

For too long progressives in Washington have put forth a vision of America in which government is the solution to every problem. Where a nanny state dictates our children's lunches, provides one-size-fits-all health care, controls our education, and even determines what kind of light bulbs we use. We've not only lost sight of what a healthy society looks like, but also forgotten that government is not the only—or even the best—solution to society's ills.

The Independent Women's Forum has a better vision for America: A country made up of safe, engaged communities of people working together and helping each other prosper; a vibrant economy and a thriving business arena, creating a diversity of job opportunities; a patient-centered health system; a growing and competitive energy sector; a strong, targeted safety net; and a dynamic education system defined by choice and competition. We believe it's possible to steer our country back to having a healthier culture, where individuals and their communities, not the government, serve as the chief executive, and where hard work pays off both financially and in a sense of greater fulfillment.

***Lean Together* is 12 chapters, all written by female authors.**

It presents a vision of America in which republican ideals of limited government, virtue, and self-improvement are re-imagined, and it offers concrete policy prescriptions that will rein in the progressive state, streamline government, and strengthen our economy.

The IWF doesn't believe in a go-it-alone society. That's why this book also calls upon readers to join in making changes to ensure our communities provide greater opportunity and the potential for fulfillment, and to help us restore the idea that more freedom—not more government—is what will create true health, security, prosperity, and ultimately happiness.

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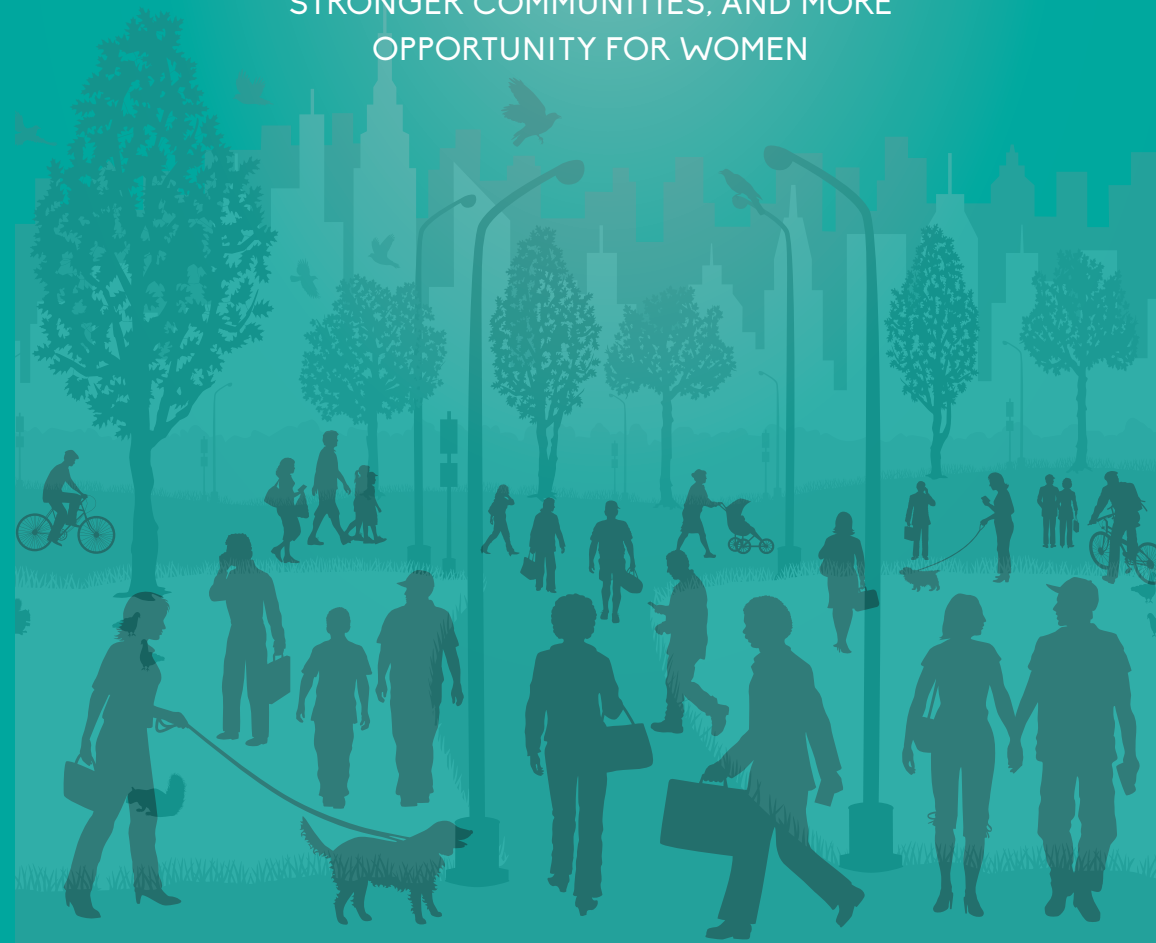
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A PUBLICATION OF THE INDEPENDENT WOMEN'S FORUM

