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MINORITY VIEWS[1]

INTRODUCTION

The Democratic fiscal strategy has been clear from the outset: to increase government spending at every opportunity, for any excuse, and push the reckoning down the road. Seizing on troubled economic times, they are pursuing a vast expansion of government intended not to right the ship, but to steer it toward a radically different course – straight into a tidal wave of spending and debt that is already building. Their budget – which is simply a sweeping expansion of government – spends too much, taxes too much, and borrows too much; it will sink under its own weight, and pull the U.S. economy down with it.

The Majority's entire fiscal outlook resorts to the tired and predictable notion that the central government is the first and best answer to the Nation's problems. It relies on the outdated belief that more spending, and larger and more intrusive government, can lead to greater prosperity. Worse, the elements of the budget will likely weaken the U.S. economy, and sap its prospects for sustained growth. The higher borrowing and taxes needed to finance the Democrats' plans will dampen incentives and crowd out opportunities for investment and growth.

The Majority promises to provide for everyone's health care; look after everyone's child; send everyone to college; pick which industries will thrive in this economy; and cut taxes for everyone but the "wealthy." All these things sound desirable, and the budget pretends they can be had *for free*. They cannot. They will require huge tax increases, which will still be overwhelmed by the relentless torrent of spending; and hence they will force ever more borrowing as well, further draining the domestic resources needed for innovation and growth, and making America more vulnerable to the whims of foreign investors who today hold roughly 50 percent of U.S. debt.

But this mounting debt, devastating as it will be, is simply the fiscal expression of the moral failing in the Majority's approach. Their borrow-and-spend philosophy further decays an ethical principle that once guided fiscal policy. As Nobel Laureate James M. Buchanan once put it:

> Before the Keynesian inspired shift in thinking about fiscal matters, it was universally considered immoral to spend without taxing, except in periods of emergency (wars or major depressions). We have lost the moral sense of fiscal responsibility that served to make formal constitutional constraints unnecessary.[2]

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[1] These views are included in the report accompanying the committee-reported Concurrent Resolution on the Budget for Fiscal Year 2010 (H.Con.Res. 85, H.Rept. 111-60).

[2] Buchanan, in a prepared statement to the Committee on the Budget, U.S. House of Representatives, concerning a proposed balanced budget amendment, 27 April 1992.

Even Democratic Presidents who favored large expansions of government domestic programs – Roosevelt, Truman, and Johnson – adhered to the principle of a government that lived within its means, though they could not always fulfill it.[3] The conviction slipped away in the 1970s, as Washington increasingly tried to manage the economy by manipulating fiscal policy. But it never fully vanished: a large majority of Americans still believed in such fiscal discipline; and by the late 1990s – with a Republican Congress and a Democratic President – the goal was achieved.

After the recession of 2001 – and especially after the terrorist attacks of 9-11 – budget deficits returned; but by 2004, President Bush and the Congress were striving to reduce them – and they were succeeding. That progress ended in 2008, with a severe economic slowdown and financial rescue package to thaw credit markets. By January this year, the Congressional Budget Office [CBO] projected a record deficit of $1.2 trillion.

Handed an admittedly daunting challenge, the new President and new Congress made their intentions clear: *shovel on more spending and more borrowing*. They promptly enacted a trillion-dollar "stimulus" bill, followed by a $407.6-billion omnibus appropriation with nearly 9,000 earmarks. They drove this year's deficit to nearly $2 trillion, exceeding 13 percent of gross domestic product – more than double the largest budget deficit since World War II.

But they did not stop there. The President had an opportunity to present a fiscally disciplined budget – to get spending, deficits, and the debt under control. Instead he went the other direction; and the House Democratic Majority followed. The smallest deficit in the 5-year window of the committee-reported budget resolution – $586 billion – is still larger in nominal terms than any other post-war gap between spending and revenue ($459 billion) – and if they continue to follow the President's plan, deficits will grow again after that. By the end of the President's 4-year term, deficits begin rising again, growing faster than inflation and faster than the U.S. economy.

Still, the Democrats' willingness to heap more debt on future generations is only one of the moral failings in their fiscal strategy. Even worse is the effect of their big-government designs on the character of individual Americans.

What has always made America great is the character of *individual* Americans, in all their wide diversity. The government's rightful mission has been to secure the natural rights of individuals: to protect each person's life, liberty, and freedom to pursue his or her own happiness. A government that presumes to reach beyond this mission is not "progressive." It goes backward – finding excuses to privilege some at the expense of others. It suffocates personal initiative and transforms self-reliance into a vice, and makes it virtuous to be dependent on government. It creates an aversion to risk, sapping the entrepreneurial spirit necessary for growth, innovation, and prosperity.

If this sounds alarmist, consider what has happened in Europe, where such "progressive" government policies have long been entrenched. As recently described by author and political commentator Mark Steyn:

> The short version of late 20th-century history is that Continental Europe entirely missed out on the Eighties boom and its Nineties echo. A couple of weeks back, the evening news shows breathlessly announced that U.S. unemployment had risen to 7 percent, the highest in a decade and a half. Yet the worst American

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[3] President Johnson's balanced budget in fiscal year 1969 often is credited to a 10-percent surtax enacted that year, and the creation of the "unified budget," which combined Social Security spending and revenue with the rest of the budget. It is noteworthy, however, that the 1969 budget also reduced spending measured in constant dollars. Without this spending reduction, the budget would not have been balanced.

> unemployment rate is still better than the best French unemployment rate for the same period. Indeed, for much of the 1990s the EU [European Union] as a whole averaged an unemployment rate twice that of the U.S. and got used to double-digit unemployment as a routine and semi-permanent feature of life.[4]

For all these reasons, this budget debate has truly profound consequences. The Majority is pursuing the third major installment of the Federal Government's 20th century expansion. *Time* magazine captured this sense last November, with a picture of then-President-elect Obama as the new Franklin D. Roosevelt, and a cover headline that read: "The New New Deal." But that may actually understate the Democrats' ambitions, which point toward the paternalistic, and economically enervating, European model. The cover of *Newsweek* announced on 16 February 2009: "We Are All Socialists Now."

To clarify this point, it is necessary to review not only the budget resolution as reported, but also the major fiscal and policy decisions already adopted by the Majority so far this year. The discussion below begins by reflecting on that context.

