

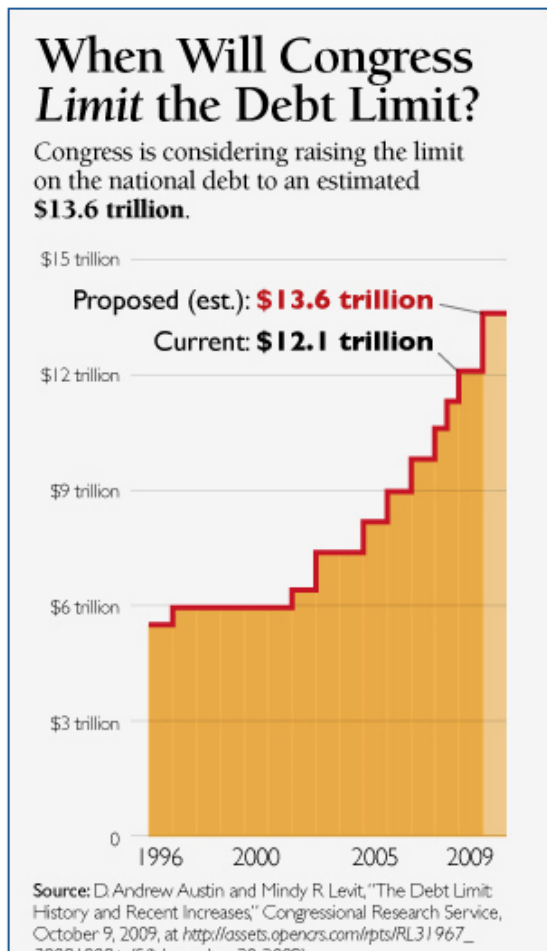
# What are Free Market Answers to More Debt and Taxes?

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Speaking at Georgetown University on April 14th, President Barack Obama promised: "We cannot rebuild this economy on the same pile of sand. We must build our house upon a rock. We must lay a new foundation for growth and prosperity — a foundation that will move us from an era of borrow and spend to one where we save and invest." Although the rhetoric is nice, the Obama administration's actions have produced all sand and no rock.

## The Liberal Plan, Part 1

More Debt From the Wall Street Bailout, to Cash for Clunkers, to Obama's failed stimulus, to a \$2.5 trillion government-run health care plan, this administration has been all about borrowing and spending. In fact, Congress will soon have to vote to increase the national debt limit again this month—from \$12.1 to \$13.6 trillion. And this new number is just the tip of the iceberg—debt today is 56% of the economy but it will reach 320% by 2050, thanks to entitlement programs like Medicare, Social Security, and Medicaid.



## **The Liberal Plan, Part 2: Tax America to Death (with the Death Tax)**

While there are multiple new taxes being discussed in Congress right now to pay for America's debt, Congress will soon take up debate on the dreaded estate tax (also known as the "death tax" that taxes family farms and businesses at 45%). The death tax expires for one year, beginning on January 1, 2010, before coming back at a higher rate on January 1, 2011. Some want to extend the tax at current levels, while others want to let it expire so it can come back even higher—at 55%. The death tax is a drag on America's family-owned businesses, destroys jobs, and lowers the wages of workers while raising little revenue. Watch Heritage's [new video](#) on how the death tax affects this small business owner in Maryland.

### **A Better Solution: Budget Reform**

There are a number of highly credible conservative plans for reducing our national debt. But Congress should take a tip from the medical profession on health reform and "first do no harm." The best way to prevent and fight debt is to stop overspending. The lack of fiscal discipline and the inability of Congress to live within its means has to be stopped, and the only way to do that is with budget reform to force fiscal discipline.

The biggest budget busters right now are entitlements—Social Security, Medicare, and Medicaid. Together, those programs have promised \$44 trillion more in benefits than the country can afford to pay—but Congress doesn't even report that amount in their annual budget. This is like budgeting while only reading the minimum amount due on your credit card, but never looking at the total balance or the finance charge. Instead, Congress should start reporting that figure in the budget and setting a real budget for entitlements to prevent another \$44 trillion of unfunded promises from piling up, instead of letting Social Security and Medicare grow on autopilot, and never letting the costs of the programs be subject to the annual budget debate. Additionally, a [bipartisan commission](#) should be established to tackle the issue, since legislative means have proven ineffective.

Check out [other Heritage research](#) to learn more about America's fiscal woes.