LEAN TOGETHER

AN AGENDA FOR SMARTER GOVERNMENT,
STRONGER COMMUNITIES, AND MORE
OPPORTUNITY FOR WOMEN

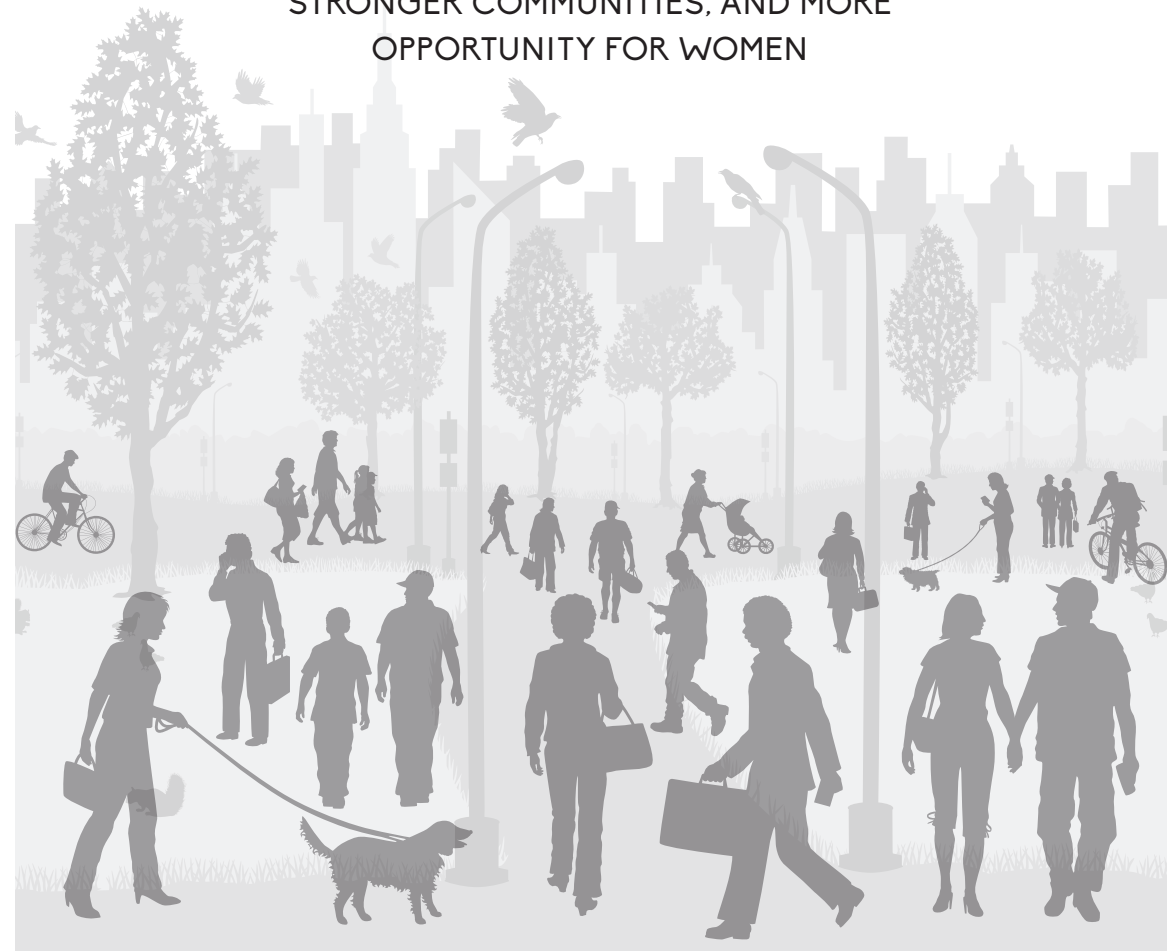
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*Lean Together: An Agenda for Smarter Government, Stronger Communities,
and More Opportunity for Women*

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TAXES AND SPENDING: MORE THAN DOLLARS AND CENTS

BY ROMINA BOCCIA

Americans deserve a government budget that uses taxpayer dollars wisely, prioritizes properly, and doesn't create an unsupportable debt for the next generation. Americans also deserve a tax system that is easy to understand, treats people fairly, and doesn't discourage productive behaviors or impede economic growth. Americans know that a functioning, stable federal government with a budget reasonably balanced is necessary for our economy to function and for individuals to prosper.

Unfortunately today, Washington's tax and budget policies aren't living up to this vision, and hard-working American families are bearing their costs. Spending and taxes are on the rise. Deficits and debt are projected to reach historically unprecedented and economically dangerous levels. Younger generations—from today's toddlers to college students—are at risk of inheriting a weaker economy overburdened with excessive levels of debt. The federal budget is in dire need of reform.

Women know particularly well what it takes to make a household budget work. Women control about 75 percent of household spending.¹ American families strive to be responsible with their family budget, paying

down their debts and setting aside savings for rainy days, their children's college, and their own retirement. They have a rightful expectation that their elected representatives will emulate them in the public realm.

