

RETURN OF THE BLOB

MARCH 2006

Indescribable... Indestructible! Nothing Can Stop It!

The indestructible creature! Bloated with the blood of its victims!

It crawls.... It creeps.... It eats you alive!

A long, long time ago back before TIVO, DVD's, VHS and Betamax, when the Watchdog was very young, one of my favorite Friday night events was watching movies the old fashioned way on a reel to reel projector. Every now and then, my father would borrow a projector for the weekend from his school. My father would somehow get a hold of old horror movies and Planet of the Ape flicks and we would sit around eat popcorn and enjoy. One such movie I remember was the 1958 classic *The Blob*. The movie begins when a meteorite falls somewhere in the country bringing a creature which resembles jelly. Subsequently, a farmer is attacked by the jelly-like alien, and is taken to the hospital by a couple of young adults. The local doctor treats the farmer who has an odd looking wound on his hand. The doctor asks the kids to find out how the farmer was injured and when they return they witness the Blob killing the doctor. The kids try to warn the police and everyone in the town, but nobody believes them. Meanwhile the Blob goes on a rampage engulfing people and getting bigger and bigger.

I am writing this piece as a warning to everyone out there who will listen that the Blob lives!

Unlike the 1958 Blob, the modern day Blob does not resemble jelly; it, in many cases is much uglier. However, most of the despicable horrifying traits of the original Blob remain. The modern-day Blob also has a voracious appetite, it keeps getting bigger and bigger, and the way things are going with the current crop of spineless leaders we have, is unstoppable.

The new and improved modern-day Blob is none other than our federal government. Instead of engulfing humans, this version swallows up money, our money, our tax dollars.

The Blob is spending money at a rate not seen since Steve McQueen was actually making the original film. Currently, the Blob is spending 20.8 cents of every \$1 our economy generates, up from 18.5 cents in 2001. This is according to the Blob's own budget documents. That would put the Blob's current growth at levels not seen since Franklin Roosevelt.

The Blob loves pork!

The Blob will be feasting on a record 13,997 pork barrel projects which is an increase of more than 31 percent over last year, according to the non-partisan Citizens Against Government Waste. The cost of this feast was \$27.3 billion, a new Blob eating record. Some pork of record...\$50 billion for the construction of an indoor rainforest in Iowa, \$1.54 million to maintain Dick Gephardt's records, \$70,000 for the Paper Industry Hall of Fame, \$350,000 to the Inner Harmony Foundation in Scranton, Pa., a parking facility at the University of the Incarnate World in San Antonio, Texas received \$2 million. One bit of pork that I found particularly interesting is a port security grant issued to Oklahoma.

Correct me if I am wrong, I am a product of the public schools, but isn't Oklahoma landlocked?

No matter how much we feed the Blob, it wants more!

The latest Treasury data shows that tax receipts continued to expand at a 14.1 percent annual pace from February 2005-2006. Corporate tax receipts also skyrocketed at more than a 40% pace during this period while employment receipts advanced at an above-trend 8.5 percent annual rate. Tax receipts have climbed to a record \$2.2 trillion. That is 6.2% above the previous all-time peak reached in February 2001. This strong tax receipt growth has brought the budget deficit down from the Congressional Budget Offices (CBO) lofty projections. The budget deficit in 2004 was \$455.5 billion in 2005 it was \$312.6 billion.

Economist Michael Darda has crunched the numbers on federal spending and has found that if federal spending had simply compounded by 3.1% since 2001 matching the 1993-2000 average the fiscal budget would actually have been in surplus by \$143 billion in February 2006. If the Blob only grew at an annual rate of 4.9% during the last five years which would have matched the average growth of nominal GDP since 2001 the fiscal deficit would be only \$52.8 billion, 0.4% of GDP.

The Blob craves capital gains taxes!

The CBO said capital-gains tax receipts in 2004 were much higher than expected. The revised estimates indicate that taxpayers realized \$479 billion in capital gains in 2004 compared with \$381 billion predicted by the CBO.

