

## **Opportunity Arises from the Federal Debt Crisis**

By Congressman Pete Visclosky

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With a projected Fiscal Year (FY) 2011 deficit of nearly \$1.5 trillion and a massive \$14.3 trillion national debt, addressing our nation's budget policies is a critical national priority. The need to address this crisis quickly brings with it an opportunity to put in place a comprehensive solution that will put our country on the road to a strong, fiscally-sustainable economic future.

If the federal government does not increase our nation's borrowing limit by August 2, we will begin to default on our debt. Doing so, even for a short period, would have devastating long-term impacts on the nation's economy. The financial repercussions of a default on our debt would be stunning because the value of federal government bonds and the dollar would immediately decline. A few of the short-term impacts on the people of Northwest Indiana could include higher mortgage interest rates, decreased lending from banks, an increase in the price of gasoline at the pump, and potentially the inability to access funds from entitlement programs like Social Security.

Current projections indicate that the federal government is spending 24.7% of our nation's gross domestic product, or GDP, a way of measuring the size of our economy. It is bringing in taxes of just 14.8% of our GDP. Some of this significant divergence has been caused by a rotten economy, but it has also been caused by unrealistic trends in both spending and taxes.

There is no simple solution. For example, if we eliminated the **entire** federal government this fiscal year – no federal courts or prisons, no border security, no care for veterans, no White House, no Congress, nothing – and only kept the Department of Defense, entitlement programs such as Social Security, Medicare, and interest on the national debt, and did not touch taxes, our deficit for FY 2011 would still be \$817 billion.

As we look toward a solution to the current budget crisis, we can learn lessons from the two times in the past 50 years that the federal government has balanced the budget – once in 1969 under President Nixon and again for a four-year period, from 1998-2001 under President Clinton. In both instances, spending and taxes were essentially between 19 and 20% of our GDP.

To bring our spending close to this level, we must make thoughtful, deliberate and difficult decisions about cutting federal spending. Just last week, the FY 2012 Energy and Water Appropriations Act was debated and passed on the House floor. As Ranking Member of the Energy and Water Subcommittee, I worked long and hard with my Chairman, Rodney Frelinghuysen (R-NJ), to reduce spending in our bill by \$2.826 billion from FY 2010 levels. Our subcommittee looked at each program and made a myriad of decisions, some to increase spending, some to reduce it, given the purpose and value of each program.

Our fiscal crisis, however, cannot be solved by only addressing the spending side of the equation. We must also make thoughtful decisions about raising more tax revenue.

From 2008 to 2010, 12 corporations, including Exxon and General Electric, made a combined \$171 billion in profits, but, as a result of a convoluted tax code, ended up paying no federal taxes, while you were paying yours. If we are to address the current economic crisis, all Americans and American companies should make a contribution to our shared society.

The key to confronting this challenge will be finding a balance between cutting spending and raising revenue while making the necessary investments in our nation's infrastructure and future. The road to fiscal sensibility will be difficult, and tough decisions will need to be made. But in 1969, and from 1998-2001, different presidents and different Congresses proved that we can make those decisions, set those priorities, and exercise fiscal responsibility in a bipartisan fashion that achieves results.

I believe that we can do it again, but half measures are not the order of the day. We must do this right and do it permanently. We owe it to the next generation. Only then can we lay a solid economic foundation for the future and move on to the host of other important matters that we, as a nation, must address.