

Congressman Scott Garrett (R-NJ), Chairman

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CBO: \$871 Billion Deficit Through First 7 Months of FY 2011



According to CBO, the federal government has run-up an \$871 billion deficit in the first seven months of FY 2011. To date, the federal government has spent \$2.18 trillion and collected \$1.3 trillion in taxes. Revenue is up 9.2% and spending is up 9.1% compared to the same point last year. 40% of all federal spending so far this year has come from borrowed money. The President's budget proposed a final year 2011 deficit of \$1.645 trillion.

First Four Months of New House: \$573 Billion of Spending Cuts

In total, in the first four months of the new Republican Majority, the legislation that has passed the House has cut mandatory spending by [\\$573 billion](#), cut authorized spending by \$67 billion, and cut taxes by \$770 billion. By contrast, in the first four months of the previous Congress, the Democrat-led House had already passed \$333.2 billion of new spending and had authorized a further \$73.2 billion.

Debt Ceiling Debate Continues

Treasury Secretary Geithner recently announced that his department will run out of power to prevent the US from reaching the debt ceiling by August 2, 2011. At this point tax revenues would still be many multiples of payments due on the public debt. The Full Faith and Credit Act, H.R. 421, would explicitly prevent default by making debt obligations the first claim on tax dollars.

The President and many congressional Democrats advocate a \$2 trillion debt limit increase attached to no spending restraint. This debt limit increase would be the seventh since 2007, and would mean a cumulative increase in the debt limit of \$7.4 trillion over this period.

On Monday, Speaker Boehner gave a speech at the New York Economic Club calling for trillions in spending cuts as part of any debt ceiling increase. Many congressional Republicans advocate a Balanced Budget Amendment (with a spending cap at 18 percent of GDP and a supermajority tax increase requirement). Along similar lines, several RSC Members are developing bills to place a statutory limit on federal spending at 18 percent of GDP.

Quote of the Week:

"This is the time to end the spending binge and prioritize and modernize what we spend. To increase the debt limit without simultaneously addressing the drivers of our debt -- in defiance of the will of our people -- would be monumentally arrogant and massively irresponsible. The debt limit debate is critical because it's forcing us to make a choice right now as a nation. It's a choice between the policies of the past, and a new vision that acknowledges we can't tax, borrow and spend our way

Tax Foundation: More than One-Quarter of Work Day Dedicated to Government

According to the [Tax Foundation](#), this year, Americans will spend **2 hours and 13 minutes** of every 8 hour day working for the government. For a nine to five day, that means a worker has to work from 9:00 A.M. to 11:13 A.M. for the government before working for himself. When the federal deficit burden is counted, the burden increases to 3 hours and seven minutes, which means the worker has to work until 12:07 P.M just for the government.

Conrad Budget Resolution Will Propose \$2 Trillion Tax Increase

Senate Budget Chairman Kent Conrad is working on a budget resolution that Democrat leaders describe as containing \$2 trillion worth of tax increases and \$2 trillion in spending cuts. Details of the spending proposals, as well as the tax increases, are unknown. The House-passed budget resolution contained \$5.8 trillion of spending cuts over ten years, and the RSC budget resolution contained \$9.1 trillion of spending cuts over ten years.

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On Spending Cuts, Democrats Give Voters the Brush Off

Do President Obama and Democrats want to cut spending? There's not much evidence they do. They have acquiesced to some cuts—but only under political duress.

The importance of the spending issue escalated last Thursday with the start of budget negotiations between Democrats and Republicans under the direction of Vice President Joe Biden. The 2012 budget, an increase in the debt limit, and long-term reform of entitlements are all on the table.

The parties have very different goals. While Republicans want a cap on spending, Democrats favor a ceiling on the deficit. The distinction is significant. A spending cap is straightforward. But a cap on the deficit can be satisfied by raising taxes, which Democrats prefer.

To be sure, Mr. Obama frequently pays lip service to tackling spending. "We've got to comb through the budget and find every dime of savings that we can," he said at a town hall meeting last month in Reno. "We'll check under the cushions. Any program that's not working, we need to eliminate."

But neither the White House nor congressional Democrats have initiated any net reductions in spending. Not once since the election. Their strategy is to defer to Republicans, then denounce whatever cuts Republicans come up with.

