

BOOK REVIEW

Red Ink: Inside the High-Stakes Politics of the Federal Budget

David Wessel

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By Michael Veselik

The federal budget has been a point of contention in American politics since the nation was founded. Among other characteristics, the budget identifies national priorities, ensures the national defense, and attempts to promote the nation's general welfare. In fiscal year 2014, the federal budget was authorized for more than \$3 trillion. Yet, the federal budget remains obscured in a nebulous patchwork of policy and process, which few understand. Further, the language used in reports by the media is often confusing, and the Congressional Budget Office (CBO) and the Office of Management and Budget (OMB) reports are often too dense for the average reader. Therefore, how does one ensure the American public has a greater understanding of this often-misunderstood process?

Red Ink: Inside the High-Stakes Politics of the Federal Budget by David Wessel answers this question. Wessel's work offers an excellent insight into the federal budget process using comparisons that most readers will understand. Wessel simplifies many of the complex issues in the federal budget, and he offers a text that is both accessible for the average reader and entertaining for the most well-informed policy wonk. His work is also unique insofar as he does not approach this book with an agenda. Rather, the book is focused on promoting increased knowledge of the nation's fiscal issues.

In the book's introductory chapter, Wessel familiarizes the reader with

the federal budget process and some of its major players. He selectively focuses on such key individuals as Treasury Secretary Jack Lew, White House Chief of Staff for the Obama Administration at the time the book was published, and Congressman Paul Ryan, Chairman of the House Budget Committee. Wessel uses Lew and Ryan to highlight the dichotomized view of the federal budget within US political parties. He then proceeds to show the complexity of the budget and its sheer size, stating that "[i]n fiscal year 2011 [...] the federal government spent \$3.6 trillion, \$400 million an hour, more than \$30,000 per American household" (Wessel 2013, 20). Using clear language rather than complex spreadsheets and policy jargon, he then touches on several key issues, including mandatory and defense spending, the federal workforce, health-care costs, the Troubled Assets Relief Program (better known as TARP), and long-term deficits.

In chapter two, "How We Got Here," Wessel details the career of Leon Panetta and describes how the US federal deficit evolved, tracing current federal budget trends back to the New Deal, which greatly altered the role government plays in society. Panetta has had a long career in American politics as a US Representative, White House Chief of Staff, CIA Director, and Secretary of Defense; and throughout his career, he focused on the deficit as a major driver of fiscal and economic concerns. According to Wessel,

Roosevelt's New Deal created more extensive social programs, a new regulatory regime, and a significant expansion of the federal government. In turn, the Johnson administration followed with the Great Society. Collectively, these policies created a government that expanded the roles of government in unprecedented ways. Wessel notes how such policies greatly affected Panetta's outlook on the process. Wessel goes on to note that, with the election of Ronald Reagan in 1981, the administration began scaling back the efforts of Roosevelt and Johnson, cutting taxes and federal spending. While Panetta voted for these tax cuts, he would later go on to criticize the reckless choice by Reagan to scale back taxes without also reducing spending. Without these offsets, deficits ensued and thus began the modern budget mentality of the American people: lower taxes for a larger government. Wessel celebrates the balanced budget period that began in the 1990s for its focus on economic growth. In fact, the federal government ran surpluses during this period with expansive and responsible economic policies, such as PAYGO. Yet, these policies were followed by the Bush administration's tax cuts, as well as two foreign wars and the expiration of PAYGO, which sent the US government back into the familiar position of running a federal deficit. The financial crisis of the early 2000s did nothing to solve this problem.

In chapter three, "Where the Money Goes," Wessel turns his attention to how the federal budget is spent. Wessel admits that there are many misconceptions regarding the allocation of federal funding, citing a CNN poll in which American respondents believed 10 percent of their tax revenue supported the food stamps program—closer to 2 percent in reality. Wessel further states that roughly 40 percent of Americans who receive Medicare or Social Security benefits do not believe they have ever used a government program. Throughout the

