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The Case Against Government Spending

Peter Suderman | September 16, 2010

Harvard economist Jeffrey Miron's [new paper on government spending](#) offers a sort of Econ 101 lecture on all the ways that government spending can and does go wrong. It transfers money to politically favored constituencies, props up entitlements that go to well-off individuals and businesses, and creates deadweight loss—in which “a dollar of government expenditure costs more than a dollar because of the distortion it creates.” The primary argument of the paper, though, is that the current mix of taxes and spending is unsustainable, and that the best way to address the problem is to hack away at wasteful and counterproductive government expenditures:

If tax increases cannot restore fiscal balance, then the U.S. must slow the path of expenditure to avoid fiscal Armageddon...The nation must either suffer higher and higher tax rates, which will slow growth and ultimately reduce rather than increase revenue, or it must cut government functions that are allegedly vital for economic productivity and the quality of life.

This paper argues that current U.S. expenditure is far greater than necessary to support an efficient economy or an equitable society, so expenditure should be cut regardless of the fiscal outlook. Certain expenditure, to be sure, is vital to a country's success and survival, but much current expenditure actually lowers the economy's productive capacity. Thus expenditure cuts can simultaneously improve fiscal balance while enhancing economic growth.

As Matt Welch [mentioned earlier today](#), Reason's forthcoming issue features a wealth of ideas for reducing the size of the state ([so subscribe!](#)). And if you've looked at a major newspaper today, you may have seen that the good folks at The Cato Institute's Downsizing Government project have taken out full page ads summarizing ways to pare back federal spending. Given the current political environment, it can be tough to imagine that major spending cuts actually have a chance. Obviously, that's compounded by [the let's-cut-spending-that-doesn't-benefit-me problem](#). But if something can't go on forever, it won't. And that's more or less the situation we're in with the current mix of government spending and revenues. Eventually, the country's citizens and policymakers will either have to choose to make changes or have those changes forced upon them.

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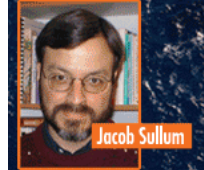
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