'STIMULUS'

Advocates of "priming the economic pump" by spending more borrowed money have never suffered a lack of faith in their concept – despite the absence of any consistent evidence that the practice works. Even President Roosevelt, whose New Deal often is considered the largest and most consistent exercise of the Keynesian theory, rejected the notion. Yet like an alchemist explaining his failure to conjure up gold, if one "stimulus" doesn't succeed, its proponents will declare: "Congress didn't do it right," or "it wasn't big enough."[5]

Still, sometimes cracks in this confidence do appear. No sooner had Congress passed the American Recovery and Reinvestment Act than the House Speaker, as if anticipating its failure, was suggesting a second "stimulus" would be needed – though she soon disavowed the idea. In any case, the President got to sign his first big spending bill within the first month of his tenure.[6]

The supposedly "targeted" measure spent money on an estimated 150 government programs. It included $43.6 billion for 15 programs the Office of Management and Budget [OMB] has rated as "ineffective" or "results not demonstrated." Because it is funded on borrowed money, its cost will surely exceed the advertized $787 billion – reaching $1.1 trillion with interest payments. It helped push an already large budget current-year deficit above 13 percent of gross domestic product, according to the most recent estimates by the CBO. Worst of all, because of the additional debt it

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[4] Steyn, "Prime Minister Obama: Will European Statism Supplant the American Way?," *National Review*, 23 March 2009.

[5] The most remarkable assertion is that the New Deal itself was too small, and only World War II spending had sufficient magnitude to prove Keynes's point. One expression of this view appeared in a *Time* magazine article, on 29 March 1999, by former Labor Secretary Robert B. Reich. He says President Roosevelt, by 1938, had run out of options and finally turned to the Keynesian approach. Secretary Reich adds: "Yet not until the U.S. entered World War II did FDR try Keynes' idea on a scale necessary to pull the Nation out of the doldrums . . . ." This ignores other key factors during the period: most of America's working age population was either serving in the military or employed in war production; most commodities, including gasoline, were rationed; and wages and prices were controlled by the government.

[6] The folly of rushing the measure through has only become more clear since its enactment.

creates, the measure will actually *weaken*, not stimulate, the economy in the long run, according to CBO's estimates. The only additional demand it will create is a demand for even more government.

In addition to its purely financial aspects, the measure took several large steps toward nationalizing U.S. health care.

It increased, by about 8.2 million, the number of those dependent on the Federal Government for health care, according to CBO estimates. Of these, 7 million will take advantage of the measure's expanded COBRA coverage (COBRA is the Consolidated Omnibus Budget Reconciliation Act of 1986), and1.2 million will enroll in Medicaid under the $90-billion expansion of the Federal Medical Assistance Percentage [FMAP] formula for Medicaid.

With the latter, the legislation threw this money at a flawed program. In early February, the Government Accountability Office published a report showing $32.7 billion worth of improper Medicaid payments in a single year (2007) – *more than 10 percent of total Medicaid spending*. But instead of reforming the program, the "stimulus" bill increased payments using a methodology based on the current payment formula – widely acknowledged as seriously deficient because it rewards States for driving up their health care costs.

It also shifted control of health care decisions toward the Federal Government with provisions that, as is often the case, sound eminently reasonable.

One is health information technology [IT]. The "stimulus" bill spent $20 billion on a government-run IT program for medical providers, punishing those who already have adopted technology measures, and refusing to acknowledge the lack of consensus on interoperability standards, the nucleus of any health information technology program. The bill also ignored the widespread lack of confidence in the security of individuals' personal medical information when managed by a Federal Government that frequently has mishandled electronic records.

A second measure is known as "comparative effectiveness." The "stimulus" bill set aside $1.1 billion for a new "Comparative Effectiveness Research" program. The purpose of this "research" is to allow the Federal Government even more leverage in deciding which medical treatments are worth paying for and which are not. This will inevitably impose government control over physicians' medical decisions, and cause private-sector insurers to limit coverage in line with the government's choices – all of which will turn American health care into a nationalized health maintenance organization [HMO]. As demonstrated in the United Kingdom and Canada, it is a mistake to let the government dictate health care decisions. *The Wall Street Journal* reported in February that the median wait time to see a general practitioner in Canada is 17.3 weeks, with one man being told, at age 57, that he was too old to see the benefits of hip surgery. In the UK, a comparative effectiveness board has denied drugs for those suffering from breast cancer, Alzheimer's Disease, and multiple sclerosis.

While it is hard to imagine the United States would make such choices, Democrats on the Appropriations Committee – the committee responsible for funding agencies that oversee this program – have already indicated this practice as the goal of comparative effectiveness research. The committee's report on the "stimulus" says: "Those items, procedures, and interventions . . . that are found to be less effective and in some cases, more expensive, will no longer be prescribed." [7]

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[7] H. Rept. 111-004.

THE OMNIBUS

The Majority followed its trillion dollars of "stimulus" with another trillion-dollar spending measure: the omnibus appropriations bill, more than half of which was appropriated mandatory spending. Its $407.6 billion in nonemergency discretionary spending, as estimated by CBO, represented an increase of $29 billion, or 7.7 percent, from fiscal year 2008 enacted levels. That increase alone was several times greater than inflation (0.03 percent at the time) just as the U.S. economy was shrinking. But when combined with the three appropriations bills previously enacted under the regular order, *the Majority had increased discretionary spending by $80 billion, or 8.6 percent*, over the 2008 level. When added to the few appropriations bills enacted under the regular order, total fiscal year 2009 discretionary spending exceeded $1 trillion (see Table 2).

Table 1: Fiscal Year 2009 Omnibus Appropriations Bill (H.R. 1105)
(Budget Authority, in Billions of Dollars Annualized)

	FY 2008 Enacted	FY 2009	Dollar Increase	Percent Increase
Agriculture				
Budget Authority	18.093	20.456	2.363	13.1%
Outlays	19.528	21.530	2.002	10.3%
Commerce, Justice, Science				
Budget Authority	51.803	57.652	5.849	11.3%
Outlays	53.441	57.372	3.931	7.4%
Energy and Water				
Budget Authority	30.888	33.261	2.373	7.7%
Outlays	32.340	32.270	-0.07	-.02%
Financial Services				
Budget Authority	20.599	22.697	2.098	10.2%
Outlays	20.903	22.890	1.987	9.5%
Interior and Environment				
Budget Authority	26.555	27.579	1.024	3.9%
Outlays	28.052	28.659	.607	2.2%
Labor, HHS, Education				
Budget Authority	144.841	149.935	5.094	3.5%
Outlays	146.292	150.134	3.842	2.6%
Legislative Branch				
Budget Authority	3.970	4.402	.432	10.9%
Outlays	4.008	4.330	.322	8.0%
State, Foreign Operations				
Budget Authority	32.800	36.620	3.820	11.6%
Outlays	32.841	36.219	3.378	10.3%
Transportation, HUD				
Budget Authority	48.821	55.000	6.179	12.7%
Outlays	114.270	114.663	.393	0.3%
Subtotal: Omnibus Appropriations Bill				
Budget Authority	**378.370**	**407.602**	**29.232**	**7.7%**
Outlays	**451.675**	**468.067**	**16.392**	**3.6%**

Source: Congressional Budget Office (2008 scored levels at time of enactment).