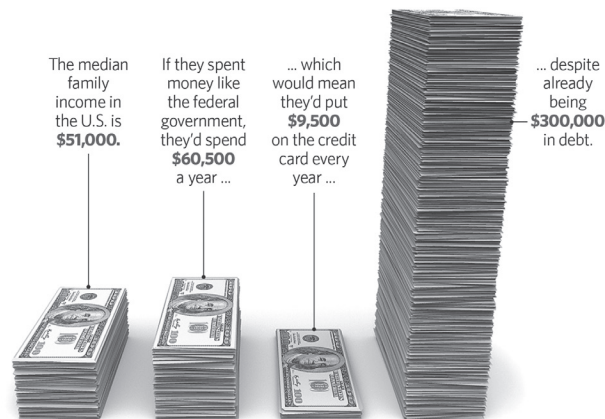
When Americans hear that Congress is running massive and chronic deficits with no end in sight, and at the same time they are told that there is nothing that could possibly be cut from the bloated federal budget, it's frustrating to say the least.² It is especially so, considering that America's tax burden is also going up, yet the deficit persists. The \$17 trillion national debt, the result of several decades of deficit spending, raises concerns for the future of America's children and grandchildren.³ It hangs like a dark cloud over the American economy, and yet Congress is doing little to control it.

Comparing the federal government to a family budget illustrates the extent of the federal government's irresponsibility. As shown in this graph, were a median-income family to spend and borrow like the federal government, they would be in a world of trouble.

What if a Typical Family Spent and Borrowed Like the Federal Government?

Families understand that it is unwise to repeatedly spend much more than they take in. But Washington continues its shopping spree on the taxpayer credit card with seemingly no regard to the stack of bills the nation has already piled up.

FIGURES BASED ON THE 2014 BUDGET



Source: Congressional Budget Office.

Fix the Debt Chart 2 • Federal Budget in Pictures 2014 heritage.org

TAKING CONTROL OF THE BUDGET

The first step to taking control of a budget is figuring out how much money is currently being spent and where that money is going. Next

we need to define spending properly, separating the necessary from the discretionary, and set priorities. Policymakers need to develop and implement a fair, transparent tax system that raises revenue sufficient to provide for government's spending. And the last step is sticking to that budget, paying down debt, and planning for the future. This is true for a family budget as much as for the federal budget.

The federal government is supposed to use taxpayer money to advance the public interest as delineated by the Constitution. Foremost, the federal government is charged with providing for the national defense. A strong national defense is necessary to defend individual liberty, political freedom, the U.S., its people and assets against foreign threats, and to live up to the nation's global security commitments.⁴

Beyond defending the nation, according to the Constitution, the federal government is supposed to play a very limited role in American life, leaving most decisions to the private sector and Americans at the state and local level. This is for very good reasons. The interest of the public is best reflected when decisions are made at the closest, most local level possible.

We know how this works when it comes to individuals. Individuals are best suited to know their own preferences, and the private sector competes and innovates to provide more and higher quality goods and services at the lowest cost possible to meet those preferences, making all Americans better off in the process.

Policy decisions should also be made at the most local level possible. State and local government decision-making allows for competition among policies and provides constituents with greater chances for involvement in the process. Unlike the case with national policies, constituents can move to another jurisdiction if they disagree with the chosen policies. Areas such as infrastructure, police, education, and environmental protection are best handled privately, or on a state and local level with little to no interference from bureaucrats in Washington. One-size-fits-all solutions often cause more problems than they solve. States and localities are much better able to find unique solutions that suit their constituents.

To pay for federal spending, the government should strive for a tax system that raises the needed resources while minimizing the tax system's impact on individual economic decisions. This means that it should be easy for people to figure out how much taxes they owe and to pay those taxes in a straightforward manner. Taxes should not influence how much people spend versus save, and the tax system should be fair towards lenders and borrowers. This also means that no industry should receive special tax advantages that aren't available to everyone else. The tax system should be simple and fair to all Americans.

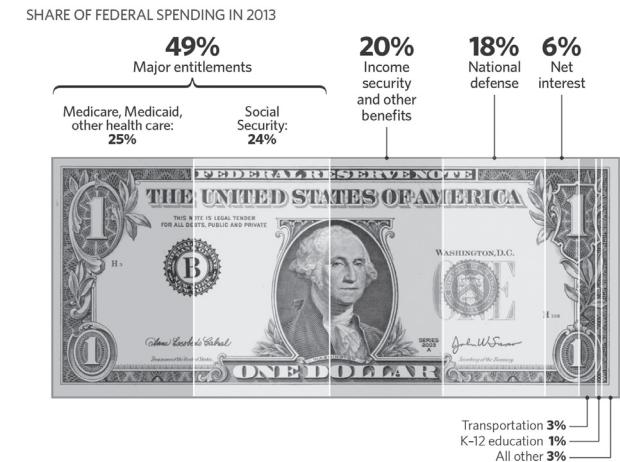
This is not the kind of budget the U.S. keeps today. The federal government is overextended in many areas, encroaching upon decisions that are best made by individuals in society, not by Washington bureaucrats. The tax code is overly complex and bestows special benefits upon certain well-connected groups in society, while discouraging savings and work. Americans deserve better.