In February, for example, the Republican-controlled House approved \$61 billion in cuts from a \$3.7 trillion budget of 2011 spending with a projected deficit of \$1.6 trillion. In response, Senate Majority Leader Harry Reid called the cuts "reckless."

Mr. Reid then turned around and claimed to have proposed \$41 billion in cuts himself. How so? The \$41 billion was the difference between what Mr. Obama had called for in his never-enacted 2011 budget and what was actually spent. The "Fact Checker" of the Washington Post, Glenn Kessler, dismissed Mr. Reid's claim. "He's talking about cutting spending that never happened."

Then, after Democrats reluctantly agreed to a mere \$10 billion in cuts over the next five weeks, Senate Appropriations Committee Daniel Inouye professed outrage. "How much before we have to cancel the construction of dams, bridges, highways, levees, sewers, and transit projects and throw thousands of private-sector workers onto the street?" he said.

The reality is that since the November midterm election—when voters expressed their displeasure with the pace of government spending—Democrats have had eight openings to initiate cuts. Let's review the record.

The Democrats' first opportunity was during the lame-duck session of Congress in December. Senate Democrats sought to boost 2011 spending—fiscal 2011 had begun the previous September—by \$19 billion. Their bill was studded with earmarks and pork-barrel expenditures. But it wasn't until Senate Minority Leader Mitch McConnell lined up Republican votes to block the measure that Democrats gave up. Spending in 2011 remained frozen at the 2010 level.

The second chance for spending cuts came in February when Mr. Obama unveiled his 2012 budget. The president said he had made "tough choices" but avoided "symbolic cuts this year that could endanger the recovery." His budget (now superseded) would have increased spending by \$41 billion.

The third chance (mentioned above) came a few days later when the House voted to cut \$61 billion from 2011 spending. Senate Democrats responded with roughly \$4 billion in cuts. Both proposals lost in the Senate, but the \$61 billion plan got more votes than the Democratic alternative.

In early March, Democrats had a fourth opportunity when the government's stopgap authority to spend—known as a "continuing resolution"—was due to expire, threatening a government shutdown. Mr. Reid attacked the Republican response to cut \$2 billion while extending spending for two weeks as "reckless." But he grudgingly agreed to it.

Democrats soon had another shot at getting in front with a spending plan for the remainder of fiscal 2011. They hung back. When the House attached \$6 billion in cuts to a three-week extension, Democrats again went on the attack. They made no counteroffer. Eventually they went along with the Republican cuts, missing their fifth opening.

At this point, Democrats saw they were losing the 2011 spending battle piecemeal. They abandoned any hope of a spending freeze. A freeze, by the way, isn't a cut. They settled with Republicans for \$38 billion. This was the sixth opportunity they failed to seize.

In April, Mr. Obama acted, involuntarily. His 2012 budget had been widely bashed, even by his supporters in the media. The president presented a new plan that he said imposed twice in spending cuts what it would collect in tax increases. The reverse is closer to the truth, though Mr. Obama was so vague that it's impossible to know. Another opening to propose a series of major cuts—No. 7—was wasted.

The Democrats' eighth opportunity involves the debt limit. Treasury Secretary Tim Geithner insists it must be raised by early August or the government will be forced into defaulting on its debt. He, Mr. Obama and Democrats have called for a "clean bill," one without spending cuts or caps attached. They've lost that argument. The question now is how much to concede to Republicans on spending to ensure an increase in the debt limit. In any case, they've failed to take the initiative.

If Democrats' hostility to spending cuts wasn't clear from these episodes, it comes through in every speech Mr. Obama makes. He talks enthusiastically and at greater length about "investments" he intends to "protect" or "preserve." On the need for cuts, he sounds grim and apologetic.

In revising his 2012 budget, the president proposed a clever mechanism for avoiding spending cuts. He called it a "debt fail-safe." If the debt burden doesn't shrink as a percentage of the economy, it would require "additional savings with more spending cuts." Except that as much as 90% of spending would be exempt, leaving little room for cuts and lots for raising taxes.

The response of the president and Democrats to the message from the November election is now pretty clear. The voters asked for spending cuts. Mr. Obama and company have said no.