Even these figures understated the Majority's spending spree, however, because many programs receiving increases in this measure already were boosted in the "stimulus"; and with this "double dipping," spending in programs covered by the omnibus nearly doubled compared with 2008.

The bill also contained nearly 9,000 Member-sponsored earmarks totaling roughly $11 billion. These included $15 million for California Emission Reduction Grants; $1.8 million for swine odor and manure management; $200,000 for tattoo removal; $1.9 million for a water taxi service in Connecticut; and $2.2 million for grape genetics (see Table 3). There were also 85 earmarks for the National Aeronautics and Space Administration, which had received $1 billion in the "stimulus" bill.

With the President having pledged to halt earmarks, the administration scrambled for an excuse to let them slide in this case, and resorted to declaring this was "last year's business" – notwithstanding that it was *this year's* Congress that passed the measure, and *this year's* President who signed it.

Table 2: Total Fiscal Year 2009 Appropriations
(Budget Authority, in Billions of Dollars Annualized)

	FY 2008 Enacted	FY 2009	Dollar Increase	Percent Increase
Omnibus Appropriations Bill (from Table 1)				
Budget Authority	**378.370**	**407.602**	**29.232**	**7.7%**
Outlays	**451.675**	**468.067**	**16.392**	**3.6%**
Previously Enacted Appropriations (Public Law 110-329)				
Defense				
Budget Authority	459.332	487.737	28.405	6.2%
Outlays	475.164	525.250	50.116	10.5%
Homeland Security				
Budget Authority	34.852	42.164	7.312	21.0%
Outlays	38.028	42.625	4.597	12.1%
Military Construction, VA				
Budget Authority	60.213	72.863	12.650	21.0%
Outlays	52.232	66.881	14.649	28.0%
Labor, HHS Education[a]				
Budget Authority	–	2.320	2.320	100.0%
Outlays	–	1.624	1.624	100.0%
Subtotal: Previously Enacted Appropriations				
Budget Authority	***554.397***	***605.084***	***50.687***	***9.1%***
Outlays	***565.424***	***636.410***	***70.986***	***12.6%***
Total: Fiscal Year 2009 Appropriations				
Budget Authority	**932.767**	**1,012.686**	**79.919**	**8.6%**
Outlays	**1,017.099**	**1,104.500**[b]	**87.401**[b]	**8.6%**

Source: Congressional Budget Office (2008 scored levels at time of enactment).
[a] Appropriations for these activities were increased in the continuing resolution.
[b] Fiscal Year 2009 includes $23 million in outlays from Public Law 110-252

Table 3: Selected Earmarks in Omnibus Appropriations Bill

Earmark	Amount
California Emission Reduction Grants	$15,000,000
Illinois Pedestrian and Bicycling Road and Trail Improvements	$2,850,000
Center for Grape Genetics	$2,192,000
Center for Advanced Viticulture and Tree Crop Research	$2,192,000
Promotion of Astronomy in Hawaii	$2,000,000
Pleasure Beach Water Taxi Service, Connecticut	$1,900,000
Honey Bee Lab	$1,762,000
Swine Odor and Manure Management	$1,791,000
Sustainable Las Vegas	$951,500
Study Alternative Uses for Tobacco	$280,000
Tattoo Removal Violence Prevention Outreach	$200,000
Digitization of New York Historical Society Collection	$190,000

The gimmicks in the bill included $28.8 billion in "advance appropriations" – spending loaded up for 2010; $100 million in "emergency" spending (after the Majority already spent $787 billion for the emergency "stimulus" bill); and $3.2 billion in rescissions of highway contract authority that will produce no expenditure savings.

THE PRESIDENT'S BUDGET

In his late-February address to Congress, the President said the answers to America's troubles "exist in our laboratories and our universities; in our fields and our factories; in the imaginations of our entrepreneurs and the pride of the hardest-working people on Earth." But the budget he submitted 2 days later contradicts the rhetoric. Like the entire Democratic fiscal and policy strategy, it views government – and especially the central government in Washington – as the fountain of wisdom and creativity.

The House budget resolution is the President's fiscal plan – indeed, news accounts leading to the markup consistently spoke of Congress voting on the *President's* budget. While the numbers in the committee-reported resolution may differ from the President's, through various maneuvers, such as reserve funds, it will result in the President's budget. Therefore a review of the administration proposal is appropriate.

Spends Too Much

As reestimated by the CBO,[8] the President's budget increases total spending to more than $4 trillion in 2009 – 28.5 percent of GDP – the highest Federal spending has been as a share of the economy since World War II. After 10 years, spending as a percentage of GDP will still be 24.5 percent of GDP, nearly a full 2 percentage points higher than any year during the Bush administration, despite the full costs of 9/11, the war, and Hurricane Katrina. Through the entire 10-year budget window, spending remains at or above roughly 23 percent of GDP, the longest sustained post-war period for that level of spending.

For discretionary spending, the budget proposes $1.3 trillion in budget authority [BA] for fiscal year 2010, according to the administration's own figures – an increase of 6.7 percent from its estimate of the fiscal year 2009 nonemergency level. The 2010 total includes $533.7 billion for the Department of Defense, a 4-percent increase, and $599.1 billion for nondefense programs, a 9.3-percent increase over the preceding fiscal year (excluding emergencies). For the outyears, the budget unrealistically assumes that after 2 years of runaway spending, Congress will dramatically slow the growth of nondefense discretionary budget authority to about the rate of inflation.

Table 4: Base Discretionary Spending in the President's Budget
(dollars in billions)

	2009	2010	$ Increase	% Increase
Defense	513.3	533.7	20.3	4.0%
Nondefense	548.2	599.1	50.8	9.3%
Total Base	1,061.6	1,132.8	71.2	6.7%

Source: Office of Management and Budget. Figures may not add due to rounding.

The President also requested $83 billion in fiscal year 2009 funding for the Global War on Terrorism, as well as $130 billion for war costs in fiscal year 2010. In the outyears, the budget contains a $50-billion "placeholder" in every year. Finally, the budget takes the peak year of Iraq war funding (fiscal year 2008), inflates this level, and adds $1.6 trillion in BA to the baseline for the Iraq war over the next 10 years. The administration then takes credit for the difference, claiming $1.5 trillion in outlay "savings" between this baseline and its actual war requests for fiscal year 2009 and beyond.

