

SPECIAL REPORT

Tax Freedom Day – Not

By Doug Bandow on 4.11.11 @ 6:08AM

Americans finally finish working for the federal government on April 12 this year. That's three days later than last year, but still a couple weeks earlier than Tax Freedom Day in 2006 and 2007, April 24. The record in both peace and war was May 1 in 2000. Had Al Gore defeated George W. Bush in that year, TFD probably would have continued rising, as it had since Bill Clinton's election in 1992.

Unfortunately, April 12 still isn't much to be happy about. TFD rose to April 12 in 1962, but quickly fell back. In 1967 TFD again hit April 12, eventually oscillating between April 16 and 24. TFD fell to April 19 in 1992 before beginning another sharp rise. As a percentage of income taxes hit 30 percent in 1969 and hovered around the level for years. The tax burden did not fall below 29.1 percent until 2003. This year that percentage will be 27.7, a welcome but only marginal improvement.

Total taxes this year will cost Americans more than what they'll spend on food, shelter, and clothing combined. Not all of these purchases will prove worthwhile for all people, obviously. But compare their value to what the government does with their money.

Taxpayers are bailing out virtually every interest known to man -- plus a few not previously recognized. Banks get money. Auto companies get aid. Labor unions get benefits. Homeowners get help. Insurance companies get cash. Investment funds get guarantees. Property sellers get subsidies. Taxpayers get the bill.

But all this pales in comparison with the cost of last year's health care legislation. Everyone knows that the administration and Congress, like the famed Isuzu salesman, were lying. Taxpayers soon will be paying off insurance companies, doctors, and pharmaceutical companies -- just coincidentally all among the bill's most avid supporters -- as well as people forced to buy high-priced health insurance.

Americans also get the pleasure of subsidizing a gaggle of rich allies around the world, such as the Europeans, who are too busy supporting welfare states to maintain effective militaries. South Korea and Japan also are on the U.S. military dole, leaving the heavy lifting to Americans. Even corrupt Third World politicians, like Hamid Karzai, are on Washington's military payroll. America's ungrateful dependents now include the Libyan rebels, who blame the U.S. for the failure of their untrained, uncoordinated, and divided forces.

Taxpayers pay for domestic "welfare" too, which has done so much to destroy families and communities. Welfare reform in 1996 reduced the damage, but the so-called "stimulus" bill reversed course. The latter also wasted money without promoting long-term growth. In fact, the Congressional Budget Office figured that this legislation, after providing a short-term boost, will permanently *reduce* economic activity starting around 2015. Which means working families will earn less while paying higher federal interest payments on the borrowed funds.

There's so much more. A crowd favorite is pork barrel projects, used by big spending politicians to generate political support. Yes, I'm a thief, the lawmaker admits, and I stole from you, but I'll share a bit of the ill-gotten loot. Vote for me! Such is the appeal of democracy.

No wonder two-thirds of Americans believe they are overtaxed. Eight of ten mainstream voters believe that they pay too much. But not the political class. According to Rasmussen Reports, 87 percent of America's governing elite, who decide how to spend everyone else's earnings, disagree. They see a penny not taxed as a penny not spent, defeating their role in life.

More significantly, TFD doesn't mean much anymore. Taxes provided a relatively accurate measure of the burden of government when the budget was balanced -- most recently in 2001. (Guess which president was most responsible for that budget: It wasn't a Republican.) When you finished paying taxes, you were actually done paying for government.

No longer.

The federal budget this year will run about \$3.8 trillion, give or take a few dozen billion dollars, which hardly counts anymore. Borrowing will account for between \$1.5 trillion and \$1.65 trillion, depending on who is doing the estimating. That is roughly *40 percent of total federal outlays*. Unless Uncle Sam defaults on his obligations -- a tempting thought, since it would cut taxpayers' present obligations while making future borrowing much more difficult -- that money will eventually have to be paid.

Although the borrowing binge is occurring during Barack Obama's presidency, the Republicans also are responsible. George Bush and the GOP Congress turned a surplus into a big deficit.

