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Blame spending for our $40 trillion debt

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Note

The federal government's debt burden passed $40 trillion last week, a terrible milestone. It shows the extent to which we are living beyond our means and need to make hard choices.

As we evaluate this growing economic and national security threat, we must first properly diagnose how we got into this dire position. Democrats are misdiagnosing the problem.

Sen. Patty Murray (D-WA), vice chair of the Senate Appropriations Committee, posted on social media, "REMINDER: The single biggest driver of our national debt for the last 25 YEARS have been Republican-led tax cuts." This falsehood has been echoed ad nauseam by other elected Democratic officials and former Biden administration budget officials.

Note

Although Murray and her Democratic allies want to cast our fiscal imbalance as a revenue problem and thus lay the groundwork for tax increases, the truth is that the national debt is exploding not because the feds collect too little revenue but because Washington spends far too much. The explanation offered by Murray and other Democrats does not fit the facts.

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Using Murray's preferred 25-year time frame, let us go back to 2001. Back then, the federal government spent $1.86 trillion and collected $1.99 trillion in revenue, producing a $128 billion budget surplus. Today, the federal government is set to spend $7.5 trillion while taking in $5.4 trillion, leaving a $2 trillion shortfall.

Note

That means that over the last 25 years, while government revenue has grown by 171% (and by 52% after factoring in inflation), government spending has grown by an astronomical 303% (and by 125% after factoring in inflation). In other words, the amount of money collected in taxes is more than half as much again as it was in real terms, but it can't keep up with spending, which has more than doubled.

If your household income had almost tripled over the last 25 years, but your spending had quadrupled, you would not pretend that your household had a revenue problem. You'd know you were spending too much.

Note

The main drivers of spending growth are entitlements, particularly Medicaid, Medicare, and Social Security, and the rapidly rising cost of servicing the national debt. Since 2001, Medicare spending has grown 392%, Medicaid spending has grown about 453%, and Social Security spending has grown 287%. Net interest spending has also almost quintupled from about $206 billion in 2001 to more than $1 trillion today.

Note

There is no way we can tax our way out of the spending mess we have created. The highest federal revenue has ever been as a percentage of gross domestic product was 20.5% at the height of World War II. The post-World War II average is 16.8%. Today, federal government spending is 23.3% of GDP.

That is important because Democrats seem to understand that voters have little appetite for the tax increases their spending agenda would require. Sens. Cory Booker (D-NJ) and Chris Van Hollen (D-MD), for example, recently proposed cutting taxes for middle-class households while promising to make up the difference by taxing corporations and high earners. This would be folly. It would doubtless appeal

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to middle-class households, but it would be fool's gold, for it would crush innovation and business investment and would, almost certainly, produce lower rather than higher revenues.

The combined federal and state corporate tax rate in the United States is already about 25.6%, compared with an average of 21.6% in Europe. Raising it further would make the U.S. less competitive while doing far less to spare ordinary taxpayers than Democrats pretend.

More importantly, just as Democrats correctly argue that tariffs are taxes on consumers because businesses pass increased costs through higher prices, the same principle applies to corporate taxes. Corporations are legal entities, not taxpayers with wallets of their own. Higher corporate taxes are borne by real people through a combination of higher prices, lower wages, and reduced investment. Democratic tax hikes would make the current affordability crisis worse.

Forty trillion dollars of debt is not evidence that the public is undertaxed. It is evidence that Washington spends too much and, insultingly, tries to bribe us with promises paid for with our own money.

Until Congress confronts entitlement growth and brings spending back toward historical norms, deficits will keep mounting. Tax hikes would punish workers and consumers without fixing the underlying problem.