[8] Congressional Budget Office, *A Preliminary Analysis of the President's Budget and an Update of CBO's Budget and Economic Outlook*, March 2009.

Notable discretionary spending increases requested by the President include the following:

- A 35-percent increase in fiscal year 2010 budget authority for the Environmental Protection Agency, following a 92-percent increase in 2009 in the "stimulus" bill.
- A 41-percent increase in 2010 for the State Department and other international agencies.
- An 18-percent boost for housing.
- A 14-percent increase in education funding.
- A 9-percent increase for agriculture.

Despite the President's talk of the need to reform entitlements and become "fiscally responsible," his budget increases net entitlement spending over 10 years by $1 trillion. The total consists of refundable tax credits ($326.2 billion); a Medicare physician payment increase ($329.6 billion); and $317.8 billion in tax increases toward a health care reserve fund that will finance entitlement spending increases.

The $634-billion health care reserve fund – described in further detail below – is said to be only a "down payment" on health care reform. The administration notes in the President's budget that that amount will "not be sufficient for comprehensive reform" and lists these additional entitlement expenditures as "TBD" – to be determined. Half of the $634-billion "health reserve fund" is offset with $317.8 billion in tax increases. The other half is offset with $316 billion in reductions to the Medicare and Medicaid programs. Of this $316 billion, more than half the savings come from adding a "competitive bidding" requirement for Medicare Advantage plans. As this proposal reduces payments to Medicare Advantage plans by approximately the same amount of money ($176.6 billion) as past proposals for the program (such as reducing Medicare Advantage payments to 100 percent of fee-for-service Medicare payments), it can be expected to reduce coverage by approximately the same number of individuals as CBO has previously estimated – 6 million seniors.

In addition to the Medicare Advantage reductions, additional savings are achieved from a variety of proposals, such as reductions in home health payments, changes to the Medicaid drug rebate program, bundling of Medicare hospital and post-acute care payments, and Food and Drug Administration approval of generic biologic drugs. Another provision calls for requiring the wealthiest seniors to pay more for their Medicare drug benefits. (This is a concept many Republicans have supported in the past, and it has been included in the Republican budget substitute the past 2 years. But the House Democratic Majority left it out of their budget resolution, and in markup rejected an amendment to include it.)

Table 5: The President's Entitlement Spending Increases
(deficit impact in billions of dollars)

	2010-19
Total Mandatory Initiatives and Savings (2010-19)	37.9
Outlay Effect of Tax Credits	326.2
Health Care Tax Spending	317.8
Medicare Physician Payments	329.6
Total	**1,011.5**

Source: Office of Management and Budget

The budget extends a physician payment increase that adds $285 billion to Medicare outlays over 10 years and increases Medicare's existing $36 trillion in unfunded obligations by $2 trillion. Because this payment increase is included in the President's baseline, it does not show up as a spending increase and is not subject to the pay-as-you-go requirement that this costly payment update be offset in the future. What this amounts to is increased deficit spending. While the details of this payment increase are not provided, an increase of about 1 percent each year can be expected, given the cost and past estimates of this proposal. (The Majority's budget resolution also exempts from the House pay-as-you-go rule the Sustainable Growth Rate formula used for setting Medicare's physician payment rates; and the Majority rejected an amendment establishing a point of order against any legislation in the House that would increase the government's more than $56 trillion in unfunded liabilities.)

When the President signed into law the Democratic Majority's reauthorization of the State Children's Health Insurance Program [SCHIP], it included a funding cliff in new spending – meaning children would be put on the program initially only to be forced off or onto Medicaid when the new funding runs out after 5 years. As this is politically impossible, CBO estimated the true cost of the SCHIP expansion to be $38 billion more over 10 years than OMB reported, for a total of $153 billion.

The President's budget also calls for several other entitlement expansions

- *Pell Grants*. The budget permanently extends the "stimulus" bill's so-called "temporary" increase to the Pell Grant benefit, and indexes the benefit so that it automatically rises 1 percent ahead of the consumer price index [CPI] going forward. The budget also converts Pell Grants into an entitlement program by placing it in the mandatory spending category. This will cost taxpayers an additional $116.8 billion over 10 years.

- *Three More New Entitlement Programs.* The budget further expands government entitlements with the creation of three new mandatory programs. First, a new College Access and Completion Fund is created and funded for 5 years at a cost of $2.5 billion, after which time the program is ostensibly zeroed out. This is another misleading spending "cliff": it is highly unlikely that this program will end, and even if it does, it will not end abruptly.

  Second, the budget spends $8.6 billion to establish a new nursing home visitation program. Once this new entitlement starts, the budget estimates it will cost taxpayers $1.8 billion per year. Finally, an additional $4.3 billion is added to the entitlement spending category for an automatic increase in the Low Income Home Energy Assistance Program. The increase is intended to correspond with rising energy costs.

- *Student Loans*. The budget effectively eliminates the Federal Family Education Loan Program program, a student loan program that leverages private sector capitol, and is the largest source of student financial aid. In its place, the budget finances the entire Federal student loan program with U.S. treasury borrowing.

- *Troubled Assets Relief Program [TARP]*. Also included in the President's mandatory spending proposals is a "placeholder for additional financial stabilization effort[s]" that could be used to purchase up to $750 billion in troubled assets from the banking sector. The budgeted amount of $250 billion actually represents the "subsidy," or net cost to the Federal Government after recoupment, although the up-front investment would be about three times that amount. The funding will be made available in addition to the $700 billion in TARP funds approved by Congress in September 2008.

- *Agriculture Programs*. The budget shifts Department of Agriculture funding away from farm subsidies and directs them toward food welfare programs. The most significant changes in farm subsidies include a reduction of direct payments to farmers making more than $500,000; a reduction in crop insurance premium assistance; and the elimination of payments for cotton storage. (The Majority excluded this provision from the budget resolution, and a bipartisan amendment to add a similar provision was rejected.)

- *Nutrition Programs*. The budget includes $9.8 billion to fund the reauthorization of the Child Nutrition and Women and Infant Children Programs, which provide assistance to low-income children. This comes on top of the $20 billion provided for nutrition programs in the "stimulus" bill. The budget also mentions the creation of a pilot program to increase the participation of low-income seniors in the Supplemental Nutrition Assistance Program (formerly known as food stamps), but does not provide a cost estimate for this provision.

- *Hope for Homeowners Program*. The Hope for Homeowners program began in 2008. The Department of Housing and Urban Development said: "400,000 borrowers in danger of losing their homes will be able to refinance into more affordable government-insured mortgages." Yet as of 3 February 2009, only 25 loans have been guaranteed under the Hope for Homeowners program. The President's budget proposes to increase funding for the program by $2.3 billion over 10 years.

