



SOLUTIONS for America



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Introduction

America has reached a tipping point.

The federal government has grown exponentially, not just in spending (up from approximately \$20,000 per household in 2000 to \$31,000 today), but in its reach. Government now intrudes into virtually every aspect of our daily lives, from the type of toilet we can purchase, to the mix of fuel we can put in our cars, to the kind of light bulb we can use.

Government policies have stifled domestic energy production while pouring billions of public dollars into alternative energy subsidies, reflecting the elitist, “progressive” faith that bureaucrats can pick winners and losers better than private markets. As a result, energy is too expensive and we have grown too dependent on foreign sources. And now, unelected bureaucrats have been empowered to stipulate what health services we will purchase and how and from whom we will receive them.

Excessive government intervention not only limits individual freedoms, it stifles entrepreneurial creativity and job creation, locks the poor into a lifetime of dependency and poverty, and limits the ability of hard-working Americans to enjoy upward mobility. Moreover, the federal government now dominates in spheres of activity traditionally reserved to the states, leaving little or no room for state-level innovation in policy areas such as education, transportation, health care, welfare, and even law enforcement.

The pace of expansion has been breathtaking. My colleague Bill Beach summed up the year 2009 this way:

Not only did the federal government effectively take over half of the U.S. economy and expand public-sector debt by more than all previous governments combined, it also oversaw the largest single-year expansion in total government debt in U.S. history.

The rapid growth of federal grasp and reach is unsettling, at best. More and more Americans have come to question whether their children will inherit a better future, and even whether it is still possible to achieve the American Dream

through hard work. In one of many such indicators, the Gallup Organization reports that Americans are more pessimistic about their future now than at any time since the Carter “malaise” of the late 1970s.

That assessment may be dour, but it’s certainly reasonable. One study found that, during the first four months of 2009, fewer than half of college graduates age 25 and under were working in jobs that required a college degree. Other recent trends foretell a bleak future in terms of both prosperity and national security.

Interest payments on the national debt will triple over the next six years, to approximately \$600 billion annually. That’s more than Congress spends on education, energy, transportation, housing, and environmental protection combined—and over half of these payments will go to foreign investors.

In the *2010 Index of Economic Freedom*, the United States fell from the ranks of “economically free” nations, due primarily to excessive debt, spending, and taxation. How dire is our fiscal situation? In May, the International Monetary Fund took the extraordinary step of placing the U.S. on its watch list of nations overextended by debt. The IMF called on U.S. lawmakers to reduce government debt by hundreds of billions annually or face certain economic catastrophe.

The national “Index of Dependence on Government” shows that Americans’ dependency on government—for everything from food and shelter to health care—increased last year at the fastest rate in over three decades. Our burgeoning welfare state now dispenses a trillion dollars annually to tens of millions of Americans without asking for anything in return. As currently structured, these programs undercut both the family unit (that fundamental building block of society) and cherished American values such as personal responsibility and the virtue of work.

Military preparedness has declined thanks to a procurement holiday that began in the 1990s. Today, the size of

the U.S. Navy's fleet stands at its lowest point since 1916. Yes, that's right, 1916—the pre-World War I era when America aspired to be a regional power. Tactical aircraft and B-1 Lancer bombers are, on average, over 20 years old while KC-135 tankers are practically historical artifacts at 44 years old. Little wonder that a prestigious committee of national security experts recently concluded that, absent a concerted effort to rebuild our armed forces, America was heading toward a national security “train wreck.”

But all is not doom and gloom. America has faced similar challenges in the past and surmounted them. The American public's overwhelmingly negative reaction to the recent explosion of government activism, in fact, encourages us that we will never pass that tipping point. As my colleague Matthew Spalding has written:

There is something about a nation founded on principles, something unique in its politics, that often gets shoved to the background but never disappears. Most of the time, American politics is about local issues and the small handful of policy questions that top the national agenda. But once in a while, it is instead about voters' stepping back and taking a longer view as they evaluate the present in the light of our founding principles. That is why all the great turning-point elections in U.S. history ultimately came down to a debate about the meaning and trajectory of America....

Growing opposition to runaway spending and debt, and to a looming government takeover of health care... may mean that they are ready to re-embrace clear, enforceable limits on the state.... To do that, conservatives must ... present a clear choice: stay the course of progressive liberalism, which moves away from popular consent, the rule of law, and constitutional government, and toward a failed, undemocratic, and illiberal form of statism; or correct course in an effort to restore the conditions of liberty and renew the bedrock principles and constitutional wisdom that are the roots of America's continuing greatness.

“The American people,” he concludes, are “poised to make the right decision.”

Indeed they are. Reams of polling data confirm that Americans want our government leaders to embrace policy changes consistent with The Heritage Foundation's vision to build an America where freedom, opportunity, prosperity, and civil society flourish.

