

Q & A: Dollars and Sense

Written by Sen Chuck Grassley
Monday, 07 February 2011 14:34

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Q. What is the difference between federal deficit and federal debt?

A. The federal deficit is the annual amount the federal government spends over what it takes in. According to the non-partisan Congressional Budget Office, the federal government is projected to take in \$2.2 trillion in fiscal year 2011 and spend \$3.7 trillion. Because Congress now spends \$1.68 for every dollar it collects through taxes, the result will be a deficit of \$1.5 trillion. Fiscal year 2011 will be the third straight year with an annual deficit of more than \$1 trillion. The federal debt is the cumulative amount of annual deficits. The current federal debt is more than \$14 trillion.

Q. Why is the budget freeze in the news?

A. Congress and the President are discussing ways to reduce spending. In his State of the Union address in January, President Obama called for a five-year freeze on non-security related discretionary spending. Congress determines discretionary spending levels annually, by passing 12 appropriations bills. Entitlement programs such as Medicare and Social Security are not altered unless Congress passes a law to modify the programs. The proposed freeze would affect about 11 percent of the federal government's budget. President Obama predicts that his freeze would save \$400 billion over the next 10 years. What does that mean in terms of overall debt? Well, the Congressional Budget Office predicts that if the federal government continues to spend at its current rate, it will add between \$7 trillion and \$12 trillion to the national debt over the next decade. The \$400 billion in savings President Obama predicts is 5.7 percent of \$7 trillion and 3.3 percent of \$12 trillion. So, it's a drop in the bucket.

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The reality is that you can't raise taxes high enough to satisfy the appetite of Congress to spend money. Consider this. Using current Congressional Budget Office projections, over the next 10 years federal spending and interest payments will average 23.5 percent of the gross domestic product. This is higher than the 40-year average of 20.8 percent. Also over the next 10 years, revenues coming into the federal government are projected to average 19.9 percent of the gross domestic product, compared to the 40-year average of 18 percent. So, even with revenues at historic highs, spending will far outpace revenues.

Q. What should be done to get the national debt under control?

A budget freeze is a step in the right direction, but we need a leap in the right direction. Washington has to get serious about getting the debt under control. That means taking an all-of-the-above approach that includes spending freezes, spending reductions, a balanced budget amendment to the Constitution, and increased efforts to stop fraud, waste and abuse of tax dollars. Beyond freezing non-security related discretionary spending at fiscal year 2010 levels for five years, as the President proposes, I support freezing non-defense related discretionary spending at fiscal year 2008 levels for 10 years. This change alone would save almost \$1 trillion. That's more than twice as much savings as under President Obama's proposal.

Q. What else are you doing to get spending under control?

I'm a cosponsor of a resolution that proposes a balanced budget amendment to the Constitution. A constitutional amendment requires a two-thirds vote in both houses of Congress as well as the approval of three-fourths of state legislatures. Congress has voted on a balanced budget amendment several times over the years, but there have never been enough votes to approve the amendment and send it to the states for ratification. I've supported a balanced budget amendment going back to my service in the House of Representatives. In the Senate, I cosponsored the resolution proposing the amendment the last time it was brought up, in March 1997, when it failed by just one vote. I'm also a cosponsor of the *Reduce Unnecessary Spending Act*. This bill, which I also cosponsored during the last Congress, would let the President single out specific spending items in bills that land on his desk. Congress would have to hold an up-or-down vote on the spending items within 10 days of the President's sending them back, as long as the President sends them within 45 days of signing the bill. Any and all funds that are rescinded would go to reducing the deficit, under this proposal.

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All this and more should be done to reduce the deficit and rein in the federal debt. The debt will reduce opportunities for future generations, and the U.S. economy will continue to suffer the weight of a government that spends far more than it can afford. It's only common sense that you can't sustain a situation like we have today, where for every dollar the federal government spends, 40 cents of it is borrowed