Taxes Too Much

Overall, the President's budget increases taxes by $1.5 trillion over 10 years, mainly through tax hikes on those earning more than $250,000 a year (which will include many small businesses), and a cap-and-trade tax on carbon emissions that will add to U.S. families' costs for natural gas, electricity, home heating, and gasoline.

Still, in contrast to the congressional Majority, the President's budget recognizes that keeping tax rates the same does not constitute to a new tax "cut." Specifically, his revenue baseline assumes the continuation of the 2001 and 2003 tax relief laws beyond their scheduled expiration in 2011. The administration baseline also assumes indexing the alternative minimum tax [AMT] for inflation. House Democrats adopted a pay-as-you-go rule that treated both of these extensions as new tax "cuts" requiring offsetting tax *increases.*

Some of the significant tax increases in the President's budget are the following:

- *Tax Hikes on "Upper-Income Individuals."* This provision raises $636.7 billion over 10 years. More than half that revenue ($339 billion) comes from reinstating the 36 percent and 39.6 percent tax brackets for taxpayers earning more than $250,000 (married) and $200,000 (single). The overwhelming majority of small businesses pay taxes at the top two individual rates, so this represents a de facto tax hike on the engine of job creation in the U.S. economy.

- *Limiting Key Deductions*. The budget also proposes to limit the mortgage-interest deduction for upper-income taxpayers. Households paying taxes at the top two income brackets (currently 33 percent and 35 percent) would only be able to take this deduction at the 28-percent rate instead, thereby lowering its tax value. It is a curious step at a time when the government also is trying to support a troubled housing market. The tax deduction for charitable giving would also be capped in a similar way for top-tier filers.

- *Exemptions and Deductions*. The budget reinstates the Personal Exemption Phaseout [PEP] and limitation on itemized deductions for those earning more than $250,000 (married) and $200,000 (single). This increases taxes by $179.8 billion over 10 years.

- *The Death Tax.* The estate tax, scheduled to be repealed next year, is resurrected in the President's budget, which maintains the provision at its 2009 parameters (i.e. top rate of 45 percent, estate exemption amount is $3.5 million). This onerous tax punishes families for building up savings to pass on to their heirs; and it imposes an especially heavy burden on small businesses and family farms.

- *Capital Gains*. The President increases the capital gains tax rate from 15 percent to 20 percent for upper income taxpayers, raising taxes by $118.1 billion over 10 years.

- *Cap and Trade*. The President's budget proposes to begin capping carbon emissions beginning in 2012. This new policy would impose an $80-billion annual cost to the economy – or $646 billion over 10 years – by making carbon-based energy more expensive. The household impact of the proposal is expected to be anywhere from $1,600 to $4,500 per year. The administration claims the burden of increased energy prices would be eased by returning most of the new revenue to taxpayers through the Make Work Pay tax credit. But the credit is not available to seniors and those who do not work. A conservative estimate also shows this proposal could lead to as many as 1.5 million job losses by 2015.

  It is important to note that Treasury routinely assumes excise taxes reduce incomes in the affected industry and for others throughout the economy, and offsets the revenue gain by 25 percent. Consequently, the $646 billion actually understates the impact of the cap-and-trade policy. The actual burden on consumers may be more than $800 billion.

- *Energy Taxes*. The budget signals a greater emphasis on alternative and renewable energy at the expense of the oil and natural gas industries. The budget repeals numerous different tax provisions for oil and gas producers, including the manufacturing deduction and expensing of drilling costs, which would effectively raise taxes on the industry by $31 billion to $80 billion.

  In addition, the budget requests implementation of last summer's controversial "use it or lose it" leasing policy, which would add yet another $1 billion to domestic energy producers' costs. Altogether, the budget's energy policies could cost 167,000 jobs, studies show.

The budget also contains a range of "loophole closers," recommended by the President, that raise taxes by a total of $353 billion over 10 years.

- *Enforcement*. The largest item is "international enforcement, reform deferral, and other tax reform," which raises $210 billion. The lion's share of this revenue likely comes from an elimination or a severe restriction on the deferral of tax on overseas profits from U.S.-based multinational companies. This provision would undermine U.S. competitiveness by moving further toward a worldwide system of international taxation (most countries have territorial systems) and would likely lead to a rise in foreign takeovers of U.S.-based companies.

  The U.S. has experimented with this provision in the past. In the mid-1980s, tax deferral was eliminated for U.S.-based shipping companies. Several large U.S. shipping companies were subsequently taken over by foreign competitors to bypass the harmful effects of the new law and reap the tax benefits of being foreign-owned. These takeovers led to a loss of U.S.-headquartered jobs at these shipping companies and affected domestic jobs in industries tied to the shipping industry.

- *Carried Interest*. The budget would tax carried interest at private equity funds at the ordinary income rate instead of the capital gains rate (i.e. tax rate rises from current 15 percent to as much as 39.6 percent). This provision hampers the flow of private venture capital at precisely the time when we should be encouraging it.

Table 6: The President's Net Tax Increase
(deficit impact in billions of dollars)[a]

	2010-19
Obama Net Tax Provisions (2010-19)	-50.0
Replace Aviation Excise Tax with an Equivalent Fee	-77.1
Include Climate Tax	-645.7
Include Health Reform Tax	-317.8
Include receipt Effect from Mandatory Proposals	-14.1
Include Outlay Effect of Tax Credits	-326.2
Total Tax Increase	**-1,430.8**

Source: Office of Management and Budget.
[a] Negative numbers indicate an increase in taxes.

Borrows Too Much

As noted, the deficit stood at $1.2 trillion in January. But the President and the Democratic Congress have already widened this fiscal gap to $1.8 trillion, according to CBO – a deficit *increase* greater than the total deficit in any year in the United States' history.

The hemorrhage of red ink results from the economic "stimulus," expanded funding for the Troubled Assets Relief Program, doubling the bailout of Fannie Mae and Freddie Mac, and an omnibus appropriations bill that will drive this year's total discretionary spending above $1 trillion. The total deficit is 13.1 percent of GDP, more than twice the highest deficit level as a share of the economy since World War II. According to CBO, the President's deficits total $1.379 trillion (9.6 percent of GDP) in 2010, and $970 billion (6.4 percent of GDP) in 2011. They jump to $749 billion in 2014, the target year for the cut-the-deficit-in-half goal. Deficits continue to grow, reaching $1.189 trillion by the end of the decade.

