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The Debt Limit Compromise and the Future of Limited Government

by John Hendrickson

The debate over raising the debt ceiling limit was not just about government spending, tax rates and revenue, and the overall effect on the economy. At heart, this debate is between two different political philosophies. Conservatives have been pushing for reductions in government spending accompanied with lowering tax rates, while reforming the tax code and entitlement programs. Liberals, fighting to preserve the New Deal-Great Society traditions, have been arguing for small cuts in government spending along with tax increases to raise additional revenue for the government. The recent compromise over the debt ceiling limit, which will be raised by \$2.4 trillion from the current national debt of \$14 trillion, calls for more "than \$900 billion of supposed spending cuts and the creation of a 'supercommittee' charged with proposing another \$1.5 trillion of deficit reduction." This compromise met the purpose of avoiding default by the United States, but it failed to solve the fiscal and economic emergency that confronts the nation.

In a recent editorial, *The Wall Street Journal* wrote that "the big picture is that the deal is a victory for the cause of smaller government, arguably the biggest since welfare reform in 1996." The Wall Street Journal gave due credit to the Tea Party movement, and this movement has been holding to the principles of Goldwater- and Reagan-style conservatism.

The nation still faces a \$14 trillion national debt that will continue to rise along with continual deficits, while at the same time the federal government still is operating without a budget. The economy is struggling to emerge from the "Great Recession" with sluggish economic growth (1.4 percent), 9.1 percent unemployment, and the declining value of the dollar. The economy is also facing uncertainty over the massive increase in regulations and new legislation such as the Patient Protection and Affordable Care Act. Ed Feulner, President of The Heritage Foundation, recently wrote in *The Washington Times* that "one of the biggest factors behind whether companies hire or not is regulation." As Feulner noted:

In the first six months of fiscal year 2011, 15 major new regulations were issued. The annual bill: \$5.8 billion. And that's after one-time implementation costs of \$6.5 billion. That's par, however: So far, the Obama administration has imposed 75 new major regulations, with an annual price tag of \$38 billion.⁴

Tax rates have also been a factor creating uncertainty. For example, the United States has a high corporate income tax rate at 35 percent, which needs to be lowered at least to 25 percent, while tax rates need to be lowered across the board and simplified by eliminating loopholes. Raising tax rates, especially in this fragile economy, will not only harm the recovery, but also provide little additional revenue to address the national debt.

The uncertainty over the economy and the fiscal emergency has demonstrated a failure of liberal policies. "For, from Greece to Ireland to Portugal to Italy, from California to Wisconsin to New Jersey to New York, the crisis of the West is a crisis of liberalism," wrote Patrick J. Buchanan.⁵ More government spending and higher tax rates will neither improve the economy nor solve the fiscal emergency.

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Senator Tom Coburn, in addressing the need for significant fiscal reform, demonstrated the need to reform spending and entitlement programs. Sen. Coburn stated:

The average Medicare recipient paid \$130, 000 into Medicare. The average Medicare recipient takes \$350,000 out. How long do we think that can continue? How long can we continue to tell seniors that we can continue a program based on its utilization rates, based on its reimbursement rates, based on tax rates, that has a \$220,000 difference between what goes out in benefits versus what comes in? It is broke.⁶

This is just a small example of the trillions in unfunded obligations that the entitlement programs will cost unless they are reformed. As George F. Will recently wrote:

Democrats' dependency agenda — swelling the ranks of government employees, multiplying government-subsidized industries, enveloping ever-more individuals in the entitlement culture — is buckling under an intractable contradiction: It is incompatible with economic growth sufficient to create enough wealth to feed the multiplying tax eaters.⁷

Representative Paul Ryan's "Path to prosperity" 2012 budget resolution offers a sound solution to reform entitlement programs and reduce government spending. Sen. Coburn has also released his own recommendations to cut government spending in his "Back in Black: A Deficit Reduction Plan." Sen. Coburn's proposal is a review of federal programs and agencies and highlights the waste and failed oversight of the federal government, and his plan calls for a deficit reduction of \$9 trillion. In addition, the plan would "gradually reduce the size of government by 25 percent and balance the budget within ten years." Both Ryan and Coburn have offered solid policy solutions to solve the fiscal emergency.

The future of limited government and the economy is still very uncertain. President Barack Obama and the Democrat Party will continue to push the nation in a New Deal-Great Society-style direction, while conservative Republicans must continue to push for Goldwater- and Reagan-style policy reforms. This debate will determine the fate of the republic.

Endnotes:

¹Daniel J. Mitchell, "Debt Deal: Politicians Win, Middle Class Loses," Cato Institute, Washington, D.C., August 2, 2011, http://www.cato.org/pub_display.php?pub_id=13505 accessed on August 2, 2011.

²Editorial, "A Tea Party Triumph," *The Wall Street Journal*, August 1, 2011, http://online.wsj.com/article/SB1000 1424053111903341404576480653492061150.html?mod=rss opinion main> accessed on August 1, 2011.

³Ed Feulner, "Time For a Red-Tape Rescue," *The Washington Times*, August 1, 2011, http://www.washington-times.com/news/2011/aug/1/time-for-a-red-tape-rescue/ accessed on August 2, 2011.

⁴Ibid.

⁵Patrick J. Buchanan, "The Long Retreat of Liberalism," *Buchanan.org*, July 19, 2011, http://buchanan.org/blog/the-long-retreat-of-liberalism-4803 accessed on August 2, 2011.

⁶Tom Coburn, "Dr. Coburn on Raising the Debt Ceiling: Full Transcript," Office of U.S. Senator Tom Coburn, July 31, 2011, accessed on August 2, 2011.

⁷George F. Will, "Tea Party Would Defeat Obama by Supporting McConnell Plan on Debt," *The Washington Post*, July 21, 2011, http://www.washingtonpost.com/opinions/sustaining-the-unsustainable/2011/07/21/gIQAI6mtRI_story.html accessed on July 31, 2011.

⁸Tom Coburn, "Back in Black: A Deficit Reduction Plan," Office of U.S. Senator Tom Coburn, July 2011, http://coburn.senate.gov/public/index.cfm/?p=deficit-reduction accessed on August 2, 2011.

⁹Ibid.

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