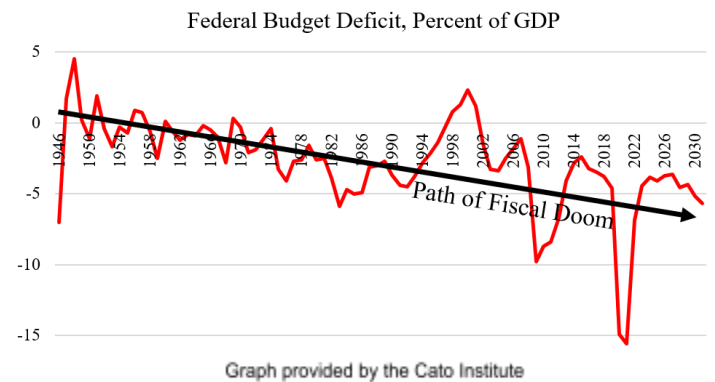


Balancing the Federal Budget

Looking at fiscal issues in the Federal Budget and answering tough questions

OVERVIEW:

The federal government has been running a deficit for quite some time in recent history. There are many issues in the budget that prove to be unsustainable, particularly programs with high levels of spending. In order to ensure a prosperous future, it is important that these problems are addressed, and federal spending gets on track to a sustainable path.



WHERE IS THE MONEY SPENT?

1. Social Security
2. Medicare/Medicaid
3. Other General Welfare
4. Military
5. Interest payments (not a social program)

SOLUTION:

With economic conditions as they are, increasing taxes is not a fair or viable option for the people, who are feeling the brunt of this issue. Cutting spending in major programs that are the sources of this federal deficit is the only viable solution.

IMPLICATIONS:

At the state level, budget implications should be minimal if the dollar amount is constant for the state. If kept proportionate, which seems favorable, it will free up state budgets to take care of matters to each state's discretion. At the individual level, some may lose a level of government help. There will need to be a sacrifice in the "luxury" of equity, as the spending and programs themselves are proving detrimental and unsustainable.

FEDERAL BUDGET DEFICIT

The deficit in the budget that the United States Congress passes each year has grown over time. The Federal government has, and will, essentially continue to operate at a deficit. The current operations are unsustainable, and drastic changes need to be made. In 2023, the U.S. government spent \$1.3 Trillion more than it had in revenue.

HISTORY OF THE BUDGET DEFICIT

Spending before general deficit acceptance:

Overtime, the federal government has increased the spending deficit. However, it was not always that way. Through the first 130 years or so of the existence of the federal government, the federal government was generally operating in the green, bringing in more revenue than expenditures outlayed. This is true except for the Federal government increased its spending in three short bursts of more federal spending; the War of 1812, The Civil War, and World War I, each deficit increasing over time at the time of spending, about 3%, 10% and 17% respectively. However, after these events, the federal government returned to its habit of maintaining a balanced budget for the most part.

Spending after general deficit acceptance:

As Franklin Delano Roosevelt introduced the “New Deal” during the Great Depression (implementing primarily social and government jobs programs), the spending trends changed. Since the implementation of these programs, there were only two real, and short, times the federal government was not operating at a deficit: directly after World War II and the late 1990’s when Bill Clinton was President and Speaker Newt Gingrich had proposed his plan “Contract for America” to cut spending.

THE ISSUE WITH THE FEDERAL BUDGET DEFICIT

As the federal budget deficit has increased throughout time at a general level, so has the national debt. The United States federal government has nearly \$34,000,000,000,000 in debt. The debt to GDP ratio is nearly 122%. The issue is rapidly proving itself unsustainable, and many are concerned that a recovery will not even be possible.

WHERE DOES THE MONEY GO?

There are a lot of places federal spending goes. But there are a few notable ones that would be worth looking into.

Social Security: Social security is about 21% of the federal budget, close to \$4.1 trillion. It accounts for a massive amount of the federal budget, and is in itself a controversial program for many. Without getting too deep into the weeds, the social security trust is almost empty, and we have a large generation, the baby boomers, as beneficiaries right now.

