

ACTING LIKE A GOVERNOR
By former United States Senator Ernest F. Hollings (D-SC)

OCT. 24, 2008 -- I am often asked the difference between being a Governor and a Senator. As Governor, if you want to increase revenues, you increase taxes. As Senator, if you want to increase revenues, you cut taxes – stimulate the economy.

By law, the Secretary of the Treasury is required to post the increase in the national debt in a timely fashion, usually every other day around mid-morning. Known as the “Debt to the Penny” on the internet, it shows that we have increased the debt already in this fiscal year 2009 \$511 billion (10/22/08). For the fiscal year that commenced on October 1, 2007 and ended on September 30, 2008, the Congressional Budget Office reports a deficit of \$1 trillion \$35 billion – not the \$455 billion reported by the White House. The President, Congress and free press habitually low-ball the deficit by subtracting the trust fund surpluses, i.e.: Social Security, Medicare, military retirement, civilian retirement, unemployment, highway, airport, railroad retirement, etc. For example, the surplus in Social Security in FY 2008 was \$199 billion. The Greenspan reform for Social Security in 1983 called for surpluses to take care of the baby-boomers that are now imminent – showing today a Social Security surplus of \$2.4 trillion. By law, the \$2.4 trillion of Social Security trust funds are invested in U.S. Treasuries – just like the ones we sell China and Japan. The United States is bound to pay its bonds when they are presented for payment. But economists and politicians wanting to appear fiscally responsible use the trust funds to report a lower deficit. It’s fiscally irresponsible; it’s illegal. Section 13-301 of the Budget Act forbids the President and Congress from doing this, but they continue to violate the law acting like Vice-President Dick Cheney: “Deficits don’t count.” Deficits count. Interest costs on the debt must be paid. Interest costs at 5% on last year’s \$1 trillion deficit starts a new spending program of

\$50 billion – spending for nothing. Having added \$4 trillion to the debt stimulating the economy in the last eight years, we have adopted a new spending program of \$200 billion for nothing. The interest costs on the national debt for FY 2009 will exceed \$500 billion. This means that the President taking office in January will have to spend \$500 billion (interest costs) for no government, whether he wants to or not. And facing a budget deficit already of \$1 trillion the next President will be looking for spending cuts and tax increases of \$1 trillion. Of course, this won't happen the President's first year in office. But the President and Congress will have to head the government's finances in the right direction.

You could see it coming. On January 25, 2001, of all people, Alan Greenspan testified before the Senate Budget Committee that the government was paying down too much debt. I challenged him at the time because at the moment of his testimony the budget for the fiscal year was already \$65 billion in the red. Greenspan cleared the way for President George W. Bush's tax cuts. The operating budget was finally in the black in June 2001 due to the spending cuts and tax increases implemented by President William Jefferson Clinton in 1993. But President Bush's tax cuts took effect in June 2001, and by September 30, 2001, we were \$141.1 billion back in the red. 9/11 caused increased spending, but the Congressional Budget Office did a study of the cause for the deficits the first four years of President Bush's term and found: 48% due to tax cuts; 37% due to war and national security costs, and 15% due to increased spending. President Bush, in his first message to the Congress on February 27, 2001, pledged to eliminate the national debt in ten years. Now in eight years, instead of eliminating any national debt, the President has already added \$4.2 trillion to the debt.

Presidential candidates have been campaigning for two years and have engaged in dozens of debates. The budget problem facing the next president has not been mentioned.

Both have been promising tax cuts. Hemorrhaging jobs, production, research, technology investment – literally the economy for eight years -- and keeping the economy on steroids for an average of \$500 billion for eight years, we are overleveraged. There's not much economy left to stimulate. And China gets most of the stimulation. The next president is going to have to act like a governor.