This practice of financing big promises with borrowed money is, of course, precisely what got the U.S. economy into its current troubles – and this budget makes it permanent government policy. Further, like the budget's tax increases, its heavy borrowing soaks up the very economic resources needed for private-sector investment to sustained growth in the U.S. economy.

It also adds to an already growing debt that threatens to overwhelm future generations. Under the President's budget, debt held by the public – effectively the amount Treasury needs to borrow in private markets – will double by 2014, to $12.6 trillion, and will more than triple before the end of the decade, to $17.3 trillion in 2019, CBO estimates. Measured as a share of the economy, debt held by the public rises to 82.4 percent of GDP by 2019.[9]

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[9] CBO, *A Preliminary Analysis of the President's Budget and an Update of CBO's Budget and Economic Outlook*, March 2009.

According to Treasury, foreigners currently hold more than 50 percent of U.S. debt; but it cannot be taken for granted that they will continue to hold this current debt, much less the huge increases the Obama administration will need to borrow.

OBAMA REDUX: THE HOUSE DEMOCRATIC BUDGET

Introduction

After first protesting that their budget was different from the President's – with less spending, smaller deficits, and lower debt – Majority Members conceded during markup that the two budgets were really the same. Some of their comments:

- "This budget resolution shares the President's priorities."
- "[This is a] key step to making the President's plan a reality."
- "The President has proposed, and under this budget we support his plans."
- The Chairman's Mark "embraces" and "supports" the President's budget.

These remarks only admitted the obvious. The Chairman's Mark, and the budget as reported, could have been described as different from the President's budget only if one believed the following:

- That the 5-year budget window, as opposed to the President's 10-year plan, was not designed to hide the explosion of costs after 2014 for the President's ambitious, big-government agenda.
- That the AMT would be fixed in a "deficit-neutral" fashion – that is, by raising other taxes – though the Democrats themselves have rejected this approach for the past 2 years.
- That the "Making Work Pay" tax credit – a key tax provision in the President's budget – would not be extended unless offset (it was created as an "emergency" measure).
- That the Troubled Assets Relief Program [TARP] was over and the Treasury Secretary's financial stabilization plans will get no more funding.
- That the budget's numerous "reserve funds" (AKA tax and spend) would not be used to increase spending and taxes in the President's plan for a sweeping expansion of government.
- That the House would give up its plans to jam through the U.S. Senate a government takeover of health care and student loans, and possibly a carbon "cap-and-trade" system by using the fast-track "reconciliation" process.

If one does not believe these things, the resolution as reported truly is the President's budget; and as such it ushers in the third and final wave of government expansion, building on the New Deal and the Great Society. For that reason, much this discussion focuses on peculiar aspects of the budget relating to congressional rules and practices.

Table 7: Budget Comparisons
(in billions of dollars)

	2009	2010	2011	2012	2013	2014
CBO March Baseline						
Revenue	2,186	2,334	2,783	3,086	3,281	3,436
Outlays	3,853	3,473	3,476	3,417	3,581	3,746
Deficits	-1,667	-1,139	-693	-331	-300	-310
Debt (Public)	7,703	8,658	9,340	9,712	10,016	10,372
President's Budget						
Revenue	2,159	2,289	2,586	2,917	3,095	3,231
Outlays	4,004	3,669	3,556	3,575	3,767	3,979
Deficits	-1,845	-1,379	-970	-658	-672	-749
Debt (Public)	7,987	9,319	10,292	11,055	11,770	12,628
Committee-Reported Budget						
Revenue	2,186	2,328	2,628	2,916	3,127	3,310
Outlays	3,880	3,550	3,555	3,533	3,713	3,908
Deficits	-1,694	-1,222	-927	-617	-586	-598
Debt (Public)	7,730	8,768	9,684	10,344	10,934	11,577

Source: Committee on the Budget, Republican staff. Figures may not add due to rounding.

Overview

As noted, it is a 5-year budget, plus fiscal year 2009. It assumes a peak deficit of $1.694 trillion in fiscal year 2009. The deficit path is below the President's as scored by the CBO, falling to $585 billion in 2013 and then starting to rise. Deficits total approximately $628 billion less than the President's for the fiscal year 2009-14 period.

One reason for these differences and others is that the committee's reported budget carries many spending initiatives in the form of "reserve funds"; the costs of these items are not reflected in the budget figures. The House budget also assumes, in its revenue base, a large tax increase resulting from the scheduled expiration of the 2001 and 2003 tax relief provisions, and also assumes more than 20 million new taxpayers would be ensnared by the AMT.[10] These two premises yield a tax hike of roughly $1.2 trillion over 5 years, and $3.3 trillion over 10 years, and includes increases in marginal rates for all tax brackets, elimination of the 10-percent bracket, higher taxes on investments and children, among others. The resolution then retains some of the 2001/2003 tax provisions, and claims credit for tax "cuts" that are only the continuation of policies in place today. The budget still raises taxes by more than $1 trillion over 10 years, as explained below.

It should be noted, however, the deficits in the committee-reported budget do not take into account a number of policies likely to be enacted – such as an AMT patch, the Making Work Pay tax credit, and TARP funding. The effects of adding these policies are reflected in Table 2 below.

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[10] The Majority will defend this assumption by claiming they merely applied the Congressional Budget Office [CBO] baseline. CBO projects tax revenue based on "current law" – meaning tax provisions that are scheduled to lapse under existing law are assumed to lapse, however unrealistic that assumption might be. It is true that CBO exists to serve the Congress, and Congress relies on the agency's economic and budgetary estimates. But the baseline assumptions in the congressional budget are the prerogative of the House and Senate Budget Committees.

Under the committee budget, debt held by public would be 67 percent of gross domestic product [GDP]. CBO put the President's debt at 73 percent in 2014.

Table 8: Realistic Deficits Under the Committee-Reported Budget
(in billions of dollars)

	2009	2010	2011	2012	2013	2014	2010-14
AMT			-69.0	-30.6	-33.9	-37.3	-170.8
Making Work Pay Credit			-29	-42	-43	-43	-156.3
TARP	-125	-125	0	0	0	0	-125
Debt Service	—	-2	-6	-10	-17	-24	-59
Total	-125	-127	-103	-83	-93	-104	-511
More Realistic Deficits, Reported Budget	**-1,819**	**-1,349**	**-1,031**	**-700**	**-679**	**-703**	**-4,462**

Source: Committee on the Budget, Republican staff. Figures may not add due to rounding.

Reconciliation

As a means of leveraging the passage of major legislative initiatives, and minimizing resistance, the budget employs the fast-track reconciliation process.

