



BROKE
The Plan to Restore
Our Trust, Truth and Treasure

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General Overview:

America is today facing challenging times. National debt is spiraling out of control and progressives have gained the upper hand in both political parties. Whereas Democrats and Republicans once fought to be known as the party of minimum government and maximum freedom, there is now almost bipartisan fiscal recklessness no matter which party is in power.

All these problems have arisen because America has turned its back on what was spelled out in the Constitution and in the actions of first-generation American political leaders. Once this is understood, then the solution becomes easier to map out as well. We need to demand the kind of radical reform our political leaders are unable and unwilling to undertake because it may impact on their ability to get reelected.

To restore the American dream, we must return to enshrining individual rights as paramount, adhere tightly to the blueprint laid out in the Constitution and completely reengineer the role of government in a free society. It's time not to storm the beaches but to move the nation forward by restoring and reinvigorating what America has always stood for and by uniting around the inevitable shared sacrifices which will be required.

* **Please Note:** This political book summary does *not* offer judgment or opinion on the book's contents. The ideas, viewpoints and arguments are presented just as the book's *author* had intended.

Part I – The Past is Prologue

History teaches the empires of the past always crumbled from the inside out and that very few people who were involved ever saw the end coming. That is the danger which is facing America today. America doesn't need a foreign enemy – instead, we need to come face-to-face with the issue of America's debt. We've reached the tipping point where national debt needs to be addressed before it spirals out of control. The country is broke and no amount of sugarcoating or hedging about this inconvenient truth will make it go away. The real battle to be fought today is with the laws of economics – and thus far, America hasn't really faced up to what the problem is. The only way out is to choose to build up individual achievement levels and to insist on limited government and low taxes.

The way forward is as clear as it is difficult. As individual citizens, Americans need to:

- Spend less on material items – like new televisions, cars, boats, etc.
- Save more – so we can all get out of the exorbitant interest charged on consumer debt.
- Expect fewer public handouts for anything we want to get done.
- Put more skin in the game by expanding our personal efforts to give to private charities.

In other words, it's time to reinstate and reinvigorate the thrift mentality which the Founders of the United States and the framers of the Constitution embodied in their own personal and professional lives. Progressives have managed to distort our thinking and to make us see government spending as an indicator of national compassion. It is not. All government spending is a measure of erosion and encroachment on our personal freedoms. We should never forget that.

It's very easy to determine what the Founding Fathers thought about thrift:

“Let it never be said that America had no sooner become independent than she became insolvent or that her infant glories and growing fame were obscured and tarnished by broken contracts and violated faith, in the very hour when all nations of the earth were admiring and most adoring the splendor of her rising.” – John Jay, president of the Continental Congress and first chief justice of the U.S. Supreme Court.

“The principle of spending money to be paid by posterity under the name of funding is but swindling futurity on a large scale. To preserve our independence, we must not let our rulers load us with public debt.” – Thomas Jefferson

“Accumulation of debt is perhaps the natural disease of all governments. And it is not easy to conceive anything more likely than this to lead to great and convulsive revolutions of Europe.” – Alexander Hamilton

“I entertain a strong hope that the state of the national finances is now sufficiently matured to enable you to enter upon a systematic and effectual arrangement for the regular redemption and discharge of the public debt, according to the right which has been reserved to the Government. No measure can be more desirable, whether viewed with an eye to its intrinsic importance or to the general sentiment and wish of the nation.”

– George Washington

The Founders noted the example of Great Britain's big-spending king and came up with what they thought was a bullet-proof way to prevent future American presidents from ruining the country with debt. They balanced the president's power to spend with a Congress made up of hundreds of representatives from around the country – in effect hundreds of politicians to keep one person in check. The only problem with this arrangement is it breaks down completely when both the president and Congress decide to simultaneously become reckless with the nation's money.

Andrew Jackson was the seventh president of the United States. He staked his political career on a single promise: “My vow shall be to pay the national debt, to prevent a monied aristocracy from growing up around our administration that must bend to its views, and ultimately destroy the liberty of our country.” By 1834, Jackson had made good on his promise and paid off the national debt. He achieved that not by introducing new taxes, tariffs and regulations but by letting entrepreneurs innovate and free markets work. By limiting government interference, the American economy grew so strong the national debt was paid off. Jackson’s experience showed the best way out of debt isn’t to grow taxes – it’s to grow the overall tax base.