Currently a House-Senate conference committee is deciding whether to extend the 15% capital gains and dividend rates through 2010 where the only roadblock is the CBO estimate that this two-year extension would "cost" the Blob \$20 billion. It is interesting to take notice here that not only is the Blob hungry, but quite stupid as well (maybe that is a clue in defeating it). Senate Finance Chairman Charles Grassley sent a letter to the CBO begging the question that with their terrible track-record in forecasting tax receipts how can they justify their current predictions.

The *Wall Street Journal* reported on the CBO's response in a March 2 editorial...

CBO's letter of explanation for its blunder is an example of blob spin. The agency threw up its hands and acknowledged that its computer model fell "well short of explaining the surge in capital gains realizations that occurred in 2004" and that nearly half the increase in capital gains realizations between 2003 and 2004 "remains unexplained" by the model. Perhaps it's time for a new model. Then CBO resorted to economic mumbo jumbo and claimed that "we cannot conclude that unexplained increase is attributable to the change in capital gains tax rates." Maybe it's the tides.

For over 30 years the CBO's errors have been anything but the exception. Every time capital gains tax cuts have been applied since 1978 and again with cuts in 1997 and 2003 capital gains revenues and realizations have well-exceeded whatever model the CBO has used. In fact the CBO and the Congressional Joint Tax Committee also advised Congress that raising the capital gains tax rate to 28% from 20% as part of the 1986 tax reform would bring in a windfall to the Blob. Like clockwork, capital gains revenue dropped.

The Blob really loves entitlements!

The real Thanksgiving-unbutton your belt feast for the Blob is entitlement spending. 84 cents of every single dollar that is consumed by the Blob is mandated by law. Entitlement spending includes: Interest on the federal debt, Medicare, Medicaid, student loans, farm subsidies, and

Social Security. Currently all of these social spending programs are set by law and growing faster than inflation or the economy at 8% a year.

These tasty treats increase automatically each year without any policy changes and now cost \$1.3 trillion. To put this into perspective, of the 13,997 items of pork costing \$27.3 billion that we discussed previously, were to miraculously disappear, the entire meal ticket would only be cut by 1%. While at the same time, spending on entitlements would be increasing to the tune of \$93 billion in the current fiscal year.

It gets worse...entitlements will cost \$2.5 trillion in ten years! David Wyss, the Chief Economist at Standard & Poor's stated in a November 16, 2005 article in the *Wall Street Journal* that if we were to borrow to pay for all of this spending, U.S. Treasury bills would take on junk bond status in about 20 years. If we raised taxes to pay for the Blob's meal ticket, personal income tax rates would have to double or the payroll tax would have to rise 25% from 15%. What have our fearless leaders in Washington done to put a stop the carnage...spend more, how does a \$300 billion prescription drug bill sound?

The Blob wants to eat your Social Security!

This past month two righteous Blob fighting senators Jim DeMint and Mike Crapo proposed an amendment to the budget resolution that would force the Blob to stop eating the current Social Security surplus. The amendment calls for the Blob to keep its sticky fingers off Social Security. The amendment called for money collected for Social Security to be used only for Social Security. Currently billions of dollars are taken from Social Security every year to feed the ever growing Blob, not worker retirement. This whole process actually helps hide the true size of the federal deficit. If the amendment had passed it would have stopped the entire scam and created a reserve fund where our money would have been off limits to the appetite of the Blob. The amendment was defeated 43-57.

Death of the Blob. (Caution Spoiler Alert!)

The 1958 Blob that came from outer-space was killed by cold carbon dioxide. When Steve McQueen was trying to put out a fire he came to the realization that the fire extinguishers hurt the Blob. Steve alerts the town and subsequently everyone gathers their fire extinguishers and they render the Blob inert. The National Guard is then called in and the Blob is flown off to Antarctica where it will remain frozen until PETA and the ACLU win the Blob's freedom. (*Everyone needs to understand that the Blob was just misunderstood, and the product of hard childhood*). Anyway, it is a sad state of affairs in this country when it is easier to deal with a man-absorbing alien from outer-space than it is to put a stop to a modern day version that engulfs our money. It is going to take much more than fire extinguishers to stop the monster we have created.

Jeff Flake a congressmen from Arizona who happens to be one of the few trying to put a stop to all the spending described Congress quite poetically as "*Traipsing down a flower-strewn path unpricked by the thorns of reason.*"