

Try To Remember That Time in September

“Try to remember the kind of September
When budgets were balanced and Congress so mellow.
Try to remember the kind of September
When money was green and balance sheets black.
Try to remember the kind of September
When you were a tender and callow fellow.
Try to remember, and if you remember,
Then follow.”

It was a day many budget experts thought might never come. The fiscal year that ended on September 30, 1998, had been the first since 1969 that the United States had recorded a federal budget surplus. Words like “a big deal” and “tremendously important” were easy to hear all over Capitol Hill and throughout the rivulets of power in Washington.

Now, like those wistful days when budgets were balanced and politics more mellow, such a budget surplus year has become the stuff of imaginative theater. Our latest deficit-laden fiscal year comes to a close with a deficit of \$1.47 billion and climbing. The only thing fainter than a budget surplus is the bipartisan cooperation and fortitude needed to achieve it.

The growing deficit and government’s increasing provision of historically private services has created a society that is more dedicated to consumption than to investment, looks more frequently to government to address problems, and has an increasing addiction to government money. Wealth creation suffers in such a society, as do intangible but important virtues such as creativity and compassion.

The one remaining option is to rein in spending systematically. Doing so will require legislation that sets spending reductions in motion while imposing tough discipline on future spending increases. Taking this action will not be easy for politicians who understandably love to deliver publicly provided goods to their constituents. But if policy makers do not take real steps to constrain spending and get the house in order, the force of the resulting fiscal fiasco will slam shut the redistribution game. More importantly, the nation will be poorer, and our government will have failed in carrying out its basic duty: to protect the wealth of its people.

The right determination can turn things around. Two years before the last budget surplus was achieved, the CBO was forecasting a fiscal 1998 deficit of \$194 billion. Their assumptions got turned on their head because one of the most vibrant economic expansions in history had begun kicking billions of extra tax dollars into federal coffers.

The unexpected revenue is what pulled the nation out of a deficit but crucially it would not have happened if Congress and two presidents had not helped spur a comeback earlier in the decade by focusing on deficit reduction.

In 1990, President George Bush cut a deal with the then-Democratic Congress for a budget package that included tax increases and spending cuts. It was extremely unpopular with Republicans – Bush had pledged “no new taxes” -- and it helped push Bush out of the White House when the 1990-91 recession overwhelmed any benefits from trying to shrink the deficit.

Similarly, President Clinton's 1993 budget package added more tax increases and spending cuts. It, too, was anathema to Republicans and contributed to the Democrats losing control of Congress to the GOP after 40 years in the 1994 elections.

Clinton and the Republican Congress agreed to a budget deal both sides insisted would balance the budget in 2002. Of course, even then there was a gimmick. The Social Security trust fund was NOT included in the budget. Had it, that \$83 billion surplus would have been a \$41 billion deficit. That said, even curmudgeons applauded.

The fact that the federal government spends more than it takes in is just the beginning of the deficit story.

Most of the post-1970 government spending has been allocated to providing services and products that people consume quickly—health care, food, housing, and retirement benefits— as opposed to supporting traditional investments in infrastructure that yield benefits over many years, such as better transportation systems, improved waterways, water quality control systems, defense, and research and development. The difference, of course, relates to the fact that eventually, we taxpayers will have to pay those debts.

When the government subsidizes the services it provides without raising taxes or cutting other programs, it automatically increases the deficit and it makes the price for consumers less than the actual cost of providing the benefit. People then naturally want more of the artificially cheap service. They become boosters for more deficit-funded subsidies.

Our budget kabuki will continue until we give them the message.

“Deep in December, it's nice to remember,
A time with no lame duck resolutions.
Deep in December, it's nice to remember,
Without a hurt the budget is hollow.
Deep in December, it's nice to remember,

The fire of September that made us responsible.
Deep in December, our hearts should remember
And follow.”

You can't spend what you don't have and if you do, you are in trouble. We need responsible government now.