It’s interesting to track the national debt through the post Civil-War presidential administrations. It wasn’t until 1861 that federal income tax was introduced and even then it was seen as a temporary measure to pay for an extreme occurrence – the civil war. Income tax started at 3 percent and rose to 5 percent for the wealthy who earned more than \$10,000. Congress also authorized the Treasury to begin printing its own money. By the end of the civil war, the national debt stood at \$2.8 billion. This was alarming and the next six presidents who followed Lincoln (Johnson, Grant, Hayes, Garfield, Arthur and Cleveland) all pitched in to reduce national debt to \$1.6 billion by 1892. America ran surpluses for twenty-eight straight years and debt stood at \$1.2 billion by 1916. That progress came to a screeching halt with the election of Woodrow Wilson.

President Wilson was almost the patron saint of Progressivism. He introduced the concept taxes were not just a way to raise revenue but they were also a means whereby the wealthy could be punished for their “sin” of greed and accumulation. From 1916 to 1919, federal expenditure rose 2,494 percent (aided by World War I) and national debt went from \$3.6 billion to \$27.4 billion. Personal income tax, originally intended as a temporary measure, was made permanent and started generating billions for the federal government. It was also made progressive, rising as high as 77 percent for the wealthy, in an open attempt to redistribute wealth. There was something of a backlash against Wilson’s ideas and successive administrations managed to reduce national debt to \$16 billion by 1930.

By the time Herbert Hoover was elected president, the Great Depression was in full swing. He was an engineer before entering politics so Hoover’s natural inclination was to try and “fix” the economy by introducing a “temporary” increase in taxes. That set the stage for Franklin D. Roosevelt to be elected on the promise of a “New Deal.” However, rather than bringing in lower taxes, less spending and more individual liberty, FDR raised them. In effect, he double-downed on Hoover’s policies. Throughout FDR’s four terms as president, the government hiked its tax take massively and spent all that and more. Between 1933 and 1940, government spending rose from \$4.6 billion to \$9.5 billion and the national debt exploded.

Following FDR, Presidents Truman and Eisenhower made serious attempts to return the United States back to its tradition of fiscal conservatism. Debt was reduced from 122 percent of GDP in 1946 to less than 56 percent in 1960. That progress came to a juddering halt with the appointment of Lyndon Baines Johnson to the presidency after the assassination of President John F. Kennedy. LBJ was a progressive at heart and he openly aspired to transform America into a European style government which took care of its citizens cradle-to-grave. LBJ used federal appropriations to reward those who voted for him in what came to be called “the Great Society.” In his 1964 State of the Union address, LBJ proclaimed, “This Administration today declares unconditional war on poverty. Total victory is the only option.”

In 1965, LBJ rushed through Congress legislation for Medicare, environmental safety regulations and Operation Head Start (federal aid to education). He followed that in 1966 with the Child Nutrition Act and an expanded Aid to Families with Dependant Children program which provided financial incentives for single mothers. During his five years in office, LBJ spent \$305.7 billion in his failed attempt to “end poverty.” The national debt of the United States started a meteoric rise which continued throughout the next two decades.

When the incoming Nixon administration took the reins, it was clear this was not the sea change voters had imagined. Nixon championed “a New Federalism” built around economic policies which were even more liberal than LBJ’s. He tripled anti-poverty spending to \$100 billion and led the largest peacetime government intervention in the economy the United States had ever seen. Nixon signed into law a permanent 20 percent increase in Social Security benefits and changes to Medicare which saw expenditure climb 120 percent. He also tried unsuccessfully to use wage and price controls to manage inflation and abandoned the gold standard for the U.S. dollar. Nixon also signed expensive trade deals with Moscow to try and secure peace. By the time President Ford and President Carter had served their terms, the annual non-defense spending of the United States had risen from 9.1 percent of GDP in 1961 to 16.8 percent of GDP in 1980. In sync, national debt rocketed from \$239 billion in 1961 to \$909 billion in 1981.

Ronald Reagan was elected in 1980. One of his first messages to Americans was: “Government is not the solution to our problem. Government is the problem.” He pointed out progressivism had failed and nobody wanted a bloated government. He also introduced the much vaunted “Reaganomics” doctrine of a restrictive monetary policy to stabilize the dollar, 25 percent tax cuts across the board, an agenda to ease government regulation and a promise to balance the budget. The US economy responded by surging ahead, thanks to the tax cuts and the monetary policy but Reagan never came even remotely close to balancing the budget. The national debt which stood at \$2.3 trillion when Reagan took office increased to \$4.7 trillion by the time he left office eight years later.

