



Eric Deaton, U.S. Senate Candidate
1387 Crawford-Tom's Run Road
New Lebanon, OH 45345
www.deatonforsenate.com
937-751-6670

Balanced Budgets and Fiscal Responsibility

It seems that most of us know the value and need for a balanced budget in one's personal affairs as well as their nation's affairs. Through our lives we find the need to both borrow and save money as we progress through different stages of our lives. When we are young and working on furthering our education to achieve better career prospects, we tend to borrow money. As we later settle down to raise families in a home we have purchased we again find the need to borrow money. Even starting a business, remodeling a home or beginning a new job sometimes necessitates borrowing the needed funds. There are also times in our lives that we are saving money and building wealth. In the later years of repaying a home mortgage, the payment is relatively smaller due to inflation and increased earnings power over time. This allows savings for retirement, home improvements or a new car to be amassed. As we build equity in our homes, personal possessions and retirement investments, our need to borrow funds drops dramatically.

The same types of cycles apply to our nation's finances also. Although I believe in balanced budgets, I understand the need for the sometimes-unbalanced spending requirements due to war, economic cycles or investments in our future. Over a ten-year period I would expect our nation to have an equal number of years with balanced budgets, surplus budgets and deficit spending years. Overall, the surplus and deficit years should balance out, without our nation continuing to accumulate an ever-larger national debt. In addition to this, it should be noted that a mature nation such as ours should have amassed a significant internal wealth held by both public and private entities. With this wealth as a buffer to the ebb and flow of the economic cycles of the world we should indeed be able to maintain a balanced budget from generation to generation. Mature nations should also see their needs for significant borrowing and investing in their futures become more infrequent and usually addressed by their private sectors.

Why then has our country continued to amass an ever-growing national debt, which has now reached such staggering proportions? A simple review of the numbers shows that with a population of 308 million people and a \$12.15 trillion dollar debt, each citizen now shares \$39,500 of this debt. What's worse is that this is a true cash debt, comparable to our personal credit cards. That means our government is continually paying interest to service this debt. This interest now is the fourth largest budget item for our nation. When considering that Medicare and social security were meant to be separately funded through specific payroll taxes, then only our defense department costs us more than the interest to float our debt.

To show the true predicament we now find ourselves in, consider that our federal government had tax revenues of \$2.5 trillion dollars in 2009, but spent \$4 trillion. That means we added another \$1.5 trillion dollars to our national debt, which represents a 15% increase in just one year. The increase in the national debt over the past three decades has not just continued to grow, but has accelerated its increase. The future predications call for an over \$20 trillion national debt by the year 2020, which means interest to support it, will exceed a trillion dollars



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per year. This is assuming the U.S. will continue to be able to borrow money at such low interest rates, which is very unlikely. The most likely scenarios have the dollar being supplanted by other currencies as the dominate world currency, our lenders demanding higher interest rates and the ensuing runaway inflation sending the U.S. government into default on its debts. Even if this is somehow avoided the entitlement spending alone will exceed the federal revenues by 2030. All scenarios indicate much higher taxes to pay for the debt or an outright default by the United States on our debt payments. On top of this our nation has at least \$60 trillion in unfunded obligations, which far exceeds our GDP or annual federal revenues. These obligations include medicare, Medicaid, social security, FDIC, PBGC, TARP and many other lesser entitlement programs.

So how do we stop our impending financial demise? We need a Congress willing to cut out the earmarks, pork projects and the non-essential spending it has supported in the past. Our congress needs to summon the fortitude to fund only legitimate items that they have the constitutional authority to support. As a nation we need to pass on the extra and "nice to have" projects until our fiscal house is in order. We will need to continue paying taxes at similar rates to what we have now in order to pay our debts off and meet our fiscal obligations.

I fully realize our tax system can be made fairer and that when our debts are paid down we can lower the tax burden to this nation's citizens. I also realize that the American citizens are not in debt due to not wanting to work hard and be productive. After all, we work more hours, put in more overtime and take less vacation and holidays than all other western societies. If we all continue to work hard, expect less from our government and vote for good candidates, then we will restore fiscal sanity to our country.

Please join with me in sending our incumbent federal politicians packing as well as the two parties who have put us into this dire position. Thank you for your support and trust that I will not waste tax dollars even it means less federal spending in our own state.

Eric Deaton