WHERE THE MONEY GOES

Less than one-fifth of the federal government's spending goes towards protecting America from foreign threats and securing U.S. national interests abroad. Spending on the largest entitlement programs—Social Security, Medicare, Medicaid, and other health programs—already consumes almost half of the federal budget. Unless reformed, these entitlements will devour 75 cents of every dollar in tax revenue collected within one generation.⁵ Other federal income security programs, like unemployment and disability benefits together with federal employee retirement benefits, consume another fifth of the budget. In all, about two-thirds of spending is considered a transfer from taxpayers to groups of eligible beneficiaries.⁶

Where Does All the Money Go?

In 2013, the major entitlement programs—Social Security, Medicare, Medicaid, and other health care—consumed 49 percent of all federal spending. These programs, and interest on the debt, are on track to consume an even greater share of spending in future years, while the portion of federal spending dedicated to other national priorities will decline.



Source: Office of Management and Budget. Note: Income security and other benefits includes federal employee retirement and disability, unemployment compensation, veterans benefits, food and housing assistance, and other federal income security programs.

Cut Spending Chart 1 • Federal Budget in Pictures 2014 heritage.org

Defense is part of the one-third of the federal budget that is considered discretionary spending; meaning Congress has to authorize it each and every year. The process of authorizing spending is itself important, affording members of Congress an opportunity to debate which programs should receive funding in any given year, and how much they should receive.

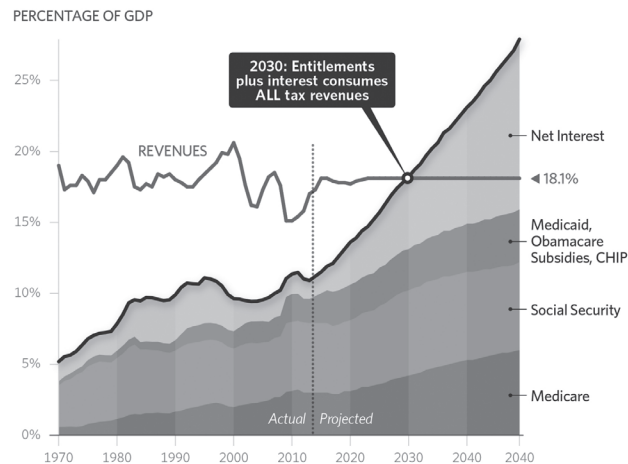
Unfortunately this debate does not always happen. More often than not, Congress will simply authorize spending to continue as before, using a mechanism called a continuing resolution. Another method with which Congress avoids budget debate is to assemble all spending into one massive bill, called an Omnibus, which spans over a thousand pages and is brought to the floor within only a few short days of an impending government shutdown. To no one's surprise, few if any members of Congress read omnibus bills or raise specific objections.⁷

The vastly larger part of the budget—two-thirds of federal spending—grows on autopilot, and receives little to no congressional attention. This is called mandatory spending. These programs receive funding based on past authorizations and can undergo no changes over decades.

The last time Congress made changes to Social Security was thirty years ago. With almost no regular congressional deliberation, it is no wonder that mandatory spending is the key driver of our deficit and long-term debt problem. If Congress does nothing, spending on the major entitlement programs and interest on the debt will consume all tax revenues in less than one generation.⁸

All Tax Revenue Will Go Toward Entitlements and Net Interest by 2030

In less than two decades, all projected tax revenues would be consumed by three federal programs (Medicare, Social Security, and Medicaid, which includes CHIP and Obamacare) and interest on the debt. Entitlement reform is a must.



Sources: Congressional Budget Office and Office of Management and Budget.

Fix the Debt Chart 6 • Federal Budget in Pictures 2014 heritage.org

This spending tsunami is a major threat to limited government because entitlement spending increases automatically each year based on each program's governing laws. Entitlements get the first call on tax revenues; other priorities, such as defense or national security, must make due with an increasingly smaller share of whatever is left. This supposedly "locked in" spending is steadily undermining other national priorities and threatens the economic future of younger generations.

ENTITLEMENT REFORM TO PRESERVE ECONOMIC SECURITY

Entitlement program spending is on track to single-handedly bankrupt the nation and reduce economic growth in the future. Younger generations are faced with a massive and growing debt burden from

unaffordable spending on Social Security, Medicare, Medicaid, and ObamaCare benefits.

Decades ago, Washington politicians promised baby boomers health and retirement benefits that we now cannot afford because they did not design the programs in a way that protected taxpayers from their ever-increasing costs. Now we are faced with the consequences of their neglect. America's public debt is three-quarters the size of the nation's economic product and is growing rapidly.

Moreover, unsustainable entitlement financing puts America's most vulnerable populations at risk of seeing their benefits reduced steeply and abruptly by forced austerity. Entitlement programs play the crucial role of keeping especially elderly and disabled Americans out of poverty.