Majorities of Americans believe that:

- America is an exceptional nation worth preserving and defending, and the best way to do so is through military strength;
- America's virtues are such that, when an immigrant settles here, he should embrace our culture, values, and

heritage rather than become isolated in the culture, heritage, and language of his country of origin;

- The government has too much power, wastes too much money, and cannot be trusted to pursue the right priorities; therefore it should be smaller in size and more limited in scope;
- The closer a government is to the citizen, the more effectively it will spend the citizen's tax dollars; i.e., the federal government wastes the most, state governments somewhat less, and local governments waste the smallest portion of each tax dollar;
- Government regulations usually backfire and generate unintended consequences, whether it be in lowering the quality and increasing the cost of our health care or negatively affecting businesses in other policy areas;
- The best way to promote job creation and economic growth is by exerting a lighter regulatory touch, which includes lightening the burden of environmental regulations;
- Government should not use its power to pick winners and losers, whether it be policies that grant preferences to unions, certain racial groups, trial lawyers, corporate subsidy-seekers, or other politically connected entities;
- Welfare recipients should be required to work in exchange for their benefits; and
- Judges should make decisions based on what is written in the Constitution or clearly delineated in the law, and not on the basis of their own viewpoints and feelings.

A policy agenda faithful to these sentiments will both win the support of the American people and restore American greatness in a manner consistent with our nation's founding principles.

What follows in these pages is a comprehensive policy agenda compiled by a team of Heritage experts. They identify the nature and scope of our most pressing problems in 23 discrete policy areas, and recommend 128 specific policy prescriptions for Congress to consider.

These recommendations may strike some as being too ambitious or unrealistic. But bear in mind that seldom, if ever, has our nation faced challenges as profound as those described above. Now is not the time for tepid proposals or “small think.” Our nation is on an unsustainable trajectory.

Robust and ambitious policies are required to revive America.

HIGHLIGHTS:

- **Place a firm cap on overall federal spending, and limit future year-to-year growth to inflation plus population growth.** Federal spending is on an unsustainable trajectory because we lack a mechanism that forces Congress to live within agreed upon spending limits. A binding cap will force lawmakers to make the tough decisions required to get us back to fiscal sanity.
- **Require the Big Three entitlement programs—Medicare, Medicaid, and Social Security—to live within firm, congressionally approved budgets.** If Congress is ever to control spending, it must end the era of open-ended entitlements. Currently, Big Three spending is on autopilot—increasing automatically year after year. Entitlement spending must be brought into the congressional budgetary process. Lawmakers should establish a five-year budget for these programs and include protective mechanisms, such as triggers, that will automatically keep spending within the congressionally approved limits.
- **Revive federalism.** The federal government has usurped the states' traditional role in areas such as transportation, education, health (especially Medicaid), homeland security, and law enforcement. Washington must cede vast swatches of its policymaking authority—and the funding that goes with it—to states willing to reassume leadership in these areas.
- **Limit the unsustainable growth of welfare spending, and require recipients to give something back.** Aggregate welfare spending now approaches \$1 trillion annually and does more harm than good. Congress must treat all 71 means-tested welfare programs holistically, as a discrete category of federal spending, and cap annual year-to-year welfare spending growth at inflation. This will force Congress to consider new approaches that could actually help the poor surmount poverty. To this end, Congress should require able-bodied adults to treat a portion of certain welfare benefits as loans to be repaid rather than as an open-ended grant from taxpayers.
- **Pay federal workers wages and benefits comparable to what their counterparts earn in the private sector.** Federal employee compensation is far too generous. Total compensation—hourly wages plus benefits—is 30–40% above that of comparable private sector workers. By bringing federal compensation in line with mar-

ket rates, Congress would save taxpayers approximately \$47 billion a year.

- **Do no harm.** Tax increases, especially those loaded on small-business owners (our most productive and entrepreneurial individuals), are counterproductive at any time. To raise taxes during a recession is a recipe for crippling economic growth and job creation. Maintaining the tax burden at its current level is the least Congress should do.
- **Encourage investment and job creation.** Reduce the top tax rate on corporate earnings—currently the second highest among all industrial nations—and let businesses immediately deduct investments in new plant and equipment. These two changes to the tax code will unleash the most productive investment and create the most private sector jobs. Specifically, lawmakers should align the top rate on corporate earnings to those that prevail in our 30 largest trading partners—approximately 25%.
- **Liberate employed seniors from payroll taxes.** As part of the broader effort to reform entitlement programs, seniors who wish to work beyond retirement age should be freed from the burden of paying Social Security payroll taxes. Employers willing to retain or hire these older workers also should be exempt from paying the employer share of the FICA tax.
- **Invest in peace through strength.** A robust military is the surest way to deter aggression and reinforce U.S. diplomacy. To accomplish this, the Pentagon procurement holiday must end. Congress must refurbish our armed forces, especially our depleted Navy fleet and vital missile defenses.

Perilous times necessitate bold action. America is at a tipping point. To continue on the current path of ever-expanding central government will plunge us into a statist abyss of lost liberties, vanishing opportunity, and dying prospects of a better tomorrow. But our nation can just as well correct course, as she has so often in the past.

In Tea Parties throughout the land, Americans by the millions have begun the process, rallying around the vision of the Founders. The policies articulated in these pages are calculated to make that vision a reality, to build an America where freedom, opportunity, prosperity, and civil society flourish anew.

—Edwin J. Feulner, Ph.D.
President
The Heritage Foundation