Congressman Jeff Flake (R-AZ)

The Debt Ceiling and Fiscal Responsibility

As vital as principled tax policy is, tax reform alone will not restore America's fiscal responsibility. Sensible tax policy must be paired with a balanced budget and curtailed spending. In this column, U.S. Rep. Jeff Flake explains the importance of cutting spending, creating enforceable spending caps, and balancing the federal budget.

Jeff Flake is presently serving his sixth term in Congress, representing the Sixth Congressional District of Arizona. Jeff serves on the House Committee on Appropriations. He is a fifth-generation Arizonian, raised on a ranch in Snowflake, Arizona. He graduated from Brigham Young University, where he received a B.A. in International Relations and an M.A. in Political Science.

"Unfortunately, some in Congress – and the White House – don't see the seriousness of our fiscal problem, and continue to pursue the status quo. Our fiscal future will take a nose dive if the status quo wins."

In May, the United States government was dealt a significant blow. Moody's credit-rating service announced that unless a plan to significantly reduce the federal budget and national debt is put into action over the next several weeks, our government could lose its sterling AAA credit rating. This comes after Standard and Poor's credit rating agency issued almost an identical warning in April.

That may not sound so much like an Armageddon scenario. Credit ratings, after all, can be improved over time through responsible spending habits.

But this isn't someone's personal credit rating we're talking about. This is the federal government's credit rating. If we can't get our spending habits under control and start eliminating some of our $1.4 trillion budget deficit and $14.3 trillion national debt — and if we continue to borrow more than we might be able to pay back — markets are going to realize the U.S. isn't a good credit risk. Absolute worst case scenario? We'll have to default — for the first time — on payments owed to our creditors. That's when our credit rating will take a nose dive. And, it will take many, many years to level out from a nose dive like that.

Our situation is serious. The U.S. Treasury Department recently issued a warning that if we don't raise our $14.3 trillion debt ceiling — which we've already hit — before August 2, we'll be on the fast track to that nose dive. We need to start eliminating some of our debt now.

The responsibility of piloting this mission to reduce our fiscal footprint falls primarily to Congress. Over the last several months, we have been embroiled in talks on how to solve our ever-deepening fiscal crisis. The most sensible and sustainable strategy to reduce our complicated money troubles that has emerged is simple in concept: cut, cap, and balance.

By cutting our existing spending, creating enforceable caps for future spending, and balancing the federal budget through a constitutional amendment, we'll avoid ruining the U.S. credit rating and at the same time, trim the excessive spending that put us on this unsustainable path in the first place.

A number of actions have been taken to put the cut, cap, and balance strategy into motion. The federal budget proposed by House Budget Committee Chairman Paul Ryan of Wisconsin is the first step in the right direction when it comes to righting our fiscal ship. It cuts spending by $6.2 trillion over 10 years compared to the President's budget and offers a plan to reform Medicare — the single biggest cost to the federal government — with the goal of keeping it around for future generations. It also offers a plan to balance the budget by 2040. The House passed the Ryan budget. However, the Senate rejected it.

In May, I joined Congressmen Jack Kingston and Tom Graves of Georgia and Congressman Jim Jordan of Ohio in introducing a bill that would help to prevent budget deficits, reduce the debt, and eventually balance the budget by putting in place enforceable spending caps that reduce

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spending levels to 18 percent of gross domestic product (GDP) over the next five years. Right now, no such cap exists.

The fiscally conscious proposals offered in the Ryan budget and the Kingston/Jordan/Flake/Graves bill offer a solid picture into what it will take for the House to pass any increase to the U.S. debt ceiling. An increase in the debt limit, a short-term problem-solver, will need to be accompanied by cuts, caps, and balance: short-term cuts to 2012 spending, near-term enforceable spending caps, and long-term budget reforms that ensure balance. So when the House voted on a straight increase to the debt ceiling without any of the cuts, caps, or balance so many in Congress have been clamoring for, it's no wonder the measure failed, and failed fairly miserably.

Congress now faces another vote to increase the debt ceiling. Unfortunately, some in Congress — and the White House — don't see the seriousness of our fiscal problem, and continue to pursue the status quo. Our fiscal future will take a nose dive if the status quo wins. tw

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Tax Fact:

When the Congressional Budget Office made a ten-year budget projection in 2000, their predictions underestimated the eventual gap between government revenue and spending by approximately $1 trillion. The policy changes most responsible:

- ↑ **Discretionary spending increased by $417 billion**
- ↑ **Mandatory spending increased $409 billion**
- ↓ **Bush-era tax cuts reduced revenue by $181 billion**

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