By the time George H.W. Bush had won election as successor to President Reagan, his famous quote of “Read my lips: no new taxes” was everywhere. Bush, of course, broke that promise and not only raised taxes (by \$163 billion) but also presided over yet another expansion of government in order to create a “kinder and gentler” nation, whatever that may mean. His successor, President Bill Clinton, famously ran government surpluses from 1998 to 2001 (the first in twenty-eight years) but national debt rose each of those years. Clinton was able to reduce public debt – what America owes to bondholders and other investors – by running surpluses but intergovernment debt – effectively the debt government owes itself – rose at a faster rate in the background. The result of this accounting sleight-of-hand was Clinton could claim a surplus by focusing just on public debt reductions but the harsh reality was during the 8 years President Clinton was in office, national debt increased by another \$1.6 trillion.

There were expectations when Republican George W. Bush won election that government spending might be reined in. Unfortunately, President Bush turned out to be the biggest spender since LBJ. Total Bush administration deficits were \$3 trillion and national debt increased by \$5 trillion on his watch. America got what was effectively a “Conservative Progressive Era” as total Bush spending was \$20.5 trillion. By the end of 2009, the federal government was spending around \$26,000 per American household which certainly suggests President Bush had put America on a fast track toward socialism. The election of Barack Obama on the promise of change was very welcome but then right out of the gate, President Obama’s first proposal was a nearly \$1 trillion “stimulus package” which was really little more than numerous stale Democratic spending proposals which had been bouncing around Washington for years. These were repackaged and then marketed as stimulus forced upon the Obama administration by the state of the economy they inherited.

The Obama Administration’s budget proposals currently call for the United States to borrow around \$7.6 trillion should he remain in office for a second term. If that’s the way everything plays out over the coming years, President Obama will have added more to the national debt than every president before him combined. Even if every American plays by the rules, works hard, lives within their individual means and does everything right, the nation will still have a much bigger hole to dig itself out of in the future. Is that any way to run a country? And is that the best we can hope for?

Part II – The Crime of the Century

In June 2010, former Fed chairman Alan Greenspan said: “The federal government is currently saddled with commitments for the next three decades that it will be unable to meet in real terms.” What does he mean? In 2010, fully 56 percent of the federal budget is mandatory or entitlement spending on programs which run on autopilot – Social Security, Medicare and Medicaid. Mandatory spending, plus net interest on the national debt, now comprises two-thirds of the budget with all other discretionary spending squeezed into the remaining one-third. And it’s only going to get worse as 77 million baby boomers retire over the next few decades. By most estimates, these mandatory entitlement programs will chew up 20 percent of the GDP – not even taking into account the costs of health care changes legislated by President Obama.

In order for the United States to get back on to a growth path and to bring debt back to a sustainable level, an annual adjustment of \$1.7 trillion will be required – equal to 12 percent of total GDP over the next twenty years. This won’t be found by cutting a little waste or by freezing spending. It will only be found by making major structural reforms to the programs and agencies many people in the United States have come to rely on. The fact is when all public debt is included, the United States owes \$64.2 trillion. The total GDP of all the world’s economies combined is about \$61 trillion – so the undeniable, unvarnished truth is America currently owes more money than all the economies in the world combined generate in a year.

Why don’t more people understand this and demand consequences for those who were responsible? It’s simple – politicians have a vested interest in making the true national debt situation hard to uncover. They use all kinds of approaches which are usually little more than accounting sleight-of-hand. Examples:

- The nation’s financial statements are complicated and use a mix of accounting methods.
- It’s common for many financial statements to ignore major items which are designated as “off budget”.
- Financial reports by the Government Accounting Office tend to get almost no media coverage whatsoever.
- The supplemental appropriations process is used to get spending approved without much if any scrutiny.
- Many budgets use “the magic asterisk” which means “Future savings to be identified” to balance things up.

It’s easy to apportion blame for America’s national debt scandal at the feet of lobbyists but the fact is special interest groups will always exist in a democracy. They represent both a roadblock to a brighter future and the key to getting there at the same time. When entitlements like Social Security, Medicare and Medicaid start getting discussed as America begins to address its debt problem, you can be certain lobbyists of all political stripes will go into overdrive. Getting out of debt, or at least paring it back to a more sustainable level, is going to involve considerable pain and sacrifice. How that sacrifice and pain gets shared out over all of the nation’s various groups will be the subject of much intense debate in the coming years, but it has to be tackled. The United States can no longer ignore the elephant which is sitting in the living room.

