



President Obama's Misguided Take on Spending

In his State of the Union speech, President Obama gave a verbal nod to the need for spending restraint. However, his calls for restraint and his proposed solutions ring hollow against the record of fiscal recklessness of his first year in office and his largely unchanged, costly agenda.

Obama's Spending Freeze:

The President proposed a three-year non-defense, non-homeland security discretionary spending freeze beginning in 2011. While we do not yet have the details as to whether his freeze would apply to actual outlays or budget authority, his proposal falls short either way. After a massive spending spree of unprecedented proportions, the goal should not be to "freeze" spending, the goal has to be to cut spending.

What is needed is an across-the-board roll back of Federal spending to pre-binge levels, not locking in increased levels. And there is no reason such a spending cut could not occur immediately rather than in 2011. Leaving "stimulus" and TARP aside, the FY2010 appropriations bills signed by President Obama have increased non-defense, discretionary spending by 12% over last year.

Rescinding remaining "stimulus" funds and immediately ending the TARP program, as well as a comprehensive rescissions package along the lines of Sen. Coburn's amendment to the debt ceiling increase bill would have been a first good step in the right direction.

Creating a Bipartisan Fiscal Commission:

President Obama lashed out at Senators for having prudently rejected the Conrad/Gregg bipartisan tax and spending "reform" commission which, as proposed, would have led to a guaranteed tax increase. He vowed to create a bipartisan Fiscal Commission via executive order modeled on Conrad/Gregg.

However, taxpayers will not be served by any commission that puts tax increases, which only aggravate the situation by draining money out of the private sector and productive use, on the table. The 1990 budget deal, in which taxpayers were promised two dollars in spending cuts for every dollar in tax increases only to be left with higher taxes *and* higher spending made that all too clear.

A prudent commission proposal would focus only on the root cause of our fiscal crisis – out-of-control government spending. Endorsing a pro-taxpayer commission proposal like Sen. Brownback's CARFA Act, which would review all Federal agencies and programs via a commission modeled on the successful Base Closure and Realignment Commission (BRAC) would have been a prudent step.

PAYGO

The President called on the Senate to reinstate the Pay-As-You-Go (PAYGO) law, citing it as the big reason for record surpluses in the 1990s. However, the surpluses of the 1990s were in large part the result of other factors including the end of the Cold War, and an exceptionally strong economy bringing in more tax revenues. In the past, PAYGO has helped opponents of tax cuts to kill such efforts. However, when it came to increasing spending, Congress repeatedly found ways to circumvent PAYGO.

What's worse, statutory PAYGO is nothing more than a fig leaf to provide political cover for tax-and-spend policies, and would in fact set the stage for higher taxes being touted as the only way to avoid across-the-board cuts in entitlement spending.

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