals include: tax and spending reduction, balancing the budget, entitlement reform, and monetary policy reform.¹⁰ All of these policy recommendations are rooted in traditional limited government. The recent and historic Republican victory in the midterm election demonstrates a clear message that citizens are demanding a return to sound constitutional policies that will address the economic and fiscal crisis. As Senator Jim DeMint (R-SC) stated recently, “millions of people are out of work, the government is going bankrupt and the country is trillions in debt.”¹¹ This is the problem that must be addressed, and it can only be solved following limited government means.

In the 1946 midterm elections Republicans ran on a slogan of “Had Enough?” referring to the tax and spend policies associated with New Deal liberalism. The Republican majority in the “fighting 80th Congress” were led by Senator Robert A. Taft of Ohio who pushed tax and spending reductions on a reluctant President Harry S. Truman. In order to reverse the current uncertainty, policymakers must focus on cutting spending, reducing taxes, paying down the debt, and protecting the dollar — in other words, following a policy of limited constitutional government.

Endnotes:

¹Brian Riedl, “Another year of trillion-dollar deficits,” *The Foundry: Conservative Policy News*, The Heritage Foundation, October 15, 2010, <<http://blog.heritage.org/2010/10/15/another-year-of-trillion-dollar-deficits/>> (October 26, 2010).

²Michael D. Tanner, *Bad Medicine: A Guide to the Real Costs and Consequences of the New Health Care Law*, Cato Institute, Washington, D.C., 2010, executive summary.

³James L. Gattuso, Diane Katz, and Stephen A. Keen, *Red Tape Rising: Obama’s Torrent of New Regulation*, Backgrounder, No. 2482, October 26, 2010, The Heritage Foundation, Washington, D.C., p. 1.

⁴*The Patriot’s Toolbox: Eighty Principles for Restoring our Freedom and Prosperity*, The Heartland Institute, Chicago, Illinois, 2010, p. 165.

⁵Gattuso, et al.

⁶Thomas Sowell, “Guess Who?” *Real Clear Politics*, November 2, 2010, <http://www.realclearpolitics.com/articles/2010/11/02/guess_who_107804.html> (November 2, 2010).

⁷George M. Humphrey, *The Basic Papers of George M. Humphrey, as Secretary of the Treasury, 1953-1957*, Nathaniel R. Howard (ed.), The Western Reserve Historical Society, Cleveland, Ohio, 1965, p. 44.

⁸Brian M. Riedl, *How to Cut \$343 Billion from the Federal Budget*, Backgrounder, No. 2483, October 28, 2010, The Heritage Foundation, Washington, D.C.

⁹“Downsizing the Federal Government,” Cato Institute, <<http://www.downsizinggovernment.org/>> (November 2, 2010).

¹⁰George P. Shultz, Michael J. Boskin, John F. Cogan, Allan Meltzer, and John B. Taylor, “Principles for economic revival,” *The Wall Street Journal*, Thursday, September 16, 2010, section A23.

¹¹Jim DeMint, “Welcome, Senate Conservatives,” *Wall Street Journal*, Wednesday, November 3, 2010, <http://online.wsj.com/article/SB10001424052748704141104575588612828579920.html?mod=WSJ_Opinion_LEADTop> (November 3, 2010).

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