The Daily Dish

The President's Budget for Fiscal 2022

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Eakinomics: The President's Budget for Fiscal 2022

President Biden begins his budget message with "Where we choose to invest speaks to what we value as a Nation." Viewed from that perspective, the President's Budget speaks volumes about what his administration values: big government. It is not private enterprise; not the American worker (despite all the words spilled over workers, the budget makes clear that they cannot be trusted to make decisions for themselves); not entrepreneurs; not our globally successful firms; not families. It is big government.

That is not proven by the fact that proposed spending for fiscal year 2022 exceeds $6.0 trillion. No, it is evidenced by observations of Gordon Gray in his budget review: "Over the next decade, spending would average 24.5 percent of GDP. There has never been a 10-year period in U.S. history with this level of spending as a share of GDP – even inclusive of World War II." Honestly, I used to think of World War II as a big government venture. Shame on me.

Feeding this bureaucratic beast will take a lot of taxes – $3.6 trillion more over the next decade: "Over 10 years, the Biden Administration's budget proposes an average level of taxation of 19.3 percent, nearly a percentage point higher than *any* 10-year period in the history of the modern U.S. tax system." But even that will not be enough. The president's budget proposes to saddle the future with an additional $1.4 trillion in deficits over the next 10 years, leading to a total of $14.5 trillion. In no year will the deficit be under $1.0 trillion.

What will all these "investments" yield? An economy that grows somewhere between 1.8 percent and 2.0 percent annually in the out-years. Since the economic projections reflect the president's proposed policies, that sluggish growth presumably reflects an overestimate of the benefits of the spending, and a minimization of the impact of $3.6 trillion in tax hikes.

Welcome to the era of the incredible shrinking growth rate.

The president's budget is a troubling document that deserves more attention for its philosophy that prosperity is housed at the U.S. Treasury and its utter lack of faith in the economic freedom, private enterprise, and American ingenuity that has made this Nation the greatest economic power the world has ever seen.