The Congressional Budget Office recently projected the cost of Social Security, Medicare and Medicaid will grow from 9 percent of GDP in 2009 to 19 percent of GDP by 2050 and 26 percent of GDP by 2082. When one considers total federal spending on everything over the past fifty years has averaged 20 percent of GDP, that gives some feel for the sheer scale of the challenge which lies ahead. Entitlements are ballooning like a runaway train and the national debt is already at a completely unsustainable level to start with. It has long been considered any politician who tries to tackle entitlements is committing political suicide. America has gone past that point. We have to come up with a solution which will not pass these problems off on to future generations. It’s incumbent on us to come up with a plan that addresses the underlying issues in a realistic way. America now needs action, not more talk.

Part III – The Plan

To address America’s spiraling national debt and runaway entitlements mentality, an eight-step plan is required to be actioned immediately:

Step 1 – Restore individual rights to their proper place in society

America needs to start thinking and acting like a hungry start-up rather than a staid blue-chip. The obvious and best way to address our national debt is to grow the economy so much that over time the size of our debt will seem much more reasonable. To do that, America needs to restore individual rights to their proper place and to do away with unnecessary regulations, complex tax laws and other hindrances. We need to get back to the blueprint laid out in the Constitution – individual rights, equality of opportunity and faith. The government should restrict itself to what is specified in the Constitution – military, judiciary, patent and copyright protection and international relations. That’s it. Now this doesn’t mean welfare, Medicaid, Social Security or other programs can be eliminated immediately which is unrealistic but they must be placed in their proper context.

Step 2 – Understand the difference between opportunity and outcome

“All men are created equal.” The Declaration of Independence didn’t include this phrase because it was a strong opening statement. It was then and is now a fundamental truth. Yet over the years, progressives have tried to twist these words to state the object of government is to create equality of outcomes for all the nation’s citizens. It can’t be done. The Founders believed the Constitution guaranteed Americans enough natural rights to be happy and secure. What each citizen chooses to do with those rights is their business alone. We should get government out of the business of trying to mandate outcomes and instead focus on letting people use all the tools for success they already have available to them. We must make clear equality of outcome is the enemy of individual rights. By all means let the federal government provide a social safety net but that should be very minimal. We need to celebrate diversity and achievement, not mediocrity.

Step 3 – Restore faith in God as a bedrock principle for our country

Abraham Lincoln has been famously quoted as saying: “My concern is not whether God is on our side, my greatest concern is to be on God’s side, for God is always right.” Our financial reinvigoration and renewal as a country cannot begin unless we first undergo a spiritual renewal as well. There can be no question God has had a hand in the founding of this nation and America’s survival through times of depression, civil war, wrenching social changes and enemy aggression. Nobody knows for certain what God has planned for America in the future but this country will not move ahead without His help. Faith was a bedrock principle at our country’s founding and it will be an essential component in our attempts to move forward into the future. We must publicly reinvigorate America’s faith in God. This is not to say a state sponsored religion is needed because the Constitution leaves no question whether or not that’s a good idea but it is to say faith needs to be restored. In the words of Ben Franklin to George Washington: “I have lived, Sir, a long time and the longer I live, the more convincing proofs I see of this – that God governs the affairs of men. And if a sparrow cannot fall to the ground without his notice, is it probable that an empire can rise without His aid? We have been assured, Sir, in the Sacred Writings that ‘Except the Lord build the House they labor in vain that build it.’ I firmly believe this; and I also believe that, without His concurring aid, we shall succeed in this political building no better than the builders of Babel.”

Step 4 – Decentralize and disconnect

At the same time as technology is getting smaller, faster and able to do more with less, the federal government has been getting bigger, slower and doing less with more. It can't go on. Instead of more federal regulators, we need to decentralize government decision making and give more power back to the States – like the Tenth Amendment of the Constitution specifies. The United States is the first true republic ever to be tried on the planet and it has a genius-level systems of checks and balances built in. We need to let the Constitution work its magic. Do away with federal “aid” programs and let each state decide for itself what it should do. Progressives have tried to manipulate government to their own aims. It's time for the States to again become the predominant governing entity in the United States. Don't worry about trying to fix everyone else's problems – fix your own and everything else will fall into place.

Step 5 – Strengthen the Constitution by Passing New Amendments

Debt and entitlements have brought about a constitutional crisis in modern-day America. Let's not let this crisis go to waste. Let's muster the political willpower to pass amendments which will mean we never get into this position again. How do we do that? The agenda is reasonably straight-forward:

- Pass an amendment which specifies the federal government must balance its budget – no exceptions.
- Pass an amendment which limits the terms of representatives to six years and senators to twelve years.
- Pass a line-item veto amendment which hands presidents a scalpel to go through bills and cut the fat.
- Pass an Act which limits year-to-year increases in federal spending to increases in the consumer price index.
- Pass an Act which allows presidents to freeze spending on an item and request Congress rescind it.
- Reinstate the president's authority to impound funds if budget items are deemed frivolous or unnecessary.
- Pass a commonsense lobbying bill prohibiting retired politicians and their families from acting as lobbyists.
- Set up a budget committee of political outsiders to tackle the long-term structural changes required.
- Prohibit fund raising while Congress is in session.
- Limit the length of Congressional sessions and utilize new technology better.