Social Security, Medicare, and Medicaid could be unable to fulfill this important role in the not too distant future if lawmakers continue to neglect their unsustainable financing. Women are particularly at risk. Non-married women are almost twice as likely to retire in poverty, with 15.5 percent being poor, compared to the average among all Social Security recipients of 8.9 percent.⁹

Meanwhile, unfunded liabilities in Medicare and Social Security far surpass the level of debt the government recognizes in its financial report. Medicare (\$36.2 trillion) and Social Security (\$12.3 trillion) face almost \$48.5 trillion in long-term unfunded obligations. We must begin now to address these shortfalls. The Congressional Budget Office estimates that without fiscal restraint, public debt could exceed an economically harmful 100 percent of GDP by 2028—within less than one generation.

On top of the massive financing issues of the current entitlement programs, individual Americans and the economy at large now also face the burden of ObamaCare. The Patient Protection and Affordable Care Act was enacted in 2010 and is expected to cost \$1.8 trillion by 2023. Full implementation of its new entitlements began in 2014.

The moral challenge created by entitlement spending is undermining our democratic system as more Americans become dependent on the government and other priorities are automatically preempted. It also

presents a moral challenge in that current generations are indebting younger and future generations. Counting the current debt and unfunded obligations in Medicare and Social Security, today's Americans face a debt burden of more than \$220,000 per person. Congress can provide a durable safety net without bankrupting younger generations and the nation. There's a way, if only there was a will.

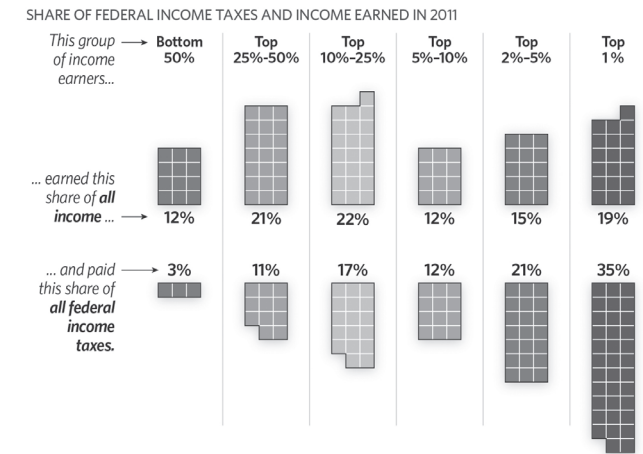
To protect vulnerable Americans from poverty, Congress should transform the entitlement programs away from unaffordable social insurance benefits for everyone regardless of need, toward a real insurance model that provides a durable safety net for Americans. Individuals can help solve the budget challenge also, by providing for more of their foreseeable retirement needs through personal savings and insurance. These steps will ensure a fiscally sustainable future and better stewardship for younger generations.

WHERE DOES OUR GOVERNMENT'S MONEY COME FROM?

More than 45 percent of all federal tax revenue comes from the individual income tax.¹⁰ Despite populist rhetoric to the contrary, wealthier Americans carry the vast majority of the federal income tax burden. In 2010, the top 10 percent of income earners paid 71 percent of all federal income taxes, while earning 45 percent of all income. In a comparison with other industrialized nations, the U.S. is the most progressive in terms of taxation.¹¹

Top 10 Percent of Earners Paid 68 Percent of Federal Income Taxes

Top earners are the main target of tax increases, but the federal income tax system is already highly progressive. The top 10 percent of income earners paid 68 percent of all federal income taxes in 2011 while earning 45 percent of all income. The bottom 50 percent paid 3 percent of income taxes but earned 12 percent of income.



Source: Internal Revenue Service. Note: Figures do not sum to totals due to rounding.

Reduce the Tax Burden Chart 1 • Federal Budget in Pictures 2014 heritage.org

Even though the bottom 50 percent of income earners paid only 2 percent of federal income taxes, they carry a larger share of the payroll tax burden. Payroll taxes, identified on a worker's paycheck as FICA taxes, are dedicated to the Social Security and Medicare programs. About 35 percent of all federal income taxes are payroll taxes.¹²

Corporate income taxes bring in another 10 percent. Corporate profits are double-taxed. First, corporations pay tax on their profits, and when those profits are distributed to shareholders, the same profits are taxed again as dividends. This is one reason why many economists argue that corporate taxes should be reduced, if not eliminated. While this may sound counter-intuitive, lower corporate taxes would benefit workers the most in the form of more jobs and higher wages.¹³

The remaining 10 percent comes in part from excise taxes, those collected on specific sales like the gas tax, and from a hodgepodge of other taxes, such as the death tax, gift taxes, and customs taxes.¹⁴

A SIMPLER, FAIRER TAX SYSTEM

Ideally, taxes should raise the revenue to fund necessary government operations in a manner that causes the least economic damage. An overly complex tax code built on high tax rates and filled with needless and harmful loopholes is unfair to Americans and hurts economic growth. Sadly, that's what we have today.

