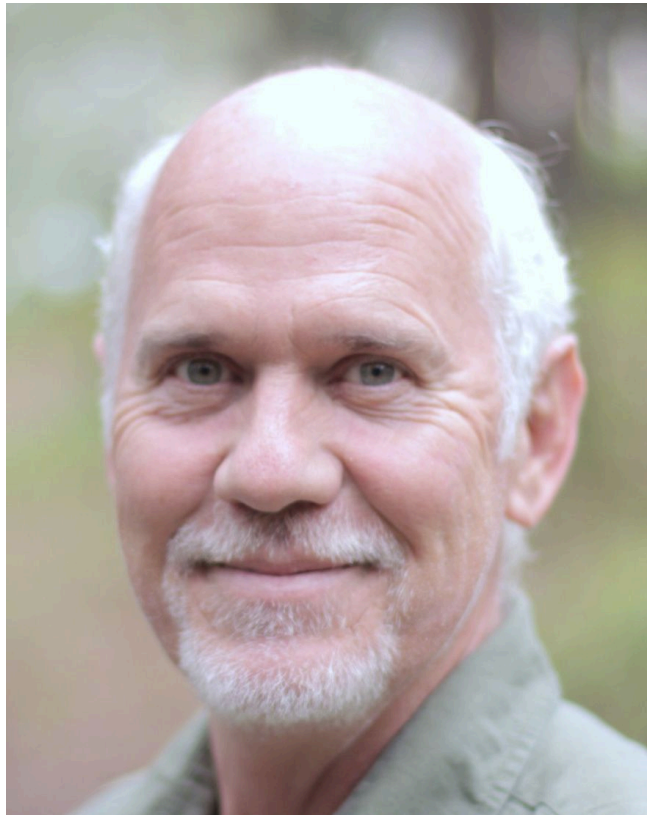

In My View: Budgets Define Priorities

April 9, 2023



I read a story in the New York Times (2/15/23) that got me thinking about budgets and deficits. The headline, “US Might add \$19T in debt over 10 years” highlights a growing problem that will affect us all.

The Congressional Budget Office (CBO) forecasts that over the coming decade we will add \$19 trillion to the national debt, 3 trillion more than previously predicted, due to rising costs for interest payments, veterans’ health care, retiree benefits and the military.

A budget deficit is created when our government spends more than it collects in tax revenue. America’s current accumulated national debt is over \$31 trillion. The CBO calculates that the annual net interest cost of this debt will be \$640 billion in 2023 and will increase to \$1.4 trillion by 2033.

The CBO projects that budget deficits will average \$2 trillion annually. This is a mind-bending number. Broken down into smaller chunks, this is about \$5.5 billion each day and \$228 million every hour. To put this in perspective, the budgets of Del Norte County and Crescent City combined are about \$225 million annually.

How is this possible? The State of California, County of Del Norte and City of Crescent City are all required to adopt balanced budgets. Revenue must equal or exceed expenses. Only the federal government can increase debt to this profligate level.

How Deficits Happen

The way that this works is that the federal government can sell treasury bonds as a means of borrowing money. People and businesses buy bonds because it is considered a safe investment in today's economy. They believe the United States of America is a good bet and that they will be paid back with interest.

However, the congress has set an arbitrary limit of how much debt we can accumulate. This debt limit is currently \$31.4 trillion. As of January 2023, our country has reached its debt limit. If this is not raised, then the government will begin to default on payments to bondholders and an economic calamity will ensue. This could happen as early as July.

Understand that opposing an increase of the debt limit has nothing to do with cutting the cost of government. Raising the debt limit will simply allow us to pay for the commitments that we have already made. Future expenditures must be controlled upstream through the budget process.

To solve this growing debt crisis there are essentially two choices, reduce expenses or raise taxes. On the contrary, tax cuts and expenditure increases add to the deficit.

The Director of the Congressional Budget Office warns, "Over the long term, our projections suggest that changes in fiscal policy must be made to address the rising costs of interest and mitigate other adverse consequences of high and rising debt."

Budget Decision Impacts

The tax cuts enacted in 2017 under the last Republican administration will add \$1.9 trillion to the deficit over the next decade because no consideration was given to the fiscal impact of these revenue reductions.

Sometimes Democrats and Republicans are both responsible for adding to the deficit. The CBO reports that newly enacted bipartisan legislation supporting veterans' health care benefits and increasing military spending will add nearly \$2 trillion to the deficit over the next 10 years.

In contrast, the CBO said that President Biden's signature climate and health care bill, which passed with only Democratic support, would modestly reduce the deficit over the next decade. This is because the bill's spending and tax credits were more than offset by tax increases on corporations and high-income earners plus government savings on prescription drugs for retirees.

In March, President Biden released his budget request, totaling \$6.9 trillion, for the fiscal year beginning October 1, 2023. This is the first step in the annual appropriations process which the Congress and Senate will use to develop their own budget packages in the coming months.

Military Industrial Complex

President Biden's proposed budget includes a 3 percent increase to annual defense spending for a total of \$885 billion. This is more than 12 percent of the total annual budget. Military spending of the United States is more than the next 10 nations combined. China is 2nd highest (\$300 billion) and Russia is 5th (\$66 billion).

Does spending this much money make us safer than the countries that spend a fraction of what we do?

Clearly elected officials are reticent to cut defense spending. However, there should be serious scrutiny of the military budget before they consider cutting spending for social security, Medicare, infrastructure, healthcare, and other compassionate social programs.

Hundreds of billions of dollars are spent each year on weapons and military hardware. Billions in profits are being made by military contractors and they lobby hard to oppose any reductions in military spending. This is an environment that is ripe for waste and corruption.

War is an expensive business and our military deployment around the world adds to our debt. The entire cost of the Iraq and Afghanistan wars was incurred without raising taxes to pay for them.

Recently a Russian jet caused a crash of one of our surveillance drones over the Black Sea near Ukraine. The cost to build this one drone was \$33 million, equal to about a nine-month budget for Crescent City.

Each laser guided cruise missile costs us \$2 million every time we shoot one off or give one away. Boom! There goes two million dollars up in smoke that could have been spent on more constructive uses.

Scrutinize Budget Intentions

In the coming months the debate over increasing the debt limit and adopting next year's federal budget will commence. As the spectacle of our divided government is on full display in Washington, pay attention to what politicians are proposing to cut. This will tell you who or what they care about.

Budgets define priorities.

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