

By Cheeto Barrera June 14, 2011 [Link](#)

Ridgecrest, Calif. — Congressman Kevin McCarthy painted a dire picture about the nation's financial situation, saying the country stood on a precipice that requires real action to get out of.

McCarthy challenged a room full of people at the Marriott SpringHill Suites that real change is possible if we just change our thinking. He made this speech after accepting the Spirit of Enterprise Award from the U.S. Chamber of Commerce. The Ridgecrest Chamber of Commerce had made the event happen, bringing McCarthy to the IWV to accept the award over his hometown of Bakersfield.

Between jokes about Anthony Weiner's problems, his own humorous jabs at cutting his finger and shots at President Barack Obama, McCarthy laid out a serious and harsh warning that the country is headed for economic failure unless something is done. He said the national debt is spiraling out of control and merely raising the debt ceiling isn't going to solve matters. The nation's debt has already soared passed \$14 trillion and is only going up. McCarthy blamed the rising cost of entitlements, including Social Security and Medicare, as primary reasons for the nation's problems.

While he admitted defense spending isn't helping matters, in a quiz he gave the room, entitlements took up the most out of the budget. Defense was a close second. "If we took all defense away, if we took all discretionary, we'd still have a gap," McCarthy said. "So the thing that I tell you with this is that we can't get out of this problem just by cutting, we also have to grow the economy."

He said the solution to that was two fold. First, government growth needs to slow down and second, the economy needs to grow. "The biggest problem out there right now is uncertainty," McCarthy said. "We've got tons of regulations coming at you. ... Corporations have more cash on hand than they've had in the last 50 years. But they're not spending it because of all the uncertainty." He said if government gets out of the way, and reduces the uncertainty, the businesses will be more apt to spend more and create jobs.

The idea is a part of President Ronald Reagan's trickle down economics, that the GOP keeps harkening back to these days. And like plenty of other Republican officials, McCarthy did not shy away from his Reagan references, saying just like in 1980, America needs to wake up and reclaim its status as one shinny city on a hill.

McCarthy said our future is foreshadowed in Greece's problems. That nation fell into turmoil this past year as it defaulted on its loans and is seeking bailouts from the European Union. Greece's bond is paying out at 23 percent interest, mainly because there is no guarantee they can pay it off.

The United States' debt is currently owned by five countries, including China, Russia, Japan and the United Arab Emirates. "Why does someone go up and buy that bond? Because of the trust in America," McCarthy said. "If we defaulted — which we've never defaulted — would anybody buy our paper again? If they don't buy our paper we have to make certain decisions." He said the lack of the ability to sell bonds would force interest rates on Americans to go up, whether it was a home loan, a car loan or any other kind of loan.

High-ranking Republicans from the House recently had a sit down with the president where both sides attempted to reach some sort of concensus on how to solve the debt crisis ahead of voting for a raise in the debt ceiling. He said the debt was mismanaged by both sides, but a solution is possible.

McCarthy said he had a few points that he wanted the president to at least agree in principle on for dealing with the debt crisis. First, have a concrete plan to get out of the crisis. McCarthy criticized the president for only giving a speech and not a real solution that the country could dissect and understand. Second, there have to be cuts. Third, cap government growth. Fourth, put politics on hold, have a real discussion and move forward. "If you don't admit to a problem, you're never going to solve it and it only becomes bigger," McCarthy said.

Also needed, McCarthy said, is a change in the tax system. He said the top 1 percent of earners pay 38 percent of the taxes. And when you extend that out to the top 10 percent of wage earners, they pay 70 percent of all the taxes. McCarthy added that 47 percent of Americans don't pay income tax. "We're looking for someone else to do the hard work," McCarthy said. As a result, McCarthy said, there needs to be a broadening of the tax base, while lifting some of the burden off of the highest tax payers.

In addition, there needs to be a drop in the cost it takes for American businesses to bring money home from overseas. McCarthy said the rate is among the highest in the world to bring money home from overseas. He said that number needs to drop to 5 percent or less to entice businesses to bring money home.

However the solution comes, McCarthy said, it needs to be a joint decision hammered out by all sides. McCarthy said everyone needs to once again trust each other or no change can happen. "For too long we've been split," McCarthy said. "I don't want to live in a country where we don't trust one another."