The current tax code imposes huge compliance burdens on individuals and businesses, who lose an estimated 6.1 billion hours complying with IRS filing requirements at a cost of more than \$100 billion.¹⁵

Congress should adopt a pro-growth, job-creating tax reform plan that simplifies our tax system and facilitates economic growth. This would unlock opportunities for middle-class and low-income families to better provide for themselves and improve their standard of living. Tax reform done right is a way to improve opportunity for those who are struggling to get ahead in today's economy, and plays an important role in providing the funds to pay for national priorities since a growing economy is the best way to generate sufficient federal revenue.

High tax rates discourage the very productive activities that are the basis of economic growth. Working, saving, investing, and entrepreneurship are all affected by how the government chooses to tax. When taxes are too high and favor certain groups of well-connected Americans over others, it hurts growth and prevents the economy from reaching its full potential. The tax code is littered with too many politically motivated credits, deductions, and exemptions that only serve to further inhibit economic growth.

Unfortunately the debate over tax reform has been diverted by those who view it as another way for Washington to end up with more of the taxpayers' hard-earned income. Tax reform should make the tax code simpler and fairer for all Americans, and it should promote economic growth and opportunity. Tax reform should not be a euphemism for tax increases, by expanding the share of taxpayers' resources that flows into Washington.

The good news is that tax reform does not have to increase the burden of government on Americans to achieve the same or even higher amounts of revenue for Washington. The best predictor of how much revenue

Washington can collect is the direction of the overall economy. If fewer people are unemployed, then more Americans are able to earn higher wages (and pay taxes). And if more businesses are able to expand and bring new and more efficient products to market, then Washington is able to collect more revenue without distorting those very activities. In fact, a simpler and fairer tax code could result in a future tax cut as pro-growth tax reform grows the economic pie and tax revenues.

One of the best ways to make the tax code much, much simpler is to adopt a consumption-based tax, like one flat tax rate. While the number of countries that have adopted a flat tax over the past decade has quadrupled, the U.S. recently went in the opposite direction and added an additional tax bracket instead.¹⁶ The U.S. now has seven different tax brackets to collect income taxes from individuals, families, and many small businesses. In a flat tax system, there would only be one tax bracket. This would make it much easier for a taxpayer to figure out what they owe. And because everyone would face the same tax rate, the system would be fair to all taxpayers.

The U.S. payroll tax system operates like a flat tax in some respects. Up to \$117,000 in income, every income earner pays 6.2 percent in payroll taxes to Social Security (their employer also pays 6.2 percent). Someone earning \$10,000 would pay \$620 in payroll taxes and someone earning \$100,000 would pay \$6,200. A flat tax is easy and fair to all Americans.

The tax code should also avoid double-taxation as is the case with savings in the U.S. today. Dividends, interest on savings, and capital gains are double-taxed in the U.S., which discourages savings and investment. By taxing all income only once as earned income, the new system would eliminate the current bias against saving and investing and unleash economic growth.

Moreover, tax reform should begin from the assumption that all tax loopholes and special exemptions and deductions should be eliminated from the start. Congress should only add back in those that make broad sense in the context of minimizing economic distortions as much as possible.¹⁷

The U.S. corporate tax system also needs reform. The U.S. has the highest corporate income tax rate in the industrialized world—almost 40 percent when the federal rate is combined with the average corporate state tax. Businesses wanting to make new investments and create jobs face the highest tax rate in the U.S. Much like the individual tax code, the corporate tax system is riddled with loopholes and special tax exemptions.

The U.S. corporate rate should be transparent and simple and allow the U.S. to be competitive with other industrialized nations. As mentioned in the previous chapter, the average corporate tax rate among the Organisation for Economic Co-operation and Development members is 25 percent. In order to be internationally competitive as a place where businesses want to locate and expand their operations, the U.S. should adopt a corporate rate at or below the OECD average.

A simpler and fairer tax code would unleash economic growth and job creation in the U.S., helping all Americans by providing them with greater opportunities for jobs, higher wages, and investments.

ON A PATH TO FISCAL RESPONSIBILITY AND ECONOMIC GROWTH

The need for budget and tax reform is clear. Less clear is what a path to fiscal responsibility and greater economic growth would look like. Most spending and taxing decisions are not made within the context of thorough congressional deliberation. Rather, special interests are driving politics in America at the expense of the interests of the general public and the American taxpayer. To truly reform America's budget, lawmakers have to bind themselves with rules that, if violated, carry painful consequences. Moreover, rules should be simple so they can be understood by a watchful public to help hold lawmakers accountable.

Here is an agenda for America to improve the nation's fiscal and economic future:

- **Reform Entitlement Programs:** Lawmakers' failure to reform the nation's critical entitlement programs

is unfair to younger generations and puts the livelihoods of the elderly and the poor at risk. By focusing entitlement benefits on those who actually need them, lawmakers can avoid indiscriminate cuts to entitlement benefits. Lawmakers should also put entitlements on a budget that requires congressional action at least every five years. This would encourage important benefit reforms like gradually increasing the retirement age with increases in life expectancy and reducing unaffordable benefit increases, before drastic changes become necessary to ward off bankruptcy. With the right reforms, Congress can protect America's most vulnerable populations by providing a durable safety net, without burdening younger generations with economically harmful debt levels or higher taxes.