Step 6 – Take to the federal budget with scalpels, hatchets, and chainsaws

The United States must address its problems head-on and endure the pain which will be required to offset our decades of extravagance. We must stop spending what we don't have. In practical terms, that means moving responsibility for each federal government program to the States, privatizing it or cutting it altogether. George Washington had four cabinet departments. We need to close the Department of Energy and the Department of Education immediately. Energy (Motto: Working to Save the Planet) is a monolith which has nothing to show for \$750 billion of expenditure. Having a national educational system is unconstitutional. We must let this again become a State and a local issue because that's what it is. It's ludicrous in the extreme for taxpayer money to be sent to Washington where it is siphoned off, diluted and then funneled right back to the States along with specific rules on how it should be applied. There are hundreds of billions of dollars of items which can be trimmed from the federal budget without even touching entitlements. Let's start there. Send everything we can back to the States to manage and privatize everything else. Why should the federal government have a monopoly on the production of ammunition for our military arsenal, the operation of our ports, the management of airports, the provision of rail transportation and various other functions? These can be privatized and opened up to competition with all kinds of potential benefits. The key to success in making the hard decisions which will inevitably come later on will be to change the mindset of Americans and to convince them they don't need the government to do for them what they can and should do for themselves. To build that belief, we should start building momentum by eliminating the low-hanging fruit from the federal budget.

Step 7 – Declare war on defense dollars

National defense is the cradle of everything America stands for. As Thomas Paine noted: “Those who expect to reap the blessings of freedom must, like men, undergo the fatigues of supporting it.” There is, however, a smart and a dumb way to spend money on defense. The simple reality is the Pentagon is dysfunctional at present. We can have a military which is far more capable for 30 - 50 percent less than we are paying now – and without cutting the pay of any soldier. A full 40 percent of the Defense Department’s budget is spent on overhead and yet private contractors are permitted to spend no more than 15 percent on overhead. If we were to mandate the Department of Defense match the performance of private contractors, a quarter of the budget would be saved with no degradation of combat power. Sounds impossible? It will be if we lack the leadership and the political will to make it happen. It’s time to run defense’s back office like a private company. Does the Navy genuinely need more admirals (315) than ships (264)?

Step 8 – Turn the tax code into one of America’s greatest assets

Everyone knows the tax code is broken. It’s unworkable, incomprehensible, unproductive and ultimately unsustainable. Instead of using the tax code to try and redistribute wealth to create a more just society, let’s make it a statement of our beliefs as a nation and a means of creating growth. How? Let’s bring in a flat-tax system and be done with it. Some people have suggested a 17-percent flat rate would be about right, others have pushed for a 19-percent flat-tax rate for individuals and corporations alike. Let’s debate it and come up with a rate which makes sense and will be sustainable. Countries like Hong Kong, Estonia and Slovakia have already gone down this path and the result is people there concentrate on building wealth and creating jobs. A national flat-tax would eliminate everything we hate about our current system and at the same time epitomize what liberty and capitalism stand for.

As Americans, we have a justified passion for liberty. Our nation is the first republic the world has ever seen and to date, the experiment has worked exceptionally well. Progressives expect us to sit back and do nothing as we quietly line up to exchange self-sufficiency for serfdom. That’s not going to happen. The problems facing America today – like national debt and runaway entitlements – are daunting but earlier generations of Americans faced worse. The stared down world wars, communism, nuclear threats and more with stoic and abiding belief in the concept of liberty. We cannot and will not become the generation which lets true freedom slip from our grasp.

“Remember, nothing is inevitable. Nowhere is it etched in granite that America will fall. History is not static. It is written by God and it is based in virtue. If we can fix ourselves, we can fix our country. But we have to act. If you are waiting for a hero, then you are waiting for our demise. You are the hero. As Frederick Douglass once said during another period of American struggle, ‘Find out just what any people will quietly submit to and you have found out the exact measure of injustice and wrong which will be imposed on them.’ Our government has found out how much injustice Americans are willing to quietly accept. But it has yet to see what happens when we’ve had enough.”

– Glenn Beck