Medicare/Medicaid: These two programs additionally take up a large portion of the federal budget. *Medicare*, the 2nd largest government program behind Social Security, takes up about 12% of the federal budget. Medicare is a program that assists people 65 and older in medical insurance and payments. *Medicaid* is the second of these two programs, and takes up about 9% of federal spending. Medicaid is a program that assists low income people/families, people with disabilities and some others with medical insurance and payments.

Welfare programs: There are dozens of welfare programs that account for federal expenditures, totaling about 20% of federal spending. These programs assist many people in general welfare needs, like assistance for needy families, food stamps, and support for women and children.

Military: The military accounts for 12% of spending. Though it is categorized as defense spending, it is important to consider how much of our military is actual defense, and like other programs, where spending can be cut.

Interest payments: The federal government is currently making payments on the interest owed in this debt. It is one of the biggest items in the budget, accounting for about \$668 billion dollars, about ½ of the size of the deficit and roughly 9% of federal spending.

BALANCING THE FEDERAL BUDGET:

There are many policy routes that would help mitigate the federal deficit and balance the budget, one of which may include making elected officials ineligible for reelection when the budget is unbalanced or exceeds other benchmarks for this. However, these solutions will focus on some solutions available on the fiscal side of the matter.

CUTTING SPENDING: WHERE AND HOW MUCH?

It is not always so easy to cut spending, this is an overview of the previously mentioned categories and potential solutions to cut spending.

Social Security: To mitigate spending on social security, it is important to consider that eliminating benefits for those that have paid into the system will not work. It is also important to understand the nature of this program: it is a ponzi scheme. It is not a sustainable program. It should either be entirely voluntary or entirely eliminated. Allowing an option for people to opt out of this program would facilitate a dissolution of the program. The baby boomers grew up in the greatest economic conditions. Perhaps it would be best to cut off benefits to the boomers, and take the rest and divvy it out to payers from other generations. Perhaps it would be best to readjust payments, then let the program die overtime from there, as private pension methods are much more lucrative than this program and would win out if there were true choice. Or, consider the next mentioned Medicare alternative.

Medicare/Medicaid: These are programs where spending needs to be mitigated. Medicare in particular. One thing that may be helpful is restricting options for people currently receiving social security and on medicare. Medicare funds used to help people receiving Social Security benefits should be taken out of those benefits. While the tax is being taken, it can help mitigate the unsustainable social security issue, but this program too would need to be eliminated. A similar approach should be taken with other welfare programs and Medicaid, perhaps with a tentative exception for people with disabilities.

Welfare Programs: Spending is high in these programs too. There are limitations on how much people can accept through some programs over their lifetime, however this does not address the problem, and spending is still too high. Limitations throughout the programs and audits for recipients are necessary, it is important to ensure that people can recover and live sustainably and independently of the government.

Military: The United States is well-known (or not well-known, infamous, if you will), for military power and spending. In a world of decreasing war, economic acceleration, and a more peaceful power struggle, a strong military is not as necessary as it perhaps once was. Regardless, the United States does not entirely have a defense budget, and many would say it is an offense budget. Cutting spending here by limiting development contracts, abandoning posts in bases around the world, and removing military personnel from conflicts abroad will drastically decrease military spending. Policing nearly the entire world is expensive, and our budget shows that we simply cannot afford it.

Interest Payments: This is the category where we really cannot see a cut in spending. The fact of the matter is that the federal government is only paying off interest at this point in time. If the United States is going to be serious about paying off its debt, this is an important category to spend in. Budget cuts in other areas will need to result in an increase in spending here to ensure that this nation can get on the right track and reset our spending habits and efficiency as a whole. The debt is future money we have already lost, that is just a reality of the situation. But spending here is just necessary to fix the issue.

CONCLUSION:

There are one of three routes this level of deficit and debt can go.

1. The federal government and this country gets real about paying off the debt, cuts spending and works to pay off the debt.
2. The federal government declares bankruptcy and either financially resets or dissolves itself along with its assets
3. The unsustainable spending continues, the debt grows, and the bubble pops at a later, unknown day, leaving a disaster beyond the realms of possibility for responsibility to solve.

Given economic conditions, raising taxes is out of the question. The American taxpayer pays more than social democracies in taxes, yet the federal government cannot get its spending under control. There are answers to this that do not include furthering the burden on the everyday taxpayer. When it is understood that enough is enough, there are sacrifices that need to be made in the name of responsibility.