

Why Can't We Balance the Budget?

It seems strange that our representatives are that dumb that they cannot understand the need to balance the budget or the will to do so. Although there are candidates advocating balancing the budget in the first year of office. How real is this, and if it was that easy why haven't they done it. The real answer is that it is not easy and in fact impossible to do unless you want to cause major unemployment and social unrest. Just look at what is happening in Greece with their attempt to cut the budget.

Let look at the numbers. Below is a chart showing the estimated breakdown of the U.S. budget by year. The first thing that you see is that the majority of the money is spent domestically. Buried in these numbers is 47 billion for operating the State Department and foreign assistances. This represents only 1.5% of the 3.8 trillion dollar 2012 budget. To understand the impact of balancing the budget the other number of interest is the median household income in the United States which is \$46,326.

So let's see what the impact would be if you tried to balance the budget in one year. Starting with the 2012 estimated deficit of \$1,327 billion, subtracting out the \$47 billion for State, leaves \$1,280 billion. Dividing the median household income into the number results in impacting over 27.6 million people. This might be a simple way of looking at it but you get the point. There is no way that any politician whether Republican or Democrat is going to want to make that kind of draconian cuts in one year when most of the cuts would fall on the poor and seniors of the country.

There is only one sane way to balance the budget and reduce the deficit. Promote growth and make government budget cuts over a long time period of, say a minimum of 10 years.

Spending Estimates from US Federal FY13 Budget						
	FY 2012 (\$B)	FY 2013 (\$B)	FY 2014 (\$B)	FY 2015 (\$B)	FY 2016 (\$B)	FY 2017 (\$B)
Pensions	819.7	878.5	925.7	978.8	1,037.30	1,092.00
Health Care	846.1	916.1	1,038.60	1,116.50	1,214.80	1,254.80
Education	153.1	136.1	121.2	120.5	117.4	120.2
Defense	902.2	901.4	799.8	777.7	794.5	808.3
Welfare	451.9	422.3	402.6	397.3	399.3	394.5
Protection	62	62.8	57.3	56.6	58.9	58.3
Transportation	102.6	114.2	107.7	106.2	109.1	112.6
General Government	33.6	28.1	28.2	29	30.8	33.1
Other Spending	199.6	96.2	69.7	54.9	49.1	92.6
Interest	224.8	247.7	309.1	390.4	482.8	565.5
Total Spending	3,795.60	3,803.40	3,883.10	4,059.90	4,328.80	4,531.70
Federal Deficit	1,327.00	901.4	667.8	609.7	648.8	612.4

Assuming you cut the deficit by 10% for 10 year, you would cut \$132 billion per year or 2.8 million people from government employment or support. These people would have to be absorbed into the private economy. The only way for this to happen is through growth.

Growth also brings in more revenue which will lower the deficit reducing the need to make draconian cuts in the budget.

How do you get growth? The answer is Lower taxes, reduced regulation and energy independence.

The U.S. has one of the highest corporate tax rates in the world.

Country	Combined corporate tax rate, %
Japan	39.5
United States	39.2
France	34.4
Belgium	34
Germany	30.2
Australia	30
Mexico	30
New Zealand	30
Spain	30
Canada	29.5
Luxembourg	28.6
Norway	28
United Kingdom	28
Italy	27.5
Portugal	26.5
Sweden	26.3
Finland	26
Netherlands	25.5
Austria	25
Denmark	25
Korea	24.2
Greece	24
Switzerland	21.2
Turkey	20
Czech Republic	19
Hungary	19
Poland	19
Slovakia	19
Chile	17
Iceland	15
Ireland	12.5

Yes, some of the major corporations pay very little taxes but the small ones cannot avoid the tax.

Regulations and social requirements add to the burden. Obama Care is just the tip of the iceberg. The high cost of energy drives companies offshore. We have enough energy to become energy independent if we have the will to get it.

No, we do not want to go back to the days of the robber barons and mass pollution where the worker and the land are abused. There is a role for the government to assure a level playing field and protect the environment. The question might be is it better to fight a foreign war or drill for oil and gas domestically? You do not see us sending troops to Africa where there are more people killed than in the Middle East.

Are we causing more pollution in fighting wars to protect our source of energy than if we drilled domestically?

Cheap energy means more jobs domestically. An example of this is the recent announcement by Shell Oil Company that a new petrochemical refinery will be built in Beaver County, Pennsylvania; bring thousands of jobs into the area. The main reason was the low cost of natural gas the main feed stock for the refinery.

For two decades manufacturing has moved offshore because of the high cost of doing business in the United States. With lower taxes, rational regulations and cheap energy these jobs will return. The result will be lower unemployment, increased tax revenues and the resultant need not to have to make draconian cuts in government services.

We can compete in the global market but government must become more efficient and less a burden on the people and the people must become more self-reliant and not depend on government to meet all their needs.