The budget instructs the Ways and Means Committee, the Energy and Commerce Committee, and the Education and Labor Committee to report legislation by the end of September reducing the deficit by $1 billion each over 6 years. But the committees are bound by nothing other than the deficit reduction amount. So this provision allows them to report any legislation they choose; and it could then move swiftly through the Senate, because reconciliation is not subject to a filibuster. Thus this provision allows Congress to lock out the minority and pass sweeping changes proposed by the President on entirely partisan votes. These could include:

- *Health Care Reform.* This provision has the potential to redefine the relationship between the patients and their doctors, placing a government bureaucrat between them. With so much at stake, using reconciliation instructions to jam through monumental changes in health care – which constitutes 17 percent of the Nation's economy – cheats the American people out of the debate they deserve.

- *Cap and Trade*. The President's budget proposes to begin capping carbon emissions beginning in 2012. This new policy would impose a $79-billion annual cost to the economy – or $629 billion over 10 years – by making carbon-based energy more expensive. The increase in energy prices could force households to spend an extra $1,100 per year, on average.

- *Student Loans*. The President's budget also would effectively shut down the federally guaranteed private-sector lending for college costs, resulting in a complete government takeover of student loans.

This is a clear abuse of reconciliation, which was always intended to provide for deficit reduction. As Senator Byrd has stated, using the reconciliation process "to enact substantive policy changes is an undemocratic disservice to our people and to the Senate's institutional role."

Other senior Senators who have criticized the approach in the House budget include the following:

- Senator Conrad, Budget Committee Chairman, at a committee hearing on 12 February 2009: "[Reconciliation] was never intended for the purposes to which it's been put . . . However meritorious, whether it's health care reform, whether it's global climate change legislation, I think we need as a body to think very, very carefully about do we want reconciliation to be used in a way to override the normal process and to allow without ability to filibuster a simple majority to pass sweeping legislation. . . . [T]here is no most single element of rules that goes more against minority rights than the reconciliation that I know of."

- Senator Gregg, Budget Committee Ranking Member, quoted in the Associated Press on 23 March 2009: "[Reconciliation] would be the Chicago approach to governing: strong-arm it through. You're talking about the exact opposite of bipartisan. You're talking about running over the minority, putting them in cement, and throwing them in the Chicago River."

- Senator Baucus, Finance Committee Chairman, quoted in *Congressional Quarterly* on 5 March 2009: "Easy is not always best. It becomes partisan, and if it becomes partisan, even if you get a partisan solution, it tends not to be lasting. You can jam something down somebody's throat . . . but the point is, it's by far better to be inclusive than exclusive."

Reserve Funds

Instead of funding promised initiatives, the budget contains 17 "deficit-neutral" reserve funds that pledge extra money for pet initiatives if offsets are included. Reserve funds provide a free pass for legislation that chases higher spending with higher taxes. They allow spending or tax provisions to be adopted if they are offset by spending reductions or – as is far more likely – tax increases. In most cases, the amount of additional spending and taxes anticipated is unspecified.

Twelve of these reserve funds would allow unlimited additional taxes and spending. One provides for a tax cut bill that does not cut taxes. Another provides $285 billion in deficit spending. Three proclaim to extend "current" tax policy but in fact enshrine a huge tax increase on millions of families, on small businesses, and on family farms. The reserve funds – most of which are deficit-neutral over 5 years and 10 years, unless indicated otherwise – are the following:

- *Health Care Reform*. The provision calls for "improvements to health care in America," deficit-neutral over 5 years and 10 years. No spending amount is identified.

- *College Access, Affordability, and Completion.* The fund, to be deficit-neutral over 5 years and 10 years, includes increasing the maximum Pell Grant by the consumer price index plus 1 percent. No spending amount is identified.

- *Increasing Energy Independence*. The language explicitly talks about "reductions in greenhouse gas emissions" and associated spending programs. It is deficit-neutral over 5 years and 10 years; no spending amount is identified.

- *Veterans and Servicemembers.* Among other things, this fund calls for expanding concurrent receipt, but rules out the President's proposal for billing third-party insurers. No spending amount is identified.

- *Tax Relief*. The fund calls for deficit-neutral "tax relief" for working families, businesses, States, or communities. No other details or amounts are specified.

- *A 9/11 Health Program*. No spending amount is identified.

- *Child Nutrition*. No spending amount is identified.

- *Unemployment Insurance Reforms*. No spending amount is identified.

- *Child Support*. No spending amount is identified.

- *The Affordable Housing Trust Fund*. No spending amount is identified.

- *Home Visiting*. The fund calls for a program for home visits to low-income families and mothers-to-be. No spending amount is identified.

- *Low-Income Home Energy Assistance Program [LIHEAP]*. This provision calls for an unspecified increase in LIHEAP.

- *Surface Transportation*. The fund is intended to maintain solvency of the Highway Trust Fund, and requires any transfers into the trust fund to be fully offset.

- *Medicare*. This is a "current policy" reserve fund allowing an $87.29 billion spending increase over 5 years, and $284.97 billion over 10 years, for Medicare "improvements." No offsets are required.

- *Middle Class Tax Relief*. This is another "current policy" reserve fund for "middle class tax relief," totaling $698.571 billion over 5 years, and $1,848.523 billion over 10 years. The language identifies the 10-percent individual income tax bracket, marriage penalty relief, the $1,000 child credit, among others. No offsets are required.

- *AMT*. This also is a "current policy" reserve fund for one year of AMT relief, with a budget impact of $68.65 billion over 5 years and 10 years. No offsets are required.

- *Estate and Gift Tax*. This section of the budget calls for a "current policy" reserve fund for the death tax, with a budget impact of $72.033 billion over 5 years, and $256.244 billion over 10 years. No offsets are required.

Discretionary Spending

The pattern of nonemergency discretionary follows the President's 2010 budget: large increase in the budget year, followed by sharp outyear declines in spending growth.

The base discretionary topline appears to be $1.099 trillion in budget authority [BA], an increase of $86 billion (8.5 percent) over the 2009 scored level. The Appropriators' 302(a) allocation can be adjusted for program integrity spending (on top of base $1.099 trillion), or increased $1.9 billion in 2010 for LIHEAP. The additional spending is not otherwise accounted for in the resolution per usual.

The fiscal year 2010 nondefense discretionary dollar increase over the 2009 scored level is $57 billion, approximately a 12-percent increase without cap adjustments.

The budget assumes the President's base discretionary defense request in all years. It also assumes the President's overseas contingency funding, including $83 billion in fiscal year 2009; $130 billion in fiscal year 2010; and $50-billion placeholders for 2011-14. War spending is not treated as an "emergency," but it nevertheless "shall not count for the purposes of the Congressional Budget Act of 1974 or this resolution." The advance appropriations cap is the same as last year, $28.9 billion. An advance for the Corporation for Public Broadcasting is on top and uncapped.

