SPECIAL REPORT

The Costliest Day

By G. Tracy Mehan, III on 8.23.10 @ 6:07AM

As Doug Bandow recently explained on this site, last Thursday, August 19, was "Cost of Government Day" (COGD), the date of the calendar year on which the average American worker has earned enough gross income to pay off his or her share of the spending and regulatory burden imposed by government at the federal, state and local levels.

"Two years ago Americans worked until July 16 to pay for the cost of government," says Grover Norquist, president of Americans for Tax Reform (ATF). "That government was too expensive and wasteful. Two years later, we work until August 19 for the same bloated government. We lost an additional full month of our income to pay the cost of government in just the last two years."

ATF and its Center for Fiscal Accountability (CFA), which are the inspiration for COGD, held a press conference at the National Press Club to commemorate the event. A panel of experts elaborated on all the costs, taxes, regulations and policies that have resulted in or will contribute to the unprecedented cumulative burden on American taxpayers.

In a dreary coincidence, just a few hours before the ATF and CFA press conference on the COGD, the Congressional Budget Office (CBO) released its annual summer update of the budget and economic outlook.

That report opens with a chirpy observation that the federal deficit for 2010 will exceed $1.3 trillion -- $71 billion below last year's total and $27 billion under the amount CBO predicted in March 2010. Still, relative to the size of the economy, "this year's deficit is expected to be the second largest shortfall in 65 years." At 9.1 percent of gross domestic product (GDP), "it is exceeded only by last year's deficit of 9.9 percent of GDP."

As Mr. Norquist said at the COGD press conference, it can be "depressing," but the important question is "What to do about it?"

Talk about depressing, Veronique de Rugy, a senior fellow at the Mercatus Center, expressed her dismay that, having left her native France several years ago to escape overbearing government, she sees the United States moving in a decidedly Gallic direction on regulation. She noted that the new financial regulatory reform bill will set off a chain reaction of regulatory activity, the cost of which are undeterminable but unavoidably costly. This will inevitably create uncertainty, which will create even more risk aversion in the economy. Fortunately, de Rugy did not express any present intention of abandoning these shores for the time being at least.

Despite the current *angst* over the possible repeal of the Bush tax cuts, panelist James Capretta observed that we have already experienced hundreds of billions in new taxes in the form of ObamaCare. Capretta was an Associate Director at the White House Office of Management and Budget (OMB), overseeing health care, Social Security, and welfare. He is a fellow with the Ethics and Public Policy Center and will manage ObamaCareWatch.org, a website dedicating to monitoring the new legislation's implementation and/or ultimate repeal. Just as disturbing, Capretta walked through the mechanics of the new health care bill, which will, literally, add tens of millions of new beneficiaries to a system that is already a financial mess.

Another participant in the press conference, David Kreutzer, a research fellow at the Heritage Foundation, provided a warning of further costs to be imposed by the federal government if Congress mandates a nationwide Renewable Electricity Standard (RES) which, while excluding hydropower and nuclear, will privilege solar and wind power and thereby require costly installations and transmission mechanisms.

Disputing various government studies, Kreutzer argues that RES will raise electricity prices by 36 percent for households and 60 percent for industry. It will add more than $10,000 to a family of four's share of the national debt by 2035.

Norquist used the press conference to expand on his 14 proposals to reduce government spending, which were originally outlined in his June 30 testimony to the President's National Commission on Fiscal Responsibility and Reform. He was adamant that entertaining any talk of any kind of tax increase simply undercuts the drive to control spending. He cited both President Ronald Reagan and the senior Bush as having been taken in by various proposals to raise taxes in return for promised cuts in spending, which never, ever materialized.

Two of my favorite suggestions involve term limits on a member of Congress's time on the Appropriation Committee and a ban on naming any federal building or monument after a sitting congressman or senator.

But a much bigger idea is Norquist's call for a freeze on federal discretionary spending at 2007 levels. He claims this would bring the budget into balance by 2013 "even assuming that Congress extends the 2001 and 2003 tax cuts and indexes the Alternative Minimum Tax for inflation."

What is striking about Grover Norquist's 14 points, if I may use that phrase, is that they are actually quite moderate in the sense of being politically and economically feasible or well within the realm of the possible.

For instance, he calls for resurrecting the "Byrd Committee," an idea he has previously described in *TAS*. It was the bipartisan, bicameral Joint Committee on Reduction of Nonessential Federal Expenditures, which was first proposed in 1941 to focus on rescissions in federal spending. Named after the late Senator Harry F. Byrd (D-VA), it was a serious legislative committee with real subpoena powers. Its proposals resulted in $38 billion (in 2010 dollars) in savings.

Norquist argues that any recommendations from a newly constituted Byrd Committee should be privileged and require an up-or-down vote on the floor. At Thursday's press conference, he said he would actually support two such committees, one for the House and one for the Senate, to encourage greater efforts (competition?) from both chambers. Sen. John Thune (R-SD) has already introduced legislation on the subject.

The 14 points do not specifically address the looming Death Star of runaway entitlement spending, but we already have Congressman Paul Ryan (R-WI) on that case. And congressmen, just like other people, need to walk before they can run. Norquist's recommendations will help them limber up a bit. Once they get into the swing of cutting the budget, who knows what they might achieve.

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