Published on HumanEvents.com on July 29, 2009

Americans should pay closer attention to California's ongoing -- albeit temporarily resolved -- fiscal crisis. What is happening in California may well forecast our nation's fiscal future if we don't act to prevent the same effects resulting from the same fiscal irresponsibility.

For years, California has overextended itself by spending taxpayer dollars on social service and other state-run programs without exercising any restraint. Now, as a result of this poor budgeting and government excess, California faces -- at best -- an uncertain fiscal future.

Everyone who's read a newspaper in the last ten years knows we've been heading in that same direction for too many years. Medicare and Social Security benefits alone may be enough to bankrupt the country, but in just the past few months we've added trillions more to the federal deficit. Right now, federal debt levels are growing much faster than the economy and, just as California did for years, we are spending far more than we can afford.

At the same time California is being forced to cut Medicaid services and other programs state-wide, the federal government is moving in the complete opposite direction, this time with a costly universal health care plan. This plan is wrong on many levels, not the least being its projected cost of more than $1 trillion upfront and increasing rate of at least 6 percent annually.

When adding the cost of the economic stimulus, the omnibus spending bill passed earlier this year at nearly $500 billion, the bailouts and other expenditures, there is no question that the federal budget is on an unsustainable path. This year alone, the federal budget deficit is expected to reach a record level $1.8 trillion as the national debt -- already at $12 trillion -- continues to grow.

Unless we change our ways, California offers a telling snapshot of where our nation might eventually end up in the not too distant future. With an economy that is bigger than most other industrialized countries in the world, the ripple effect of California's problems are being felt everywhere. Most notably, California's situation illustrates the ever-present danger of fiscal recklessness for even the strongest economies.

Also on display are the problems created by over-indulgent tax policies and burdensome environmental regulations. California's manufacturing sector continues to deteriorate against the backdrop of an 11 percent state-wide unemployment rate. While today's economy is partly to blame, California's environmental regulatory framework continues to push businesses and jobs elsewhere, especially in the evaporating manufacturing sector.

Still, the Obama Administration and Democratic Congress continue to push "cap and trade" legislation to create an artificial energy market that regulates carbon emissions. Most experts, including some in the Obama Administration, acknowledge this approach will kill at least one million jobs on the low end and force more manufacturers overseas. As if this were not enough, it also imposes new energy costs on families and businesses in what is clearly the worst recession in over a decade.

There are also striking similarities when it comes to taxes on workers and businesses. At the federal level, the top one percent of wage earners already pay a disproportionate share of the overall tax burden. This is true too in California, where state taxes are some of the most disproportionate and highest in the nation. Nonetheless, costs continue to exceed revenue and, just as California issued bonds to make up the difference, the U.S. government continues to borrow from China and other countries to bridge these shortfalls.

After months of impasse, California's elected leadership finally agreed to reconfigure or cut certain state services to close its $26 billion budget deficit. The state school system and community colleges suffered severe cuts, with billions of dollars in reductions. Other savings originated by limiting specific health care services to the poor and elderly, and through several budget gimmicks. All the while, there has not been any effort or interest to address the massive strain that illegal immigration puts on California's annual budget. Services for illegal aliens, including health care and incarceration, are estimated to cost state taxpayers between $7 and $10 billion a year. This too would have been - and still is -- a good place to look for immediate and future cost savings.

While California's budget agreement is good news and definitely a step in the right direction, it is only temporary. Next year, the state's elected leadership will find itself at the starting line once again and, when that happens, it should continue acting in the best interests of taxpayers by reducing costs wherever possible.

The federal government needs to look closely at California and learn from its experience. We too cannot keep spending without restraint, compounding debt and weakening our economic security. Otherwise, we will head down the same path as California. Hopefully, Congress and this Administration are paying close attention and recognize the apparent consequences of fiscal recklessness.