The budget includes "policy" statements on taxes and defense; and Sense of the House language on VA/military healthcare, homeland security, "competitiveness," pay parity, and the Great Lakes.

Table 9: Discretionary Spending in the Committee-Reported Budget
(in billions of dollars)

	2009	2010	2011	2012	2013	2014	2010-14
Defense	535.8	556.1	564.3	573.6	584.4	598.2	2,876.7
International	38.2	48.5	52.7	57.1	61.5	65.9	285.7
Other Nondefense Disc	448.1	494.5	512.2	525.2	536.9	551.3	2,620.2
Base Discretionary	1,022.1	1,099.1	1,129.3	1,155.9	1,182.8	1,215.5	5,782.6
2010 Cap Adjustments	—	3.308					
Total Discretionary Base[a]	1,036.6	1,102.4	1,129.3	1,155.9	1,182.8	1,215.5	5,785.9
War	82.6	130.0	50.0	50.0	50.0	50.0	50.0
Enacted	369.4	—	—	—	—	—	—
Topline	1,488.6	1,232.4	1,179.3	1,205.9	1,232.8	1,265.5	6,115.9

Source: Committee on the Budget, Republican staff. Figures may not add due to rounding.
a Includes allowances in Function 920.

Tax Increases

The budget repeats the President's folly of raising taxes in the midst of a recession. The tax hikes total $574 billion over 5 years and $1.154 trillion over 10 years (see Table 10 below). The total is close to the President's tax increase of $1.5 trillion over 10 years, as reestimated by CBO. But the figures reflected in the budget do not include the all-but-unlimited tax hikes that could come through the budget's reserve funds.

Table 10: Tax Increase in the Committee-Reported Budget
(revenue in billions of dollars)

	2010	2011	2012	2013	2014	2010-14	2010-19
CBO Current-Law Baseline[a]	2,334	2,783	3,086	3,281	3,436	14,920	34,548
Committee Baseline[b]	2,328	2,628	2,916	3,127	3,310	14,308	32,443[d]
Current Tax Policy Baseline[c]	2,324	2,580	2,794	2,952	3,085	13,734	31,289
Tax Hike in Committee Budget[e]	4	48	122	176	225	574	1,154

Source: Committee on the Budget, Republican staff.
[a] Assumes 2001/03 tax relief provisions expire after 2010, and no alternative minimum tax [AMT] relief.
[b] Assumes only some 2001/03 provisions are extended, and a 1-year AMT patch.
[c] Assumes no new tax increases; extension of all 2001/03 tax provisions; and AMT patched for 10 years.
[d] Extrapolated 10-year revenues based on current policy reserve funds in Chairman's Mark.
[e] Does not capture tax increases that could be imposed under reconciliation or "deficit-neutral" reserve funds.

Pay-As-You-Go

A new pay-as-you-go [pay-go] rule exempts the higher spending and lower revenues relative to the Budget Enforcement Act baseline in the "current policy" reserve funds, provided that the House passes a statutory pay-go bill. No Senate or Presidential action is required.

CONCLUSION

In his preface to the twelfth edition of *Democracy in America*, Tocqueville urged his own countrymen to look to America as the model of a thriving democratic republic. His conclusion deserves to be quoted at length. It reads:

> . . . The republic there [in America] has not been the assailant, but the guardian, of all vested rights; the property of individuals has had better guarantees there than in any other country in the world; anarchy has there been as unknown as despotism.
>
> Where else could we find greater causes of hope, or more instructive lessons? Let us look to America, not in order to make a servile copy of the institutions that she has established, but to gain a clearer view of the polity that will be the best for us; let us look there less to find examples than instruction; let us borrow from her the principles, rather than the details, of her laws. The laws of the French republic may be, and ought to be in many cases, different from those which govern the United States; but the principles on which the American constitutions rest, those principles of order, of the balance of powers, of true liberty, of deep and sincere respect for right, are indispensable to all republics; they ought to be common to all; and it may be said beforehand that wherever they are not found, the republic will soon have ceased to exist.[11]

Tocqueville's observations were prescient. In the 19th and 20th centuries, America came into a league of its own in terms of rapid economic achievement, rising living standards, and international competitiveness. By the mid-20th century, America had become the powerhouse of the world's economies, the arsenal of democracy, and the Nation whose strength and sacrifice helped save western Europe, first from fascism and then from communism. Several factors contributed to America's pre-eminence – principally a reliance on the individual and private markets (or what former British Prime Minister Thatcher insisted should be called "the free sector"[12]) – which generated innovation and growth and laid the groundwork for increased prosperity.

How ironic it would be if America now abandoned its leadership in the world just to imitate the European model, and follow the Continent's discouraging economic decline.

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[11] Alexis-Charles-Henri Clerel de Tocqueville, Author's Preface to the Twelfth Edition, *Democracy in America*, 1848.

[12] "It has been the fault of those of us who stand for free enterprise that for too long we have accepted without protest the terminology of our opponents. We even use it ourselves. In Parliament we find ourselves talking about the 'private' sector of industry. We should insist on saying the 'free' sector." Thatcher, "Competitive enterprise or State bureaucracy," in *The Guardian*, 1 July 1975.

An alternative path is available. It is informed by a fundamentally different vision – one that flows from a confidence in Americans themselves. It recognizes that responsibility is not a slogan but a way of life, the twin of freedom. It promotes ownership and private property because America depends on – has always depended on – the strength and character of responsible individuals who value self-sufficiency, personal accomplishment, and loyalty to their families and communities. This approach acknowledges the need for a sturdy safety net for those facing chronic or temporary problems; but it understands that the reliability of this safety net depends on a vibrant free enterprise sector to generate the resources for the government to use.

House Republicans will present such a budget for consideration in the House. It builds on the initiative of individual Americans, exercised responsibly in a free economy and a democratic political system. Strengthening the role of the individual is the key to invigorating the society, and the economy, at large. The Republican budget also will keep alive the American legacy of leaving the next generation better off.

At the same time, it upholds Americans' compassion toward those who are less well off. It will strengthen the safety net by making it sustainable for the long term – which cannot be done under current policies or the Obama/Democratic budget.

In short, the Republican budget will keep faith with an essential point made by President Reagan in his first inaugural address: "We are a Nation that has a government – not the other way around."[13]

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JIM JORDAN	STEVE AUSTRIA

[13] From President Reagan's First Inaugural Address, 20 January 1981.