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OPINION

Facing America's budget and debt problems takes courage

By Lisa Rutherford - June 2, 2023

Let's face it! We live in what is considered by many to be the greatest nation on Earth. People are risking life and limb and what meager financial resources they have, traveling months in terrible conditions, to get here for more opportunity. People and nations throughout the world invest in this country because of the safety it offers. And, yet, there are those on both sides of politics who feel despair over the state of our nation, particularly our economic situation, as has been reflected in President Biden's poll numbers. At present, President Biden is being blamed for all of these problems. Amazing how much one human can get done in just three years, right? But, there's enough blame to spread around.

Republicans always want to make it sound as if Democrats are the bane of all existence due to woke ways and overspending while Democrats complain that tight-fisted Republicans are putting those in need in harm's way and shutting them out of opportunities. There has been a lot of complaining about the \$1.4 trillion federal budget deficit. Admittedly that is not chump change, but it is nowhere near the \$2.77 trillion in 2021, the second highest on record, and not even close to the \$3.13 trillion of 2020! Prior to 2020 and 2021, \$1.4 trillion was the biggest budget deficit. That was in 2009 and associated with the 2008 financial crisis and subsequent recession. The latest projection as of May is a \$1.5 trillion deficit for 2023 mostly due to the student loan forgiveness program – still down from \$2.77 trillion (2021) and \$3.13 trillion (2020). Omitting some of these relevant facts skews the issue. Let's at least admit that things have improved since 2020.

So, things are not as good as we would like but better than have been in the recent past. We do, however, need to do something about the deficit, and I admit that we have a spending problem. As I write, President Biden and House Speaker Kevin McCarthy have agreed on a plan and we await a final decision in Congress.

Unfortunately, the agreement details I've seen appear weighted in favor of those at the top of our society while average Americans will have to live with the decisions and the additional debt incurred. Leaders who lack courage are failing in their obligation to this nation.

We cannot maintain our status as the greatest nation on Earth if our profligate spending drags us down. How to solve the deficit problem is the question, but we must, or we may condemn those who follow to an unreasonable debt burden. The debt created by this over-exuberant spending is projected to rise in relation to the size of the economy each year and will reach 118 percent of GDP (Gross Domestic Product) by 2033 — the highest level recorded – and continue beyond if unabated.

Democrats say that raising taxes would help while Republicans say the rich are already paying their fair share. Republicans say we need to cut social program spending. But recently on "60 Minutes" it was made clear how much money we waste on military spending due to gouging by military supply companies like Raytheon, Northrop and Boeing. It doesn't have to be and should not! We need a strong military but not at the expense of other important needs and not with wasteful spending practices. What's the good of a strong military if we have nothing left to protect?

The current Biden/McCarthy agreement caps “non-defense” spending while military waste continues at the expense of public education and transportation — made up to some extent by cuts to the IRS. The plan increases military spending from \$816.5 billion to \$886 billion.

So, the military gets more, while the IRS gets less, doing nothing to help the tax gap — what’s owed versus what’s collected — which will be over \$7 trillion in ten years.

Speaking of taxes, I have always questioned why those who earn above a certain level — currently \$160,200 — should not have to pay Social Security taxes. In fact, a majority of those questioned in a 2022 survey conducted by Seven Kull, director at the Program for Public Consultation at the University of Maryland, were in favor of such a move. Eighty-eight percent of Democrats and 79% of Republicans were in support of raising the payroll tax cap.

Increasing the income level for the tax to more than \$400,000 would eliminate 61% of the revenue shortfall as estimated by researchers. Those who earn more than the current \$160,200 and certainly those earning more than \$400,000 are benefiting greatly from this nation in which we live. Why should they not have to pay this important tax when others who make far less do? It certainly impacts those at the lower end of the income level more than it would them.

It’s interesting to note that no income cap exists for the Medicare tax. Perhaps the fact that Social Security does have a cap has to do with the fact that the FICA tax, which includes both Medicare and Social Security, is split between employer and employee with each party paying half. It’s not difficult to imagine that employers — a strong political lobby group — don’t want to bear more of the burden by paying more. And, those who earn more than \$160,200 don’t want to pay more either. They’d rather have the guys who earn less bear the burden. I’m sure a large number of military contractor employees making big bucks while not having to pay into Social Security feel the same.

When my husband and I were working it always irked me that I continued paying the tax during the whole year, but he stopped about halfway through. I would have been willing to have him continue paying even though our joint income would have been affected since it would not have impacted our lifestyle one bit and seemed fair.

Social Security is not the only tax issue that should be addressed. Although some assert there is no real economic inequality in this nation, according to a study by The Brookings Institution, a nonprofit public policy organization, “economic inequality — whether measured by income or wealth — has grown in the United States.” They found the tax code has played a key role in this trend. A child’s economic future is substantially determined by “inherited income” — income that “is taxed at less than one-seventh the average tax rate on income from work and savings.” Taxing individuals who receive inheritances above very high exemption levels would raise much-needed revenue and provide a more equitable allocation of taxes. The Urban-Brookings Tax Policy Center estimated “The proposal would raise \$1.4 trillion over the next decade if the lifetime exemption were set at \$500,000 and \$340 billion if the exemption were \$2.5 million.”