- **Reform the Tax Code:** America's needlessly complex tax code is a drag on economic growth and job creation. Special tax loopholes and deductions also make the tax code unfair. The key to improving the tax code is to simplify it by eliminating deductions and other loop holes, while reducing tax rates. Ultimately, the goal should be for the United States to have one flat rate with very limited deductions to minimize the impact the tax code has on individual economic decisions. This would unleash economic growth and provide greater opportunities for middle-income and low-income Americans to provide a better living standard for their families.

The corporate tax rate should also be radically simplified, eliminating special treatment for industries. This would allow policymakers to dramatically cut our highest-in-the world corporate tax rate so that

American companies can compete head on with other industrialized nations for business investment and job creation here at home.

A simpler, more transparent, and less burdensome tax code would be a boon to economic growth and American prosperity.

- **Eliminate Waste, Duplication, and Inappropriate Federal Spending:** The most commonsense way to move toward a balanced budget is to stop overspending. There is a great deal of waste that can be cut from the federal budget to reduce spending. From \$5 million spent on fancy crystal in the State Department, to a single \$1 million bus stop in the Washington area, to a luxury trip to the Caribbean for federal employees for which taxpayers have yet to get clarity on its cost, the federal government knows how to spend money irresponsibly.¹⁸ Greater oversight and financial transparency would go a long way in reining in lavish agency spending.

Moreover, reducing improper payments through better oversight and management could save billions every year. The Federal government wasted more than \$100 billion in 2012 alone by making improper payments, such as sending checks to people who should not receive them, overpaying for medical equipment or paying for goods and services that were never delivered, as well as paying benefits to dead people. The vast bulk of improper payments happen in federal health care programs, where government intervention has grown rapidly. Moving towards a market-based, patient-centered approach to health care (as described in more detail in the

next chapter) would help beneficiaries and taxpayers tremendously.

In addition, each year, the Government Accountability Office releases a report detailing duplication among federal government agencies, along with recommendations on how to fix the problem.¹⁹ Having this information available is the first step. Especially in times of tight budgets as is the case when Congress imposes a firm spending cap, some agencies take the GAO's recommendations to heart. But too many don't, which is where Congressional oversight committees should come in to tie agency funding to improvements in the management of taxpayer resources. Congress also should play a role in that many GAO-identified actions require congressional authorization, like preventing individuals from double-dipping from unemployment and disability benefits. A specifically dedicated, independent commission with the charge to eliminate waste, and consolidate duplicative programs, could help Congress accomplish these goals.²⁰

Such a commission should also be charged with identifying government programs that unfairly compete with the private sector, or that should be within the purview of state and local government. Reining in the federal government as it encroaches on more spheres that are not national priorities is key to reducing the power of Washington bureaucrats to meddle in affairs better left to individuals, businesses, and state and local government.

- **Enact and Enforce Firm Spending Caps.** Firm spending caps would encourage lawmakers to allocate

scarce resources towards their greatest uses, by prioritizing federal spending based on constitutional principles. Spending caps enable lawmakers to say no to special interests and protect American taxpayers from wasteful spending burdens. Spending caps could be implemented in a number of different ways. For example:

Spend One Dollar Less. This rule would require Congress to spend just one dollar less next year than they did this year. This rule could be especially effective with the part of the budget that funds federal agencies and programs anew each year, allowing Congress to freeze the budget minus one dollar. Today, spending goes up every year in part to account for changes in the cost of living, or inflation. Spend one dollar less each year would result in a much bigger effective cut in spending after adjusting for inflation. This would significantly reduce the size of government over time.

Limit Spending Growth to Inflation. This approach would increase spending in real dollar terms to make up for changes in inflation. Instead of reducing the effective size of government, this rule would stop government from growing more rapidly by keeping the government's purchasing power constant.

Limit Spending Growth to Economic Growth. Measuring the size of government in terms of the economy, through gross-domestic product (GDP), shows how big government is compared with measured private sector activity. This rule would bind government so that it can grow no faster than the economy. While such a rule would be an improvement over unlimited spending increases, it

implicitly assumes that when the economy grows, government should grow as well. Limiting the growth in government spending to the growth in the economy would help limit the size of government to what Americans can afford. But being able to afford bigger and more intrusive government does not mean that this is the wisest choice.²¹

- **Control the Debt.** High public debt poses a moral challenge and hurts economic growth. The nation's first President, George Washington, suggested that Congress should avoid "the accumulation of debt" so as to "not ungenerously [throw] upon posterity the burden which we ourselves ought to bear." Debt is a result of consuming future resources today. When taxpayers today receive government benefits that their generation does not pay for, it robs younger generations of future resources and leaves them with a higher tax burden. Some argue that deficit-spending is an investment in the future and that younger generations will reap the benefits in the form of higher growth, better roads, advances in scientific research, etc. Some government spending today may indeed bring future benefits, but today the federal government has become so bloated and overextended that it is difficult to argue that this deficit-spending is really a worthy investment for future taxpayers. Instead, the growing debt will deliver less growth and fewer opportunities for tomorrow's taxpayers.

