

Deficit Spending

In this issue, Operation Wildfire looks at the U.S. government's propensity for deficit spending.

Do you remember when we lamented over the national debt reaching an astronomical \$30 trillion? Well, in just one short year, the politicians and bureaucrats in Washington have managed to approach \$34 trillion in debt, without so much as batting an eyelash. Who's to blame for our crushing level of debt? Everybody.

- In Fiscal Year 2023, members of both parties voted to raise the debt ceiling, which enabled the government to borrow an unlimited amount of money until Fiscal Year 2024. (The government's fiscal year begins in October.)
- As Congress spends, the American taxpayers pay the price through record high inflation and crippling interest rates.
- The same spenders teamed up again to continue sending money to foreign countries and funding endless wars, all while ignoring the porous southern border.
- The Congressional Budget Office predicts the United States government will add an average of \$2 trillion in debt annually for the next decade - adding over \$5 billion of debt every single day for the next ten years.¹
- The government borrows over \$200 million every hour, \$3 million every minute, and \$60,000 every second.²

Why does the government borrow money?

The U.S. government borrows money for a few reasons. The government may want to stabilize the economy during a recession. The government might view increased spending as a less politically damning tactic to increase available funds compared to raising taxes. There are also factors at play that increase spending, like aging populations receiving their social security payout at a higher rate than working-age people are paying it. Wars, natural disasters, and public sector investments may also play a role.³

How does the government borrow money?

According to the U.S. Government Accountability Office, the federal government borrows money straight from the public. The government issues securities like bills, notes, and bonds through the U.S. Treasury. Individual and institutional investors can back the government by investing in these types of securities and many choose to do so. These investments can reach maturity, are backed by the U.S. government, and are exempt from taxes at the state and local levels. Also, most securities (besides savings bonds) can be resold in the market.⁴

Another way that the U.S. government borrows money is through intra-governmental debt like social security, healthcare, military retirement, and more.

What are the dangers of borrowing?

It doesn't take a genius to predict the dangers that come with spending money that the government just doesn't have.

- In Fiscal Year 2023, the U.S. Department of the Treasury spent \$659 billion just to pay the interest on the national debt. Because we don't have the funds to pay that, we have to borrow it — a large portion

¹ The Festivus Report 2023, <https://www.hsgac.senate.gov/wp-content/uploads/Festivus-2023.pdf>

² Ibid.

³ Market Realist, <https://marketrealist.com/p/how-does-the-us-government-borrow-money/>

⁴ Ibid.

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comes from China. We borrow from China to pay the interest on funds we couldn't afford to spend in the first place.⁵

- The Department of the Treasury spent \$475 billion on interest payments in Fiscal Year 2022. When the national debt jumped even higher in 2023, the interest payment went up \$184 billion.⁶

“Robbing Peter to Pay Paul” is not a sound fiscal strategy. So, if the government doesn't have enough money, and the government is also in charge of printing money, why doesn't it simply print more? Wouldn't that fix the problem?

Inflation is the answer. The government pumped money into the economy when the pandemic hit in 2020, and four years later we have an inflation rate at its highest level in decades.

Alan Cole, senior economic policy analyst at The Conference Board, points out that protecting the value of the dollar is something that we as a nation have specifically deemed important. Price stability is literally written into the mandate of the Federal Reserve, and the Treasury Department has similar restrictions. “Neither the Treasury nor the Federal Reserve is really supposed to be going rogue and printing money in order to get us out of the debt ceiling standoff,” Cole notes.

“Anything you do that undermines the value of the dollar and goes around the systems we have in place to issue more currency runs into the possibility of creating more inflation,” Cole adds.

What is the solution to the debt?

So if printing more money is a non-starter because it will break our economy, what is the long term solution to the debt; that is, if we're really concerned about its magnitude?

The answer is to balance the budget. That means budget cuts and eliminating earmarks. Did you know that earmarks are like footnotes on funding bills, promising to spend money on specific projects requested by individual members of Congress? Earmarks were banned for about a decade after some high-profile scandals and examples of waste.

In the FY 2024 budget bill, there are more than 6,000 earmarks, costing taxpayers more than \$12.7 billion. These are only a few examples:

- \$1.4 million earmark for a solar energy project in Wisconsin, one of the places in America least well suited for a solar farm.
- \$3.5 million earmark for The Parade Company that runs Detroit's annual Thanksgiving Day parade.
- \$2.5 million earmark that will help build a new kayaking facility in Franklin, NH.
- \$2.7 million line item to help build a bike park in White Sulfur Springs, WV, a town with a population of less than 2,300 people.

Operation Wildfire believes it's time to ban earmarks again.

FY 2025 Budget Bill Negotiations

The U.S. House of Representatives passed the first of its 12 annual spending bills (209-197), the appropriations bill for Military Construction and Veterans Affairs. Even if the bill passes the U.S. Senate, the White House has already vowed to veto the measure.

Why? When the House Appropriations Committee unveiled its proposed funding limits, the overall totals are less than the top-line agreement set during negotiations last year. The proposed limits are unlikely to make it in the Senate, where party leaders from both sides of the aisle have expressed a desire for higher allocations.

⁵ The Festivus Report 2023, <https://www.hsgac.senate.gov/wp-content/uploads/Festivus-2023.pdf>

⁶ Ibid.

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Let's take a quick look at the House Budget Committee budget resolution versus President Biden's proposal:

	Biden Budget Proposal	House Budget Resolution
Taxes	Adds \$4.9 trillion in new taxes	Proposes no new taxes
Debt	Grows the gross federal debt by 25 percent more than the economy	Grows the economy more than three times faster than the debt
Deficits	Proposes deficits at historically high levels: \$1.6 trillion average annual deficits (4.6 percent of GDP)	Balances the budget in 10 years, with \$10.4 trillion lower deficits compared to the President's budget
Spending	Spends \$86.6 trillion over ten years	Spends \$15.1 trillion less than the President's budget over ten years
Interest Costs	Spends \$12.2 trillion over the next decade	Spends \$2.7 trillion less than the President's budget

The House Appropriations Committee has set an aggressive timeline – to complete all twelve appropriations bills before the August Recess. To-date there has been no response from the U.S. Senate on that timeline.

To learn more about the proposed FY 2025 Budget, visit <https://www.budget.house.gov/fy-2025-budget-resolution>

What can you do?

Contact your U.S. Senators and your U.S. Representative. If you forgot the names of your members of Congress, find them here: <https://www.govtrack.us/congress/members/current>

Then find their names on the list of earmarks to learn what they requested in FY 2024.

Find the U.S. Senate list of earmarks and those who requested them at this link:

<https://www.appropriations.senate.gov/congressionally-directed-spending-requests-fy2024-chart>

You can read the full list of U.S. House of Representatives earmarks and those who requested them at this link: <https://appropriations.house.gov/fiscal-year-2024-community-project-funding>.

Send emails to each one:

- Do you want them to reduce the deficit and balance the budget?
- Which budget do you support – the President's or the U.S. House of Representatives?
- Should earmarks be eliminated?
- How do you feel about budget cuts? Right now, your children and grandchildren will shoulder the debt.

Your U.S. Senators and your U.S. Representative really do want to hear from you. Remember, they work for you. Write today!

Coming Soon!

The Administration developed a new word to explain away inflation; it's called "Greedflation". You've heard about it but what exactly does it mean? Operation Wildfire will take a look.