They increased federal spending across-the-board. They created the Medicare drug benefit, with an unfunded liability of around \$15 trillion. The president launched and Congress funded two unnecessary nation-building expeditions in distant Third World lands. And President Bush was the driving force behind TARP and assorted other bail-outs. Indeed, his officials admitted that they had no "metric" for the \$700 billion TARP proposal; they just wanted a "big number." And they got it.

In short, the GOP created a solid foundation for President Obama's Big Government empire.

The Tax Foundation, which estimates Tax Freedom Day, acknowledges the problem. Since 2008, observes the Foundation, "deficits have been massive by any measure, and as a result, Tax Freedom Day may give the impression that the burden of government is smaller than it is. If the federal government were planning to collect enough in taxes during 2011 to finance all of its spending, it would have to collect about \$1.48 trillion more, and Tax Freedom Day would arrive on May 23 instead of April 12."

That revised TFD would set a peacetime record. You have to go back to World War II to find a time when the U.S. government spent a larger proportion of the economy. And World War II was the greatest conflict in human history. A little "kinetic military action" in Libya for who knows what purpose doesn't come close.

Unfortunately, there is little reason for optimism about the future. The congressional Republicans originally proposed to cut \$61 billion from this year's expenditures, about 1.6 percent. Now they've settled for \$22.5 billion less.

House Budget Committee Chairman Paul Ryan has offered a thoughtful long-term plan that would make major reductions in entitlements as well as discretionary spending. But its political future is, to put it kindly, uncertain. It won't go anywhere with a Democratic Senate and president. It might not go anywhere even if the Republicans win control of both ends of Pennsylvania Avenue next year.

The current budget numbers look frightening enough. But more spending is inevitable. Fannie Mae and Freddie Mac continue to lose money. The Federal Housing Administration is insuring more problem mortgages than ever. The FDIC continues to close banks. The Pension Benefit Guaranty Corporation continues to take over the pension plans of failed businesses. All of these and many other bills will eventually come due.

The Obama administration has got America into its third unnecessary Middle Eastern war in a decade. With military forces still occupying Iraq eight years later and still fighting in Afghanistan nearly ten years later, who knows how long the U.S. will be stuck fighting, occupying, and reconstructing Libya. War is just another Big Government program with an equally large unfunded liability.

Then there's Obamacare, assuming it is not repealed by Congress or overturned by the Supreme Court. By one estimate the legislation imposed an unfunded liability of over \$13 trillion. No one knows for sure, since the official estimates were fudged by Congress. Permanent, non-political officials at the Centers for Medicare and Medicaid Services have repeatedly said, ever so politely, that the Democrats lied about the numbers. The Medicare cuts that were necessary to fund the program simply aren't going to happen: they are "very unlikely to be viable indefinitely," under the new reimbursement rates providers "would eventually be unwilling or unable to treat Medicare beneficiaries," and projections based on these changes "are very likely to seriously understate actual Medicare costs in the long-range future."

Finally, there are the unfunded liabilities for Social Security, Medicare, and Medicaid. The federal government only develops an estimate for the first two, and their combined future red ink came to \$107 trillion in 2009, the last reliable estimate. Medicaid is on a similar trajectory. Left unchanged, these three programs alone will eventually destroy federal finances. Yet even many avid members of the Tea Party don't want to touch what they see as "their" benefit programs.

The fiscal train wreck is approaching. "The federal budget is on an unsustainable path, because federal debt will continue to grow much faster than the economy over the long-run," warned the CBO. Looking ahead just a decade, the agency reported: "To keep annual deficits and total federal debt from reaching levels that would substantially harm the economy, lawmakers would have to increase revenues significantly as a percentage of GDP, decrease projected spending

sharply, or enact some combination of the two."

Indeed, after the coming tsunami of spending, deficits, and debt, one hates to imagine the date of future Tax Freedom Days. Will there even be a tax freedom day? Maybe taxpayers will face the ultimate simplified tax form of just two lines: "1) How much did you earn? 2) Send it in."

With the president and Congress attempting to provide a full service global welfare state, the IRS is likely to become a little like the Eagles' Hotel California, where you can check out but never leave. You will be able to earn money, but never spend it. After all, everything you own was long ago promised by Uncle Sam to someone else.

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