In his second inaugural address, President Obama offered a stirring vision of the future of America, and the role of the federal government in enabling America to achieve it. He rightly emphasized that "preserving our individual freedoms ultimately requires collective action." An active federal government is needed, he said, to ensure quality education for all, mobilize new technologies, care for the elderly, fight climate change, and address global poverty.

The challenge he faces -- that America faces -- is that the vision must be coherent with the budget. This has been the Achilles' heel of Obama's government from the start. And if he's not careful, he could put his powerful vision out of reach by budget blunders in the coming few weeks.

The problem is this. Almost all of the policy areas that Obama described are within what is called the non-security discretionary budget. This is the part of the budget that covers programs for education, job training, infrastructure, renewable energy, science and technology, the environment, and everything else not associated with the Pentagon, safety net programs (like Social Security, Medicaid, and Medicare), and interest on the debt.

That budget needs to expand, to take on the challenges that the President has powerfully outlined. Yet that budget has been shrinking for thirty years, on a declining trajectory started by Reagan and continued by every president since then -- including Obama in his first term!

In the 1970s, that budget was more than 4 percent of GDP, too little to meet America's needs even then, but at least within the ballpark. Then came Reagan and the goal to "starve the beast," meaning to cripple the government by cutting tax revenues so that spending would have to decline as well.

The non-defense discretionary budget fell to under 4 percent and continued to slide. By 2008, in the final year of the Bush Presidency, it had declined to 3.7 percent of GDP, and was no longer able to fund programs in science, technology, energy, climate change, education, job training, and infrastructure needed to keep America modern and competitive. When President Obama promised "Change" in 2008, the change he should have meant was to re-establish a vibrant Federal Government, with the finances to keep it running.

In fact, he did not do that. To win election and reelection he bought into the tax-cutting model started by Reagan and carried to absurd excess by Bush. To show that he was a Democrat rather than Republican, Obama called for taxes on the very rich (correct and well-deserved), but also agreed to extend the Bush tax cuts for at least 98 percent of households. With the fiscal cliff deal, that turned out to be 99 percent of households (all those below $450,000 in income). In other words, he bought the "starve the beast" formula of Reagan and Bush but with a small and mostly symbolic exception.

By now, the non-defense discretionary budget of Obama is less than under Bush, measured relative to the size of the economy. It now stands at around 3.4 percent of GDP. (The stimulus package pushed it up temporarily, but then outlays on this budget category came right down again when the temporary stimulus expired). All of the great things that President Obama rightly would like to do are without budget funding. And that's because the Democrats have bought into the Republican tax model in order to win elections.

Now here's the rub. President Obama seems intent now on a fiscal deal within the next few weeks that will make all of this permanent. All of the great vision and dreams will come to nothing if there is no budget to support them. And yet what is the White House championing?

I kid you not: the White House is touting a budget based on a baseline in which the non-defense discretionary budget will fall sharply in the coming years, to just 2.4 percent of GDP by 2022. That would be the lowest level in decades. It would make impossible the realization of the vision in yesterday's great speech.

And the truth is even worse. The 2.4 percent that would be left for all of the uplifting investments in his inaugural address also includes national security spending such as homeland security. If you strip out the national security spending from the 2.4 percent of GDP, we'd have just 1.7 percent of GDP available for all federal discretionary programs not related to national security and defense.

We need more revenues. Period. And not just small and symbolic revenues, but robust new revenues to fund expanded federal programs in education, infrastructure, science, technology, and the environment. A reasonable estimate is that the federal
government would need at least 2 percent of GDP per year more in revenues compared with the current situation. These could be found in a variety of ways: taxes on high net worth, a financial transactions tax, an end of corporate loopholes, a tax on carbon emissions, and so forth.

So here's my recommendation. Let's pay careful attention to what the President proposes in actual budget spending and revenues in the next few weeks. Let's keep our eye on the discretionary part of the budget -- the part that will fulfill his vision or leave it as merely nice words -- and then let us judge. Are we a country prepared to invest in our future -- or only to speak eloquently about it as the environmental crises multiply and the economy continues to stagnate?

Follow Jeffrey Sachs on Twitter: www.twitter.com/JeffDSachs