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*Congress should revert to pre-pandemic spending, adjusted for population growth and inflation.*

## Fiscal Sanity Isn't Too Much to Hope for This Year

By Ron Johnson

Federal spending is out of control. In fiscal 2019, which ran from Oct. 1, 2018, to Sept. 30, 2019, federal outlays totaled \$ 4.447 trillion. In fiscal 2020, federal outlays jumped to \$6.554 trillion because of the pandemic spending spree. Although grossly overdone, the spike was understandable. Businesses closed, cities locked down and unemployment soared. From March 2020 to March 2022, the federal government spent \$ 5.2 trillion on Covid relief, including \$778 billion on the Paycheck Protection Program, \$ 1 trillion on federal unemployment benefits, and \$1.1 trillion in direct payments to Americans.

In normal times, some six million people in the U.S. are unemployed and actively seeking work. In April 2020, 23 million were officially unemployed. In addition to providing federal unemployment payments to supplement state benefits, Washington sent three rounds of direct payments to 166 million people in April and December 2020, then again in March 2021. That vastly exceeds the highest level of unemployed Americans in April 2020. And by December 2020 the number of unemployed had dropped to 11 million, only five million above normal unemployment— not 166 million.

The Paycheck Protection Program, intended to help small businesses survive the pandemic, has been labeled “the biggest fraud in a generation” by Matthew Schneider, a former U.S. attorney for the Eastern District of Michigan. The loans weren't awarded based on financial need, and in the end were simply forgiven.

The exact amount of waste, fraud, and abuse of Covid relief spending will never be known— we're seeing only the tip of the iceberg. Instead of targeting relief with laser precision, we used a shotgun and fired money out the door as fast as the federal government could print it. The result was 40-year high inflation. A dollar today is worth only 81.8 cents in January 2020 money.

Even if you think Covid relief spending levels were appropriate (I don't), there was no justification for maintaining that level of spending once the pandemic was over. Yet we've turned pandemic spending into the new baseline, spending \$6.6 trillion, \$6.8 trillion, \$6.3 trillion, \$6.1 trillion and \$6.8 trillion in fiscal 2020, 2021, 2022, 2023 and 2024, respectively. President Biden's fiscal 2025 budget proposes spending \$7.3 trillion. This would be \$2.8 trillion (63.3%) higher than fiscal 2019 spending of \$4.447 trillion. It's certainly unwarranted based on population, which has increased by only 2.2% since 2019.

In a sane world, Covid spending levels would have been an extreme aberration, and we would have already returned to a more reasonable level of spending. But we haven't, so let me propose a few of options for doing so.

Start with a reasonable approach for setting budget caps. I think most people would agree that if you were able to grow your family budget based on the increase in your family size plus the rate of inflation, barring extraordinary events like a major illness, you'd be able to maintain your standard of living. If a family of four making \$100,000 annually has a new baby in a year with 3% inflation, an increase of 25% and then 3% to that income— totaling \$128,750—would cover them fine.

Why not apply that same discipline to the federal budget? That's what I've done below, with one wrinkle. Because both parties have taken Social Security and Medicare off the table for any reforms, and interest expense is what it is, I use Mr. Biden's fiscal 2025 budget amounts for those spending categories. All other spending items are calculated from the base year by first increasing spending to account for population growth, and then inflating those numbers by the change in the consumer price index. Keep in mind, Mr. Biden proposed spending \$7.3 trillion in fiscal 2025.



Using fiscal 1998 as a base (the first year we had a budget surplus since 1969) my calculation establishes a total budget for 2025 of \$5.5 trillion. Mr. Biden's 2025 revenue projection is also \$5.5 trillion, so using this baseline to set our budget would immediately balance it. Using 2014 outlays as a base would establish a 2025 budget of \$6.2 trillion with a deficit of \$700 billion. Using 2019 outlays results in a 2025 budget of \$6.5 trillion with a deficit of \$1 trillion. Take your pick—I'd use 1998.

Total federal debt has skyrocketed from \$5.5 trillion in 1998 to more than \$36 trillion today, resulting in the continuous devaluation of our currency. Dollars you held in 1998, 2014 and 2019 are now worth only 51, 74 and 80 cents, respectively. I don't believe we spent too little in any of those years. Big spenders in Washington should explain why they've allowed this devaluation to occur, and why setting baseline spending to one of those budget years isn't only reasonable but doable.

*Mr. Johnson, a Republican, is a U.S. senator from Wisconsin.*

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