chapter, Wessel discusses the explosive growth in federal spending that may occur if Medicare, Medicaid, and Social Security obligations remain unchecked. As much of the chapter focuses on entitlement programs, Wessel attempts to draw substantial attention to the growing number of retirees in comparison to those still in the workforce. Wessel focuses on how this disparity will drastically affect the American taxpayer, focusing his analysis on the premise that without meaningful changes to entitlement programs, they will no longer be able to provide real benefits to individuals. Wessel then turns to Defense spending, going beyond the typical critique of the acquisition process and the massive military-industrial complex. Rather, Wessel focuses attention on the military healthcare program Tricare, which provides low-cost benefits to service members and near lifetime benefits for those who served 20 years or more. Wessel concludes the chapter by pointing out that many federal agencies and programs that most taxpayers associate with federal spending, such as NASA, the National Parks program, and TSA, are an increasingly small percentage of the federal budget.

While the previously mentioned chapters of *Red Ink* focus primarily on federal spending, chapter four redirects the reader's attention to the federal government's sources of revenue. Wessel opens the aptly titled chapter, "Where the Money Comes From," with a brief history of taxation in the US, noting that the top marginal tax rate in the 1950s hit 92 percent following significant military spending to fund World War II. Wessel draws attention to income and payroll taxes in particular—the majority of revenue the government collects. He then follows a Washington, DC-based tax lawyer who earns his living ensuring that his clients are not harmed by tax reform. Wessel also introduces readers to the nation's most fervent anti-tax voice, Grover Norquist. Wessel specifically highlights the pledge

Norquist started, which requires its signatories—members of Congress—to not raise taxes. Wessel goes on to describe federal income tax brackets and why individuals pay different marginal tax rates, highlighting the striking fact that the top 0.1 percent of individuals pay 13 percent of all taxes in the US. Wessel acknowledges that tax credits and expenditures—essentially foregone revenue—are means by which Congress can use the tax code for spending by a different name.

In the final chapter, Wessel closes on the idea that the federal budget is on an unsustainable path. To illustrate the nation's budget woes, he spotlights Christina Romer, formerly the Chair of President Obama's Council of Economic Advisors. Romer was at the center of the administration's response to the fiscal crisis in 2009, and she stands firmly behind its decision to provide stimulus funding in order to pull the economy back from the brink of a long-lasting depression. Wessel, however, emphasizes that there are no easy solutions or magic bullets to solving the nation's ongoing budget problems. Solving these problems will require extensive reforms to federal spending. Wessel calls for these reforms sooner rather than later in the event that foreign creditors begin demanding payment on US loans. Different theories exist on exactly how to reconcile the federal budget, and Wessel offers several examples of possible solutions. To highlight these divergent views, Wessel employs theories offered by *New York Times* columnist and economist Paul Krugman, Representative Paul Ryan,

and former Commerce Secretary Peter G. Peterson, all of whom hold different opinions on how to move forward by focusing on unemployment, the deficit, or some combination of the two. Wessel ends the book discussing CBO Director Doug Elmendorf, who has been both public and vocal regarding the budget issues facing the country in the upcoming years and decades.

In *Red Ink*, Wessel is attempting to sound the alarm on a situation that is rapidly becoming a cause for concern. *Red Ink* is an excellent book to share with people who have strong opinions about federal budget issues and are unwilling to yield. Wessel describes these complex topics using crisp and concise language, and he stays away from more peripheral topics. Wessel instead opts for metaphors and comparisons to help readers understand the process. He shows that no simple solutions exist and tough decisions must be made in the coming years to help shore up the nation's finances. *Red Ink* does not, however, provide any real solutions. The book is a mere discussion about these problems, and more insight could be provided to detail how solutions might actually be implemented. Further, Wessel does not indicate how treacherous the political path may be for many of the proposals he mentions, such as the strong opposition that would meet any major reform to the Social Security program—the proverbial third rail of American politics. Regardless of these shortcomings, *Red Ink* is an effective tool for communicating to a wider audience the complex yet important reality of the US federal budget.

Michael Veselik is a Master of Public Administration candidate in his second year at the George Washington University, where his concentration is in public budgeting and finance. Michael earned a Bachelor of Art's degree from the University of Dayton with a double major in political science and human rights studies. He currently works at Stateside Associates performing state and local government legislative monitoring. He has also served as President of the Trachtenberg Student Organization. Michael hopes to continue pursuing a career in government relations and legislative politics after graduation.