Consider a recent study by economists at the International Monetary Fund, which found that the economies of high-debt nations (defined as

those with debt above 90 percent of GDP) grew 1.3 percentage points slower than their low-debt counterparts (debt less than 30 percent of GDP), and the effect gets worse as debt grows higher. Heritage Foundation economist, Salim Furth, Ph.D., calculated the impact on American families and found that by the year 2023, lower growth from high debt would leave the typical American family \$11,000 poorer than it would otherwise be.²²

Congress can control the debt in a number of ways:

Cut Spending Before Increasing the Debt Limit. A vote to increase the debt ceiling is a highly public affair and an opportunity to hold Congress and the President accountable for failing to control spending and waste and for authorizing money for pork projects. Importantly, the debt limit allows Congress to exercise its power of the purse in making vital course corrections when confronted with the results of unsustainable spending decisions. As such, the debt limit presents a decisive, action-forcing moment for Congress. Congress should cut current and future spending before increasing the debt limit.

Adopt a Debt Brake. During economic downturns, revenue collected from taxes drops significantly as businesses are able to sell fewer goods and fewer Americans are able to find and keep jobs. Spending on safety net programs like unemployment insurance also rises steeply during downturns, resulting in temporary deficits even for otherwise responsible nations. To limit spending and the deficit while allowing for flexibility during temporary economic downturns, Switzerland and Germany adopted a constitutional “debt brake.” The brake limits the

size of the deficit over a period of time, allowing the government to run up bigger deficits during times of economic distress by making up for such deficits with surpluses in better years. The U.S. might consider adopting a debt brake to limit spending and deficits.

Adopt a Balanced Budget Amendment. Supporters of the Balanced Budget Amendment want to force the federal government through a constitutional requirement to live within its means—to spend no more than it takes in. Recent analysis by F.F. Wiley of 63 high debt episodes in history show that large countries that reduced their debt without experiencing a credit-related crisis all did so by balancing their budget. In the authors’ words, “history suggests that the only reliable way to solve a debt problem is to stop running deficits.”²³

An effective Balanced Budget Amendment must control spending, taxation, and borrowing; ensure the defense of the nation; and enforce the requirement to balance the budget through the legislative process. Moreover, a BBA should have certain emergency provisions that allow for flexibility in the event that a major economic crisis or a war requires temporary borrowing, similar to the rules that apply to the European debt brake.

The states show how a balanced budget rule could work as well as how it can sometimes be circumvented—providing important lessons for federal lawmakers.

SECURING THE BLESSINGS OF LIBERTY

Federal spending is too high and too much of it is wasted and poorly targeted. In 2012 alone, Washington wasted at least \$100 billion in

improper payments.²⁴ While the nation's military forces and readiness programs are being cut, mandatory spending is growing uncontrolled. Lawmakers' fiscal recklessness is unfair to current and future Americans who bear the burden of high and inefficient taxation in addition to growing debt. Younger generations are particularly harmed by high levels of deficit spending and debt, which threaten to reduce economic growth and their opportunities to achieve prosperity in America in the future.

American families strive to live within their means and to provide their children with a better future than they enjoyed. America's Founders envisioned the nation's elected officials exercising similar prudence and enshrined the following goal in the preamble to the U.S. Constitution: "to secure the Blessings of Liberty to ourselves and our Posterity." Madison argued in the Federalist Papers that "a dependence on the people is no doubt the primary control on the government," explaining that informed citizens are the best way to hold elected officials accountable and restrain government. In 2010, the United States saw a resurgence of citizen activism, notably with the rise of the Tea Party, which made waves in Washington and the states.

Federal spending is at the core of everything that Washington does. That's why a focus on limiting government through spending and tax reform is so important. The same way in which millions of American women are managing their household budgets responsibly, Washington should get control of the federal budget. By enacting firm spending caps, reforming the entitlement programs and taxes, and by controlling the debt, lawmakers can pave the way for higher economic growth and better opportunities for Americans to work, save, invest, and build businesses. Peeling back government in areas better left to the private sector and state and local government, lawmakers can unleash American ingenuity to solve problems and serve the needs of our fellow citizens.

CHAPTER THREE

HEALTH CARE SOLUTIONS FOR ALL AMERICANS

BY HADLEY HEATH MANNING

A very nice nurse named Donna came into the waiting room and told my grandparents and me that mom was almost finished; her biopsy was complete, but she would have to undergo one more mammogram before leaving the hospital that day.

My heart sank for Mom. All that trouble, and still, another painful mammogram. But a few days later, we were thanking God when the results came back—cancer free!

Experiences with our health care system evoke a spectrum of emotions. Stressful situations can require difficult decisions. Sometimes we experience the pain of loss. But on the other hand, health care is also filled with happy stories of healing and new life.

When Americans think about our health care system, they also think of its opaque and complicated payment system. It's frustrating to Americans that we often don't know what the total cost of a procedure or doctor's visit will be. People feel helpless as our premiums and out-of-pocket costs rise, and we often don't know what our alternative options are. Sadly, the