

# THE WALL STREET JOURNAL.

February 16, 2010

## Nightfall in America

### The Obama deficits portend a gloomy future.

Written by Pete Du Pont

Is it, as President Reagan's re-election commercial said, "morning in America"? Back then it was, but not anymore; it is economic evening in America as our nation's spending, government programs and deficits balloon. The federal deficit this fiscal year will be \$1.6 trillion, or about 10.6% of gross domestic product. That is the largest deficit since World War II, and even President Obama's optimistic estimates show our deficits will not return to sustainable levels for at least the next decade.

The administration's projection of total federal spending over those 10 years (2011-20) is \$45.8 trillion, while expected taxes and other receipts will be \$37.3 trillion. The \$8.5 trillion deficit is about 20% of spending. And all of these numbers are based on a full and lasting economic recovery, which, based on current experience, is a pretty optimistic projection.

Earlier this month, The Wall Street Journal's editorial page did an analysis of the federal government's debt that will be held by the public over the coming decade. When the Democrats took control of Congress in 2007, the debt held by the public was 36.2% of GDP. It rose to 40.2% the next year. This year it will be about 63.6%, next year 68.6%, then 77% of GDP in 2020. And the

Obama administration's budget estimates 218% in 2050.

The reason for these rising deficits is the huge increases in federal spending--the intended growth of the federal government--that Congress and the president are pushing. The deficit in 2007 was \$160 billion. In the next year the Pelosi-Reid Congress took it up to \$458 billion, and when President Obama came into office in 2009 it hit \$1.4 trillion. The current 2010 projected deficit is \$1.6 trillion, which will lead to a tripling of our national debt from 2008 to 2020.

To the White House and congressional Democrats, these large figures are not a surprise, a mistake or a worry. They part of a strategy to Europeanize America, to make the government larger, broader and in charge of almost everything. And that would of course require broad and massive tax increases. The Washington Post's Robert Samuelson calculated that to fund all the future deficit expenditures would require taxes to increase "by roughly 50 percent from the average 1970-2009 tax burden." A 50% tax increase would become a permanent part of a declining America, just as such tax increases have become a permanent part of declining European countries.

Or as Sen. Judd Gregg, top Republican on the Budget Committee, put it the other day, this huge deficit spending "is a death certificate to the American dream for our children. Their lives will be mortgaged by the debt we put on their backs." Michael Boskin, chairman of the Council of Economic Advisers under the first President Bush, noted in The Wall Street Journal last week that President Obama will have added more debt in his first two years in office than George W. Bush did in eight years. In his first 15 months, Mr. Obama will have raised the debt burden as a percentage of GDP by more than President Reagan did in all of his eight years.

This administration wants larger, not smaller government; broader, not lesser regulation; and greater government, not greater individual liberties. That would make our country weaker on the international stage, make it much more difficult for us to handle future recessions, and even more difficult to implement new programs or strategies that may be needed to improve our economy. Lawrence Summers, now director of the president's National Economic Council, once asked,

"How long can the world's biggest borrower remain the world's biggest power?" Obviously not very long, and we are rapidly moving in the wrong economic direction.

Mr. Boskin also pointed out that all this "is by a large margin the most risky fiscal strategy in American history." As noted above, the national debt will rise to more than double GDP, and once it gets close to 100%, Mr. Boskin adds, there will be "a dramatic slowing of economic growth by at least one percentage point a year," since people will expect higher taxes, higher interest rates and no visible resolution of the enormous and unsustainable deficits that have come to pass.

All of this means we are indeed beginning to see a new America, dusk rather than dawn, Europeanization rather than the life, liberty and the pursuit of happiness that has brought us the world's best economy and a standard of living for which the rest of the world strives. Unfortunately, that economy was yesterday's, but will not be tomorrow's.