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## **Can America be a Successful Low-Tax Society...Again?**

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How large should the government be? Many Americans side with Henry David Thoreau's maxim: "That government governs best that governs least." They agree with Sam Houston's advice to "govern wisely and as little as possible." Critics of big government are not anarchists demanding no government — just as a diet is not a wish to disappear. Cancer doctors are not "anti-cell"; they fight cells that grow so rapidly they threaten a person's life.

Yet, we have now lived with heavy-handed government at the national, state and local levels for so long that we might wonder if limited government would work. Would it keep us safe?

History gives us some guidance. Back in 1774, American colonists paid between 1 and 2 percent of their incomes in total taxation, compared to today's 35 percent. The American colonies were among the wealthiest on the planet, while British taxpayers in London were paying 20 percent of their income to the crown.

Wars and the Welfare State are the major culprits. Address those and you have a major part of the solution.

How did America keep taxes low back then? Our government avoided many things other nations did. We didn't pick your religion and burn you at the stake if you misunderstood scripture. We didn't run an empire. We treated (most) Americans well enough that the State did not require a standing army as an occupying force.

After the taxes for the War of 1812 were repealed, successive U.S. national governments, from President Monroe to President Lincoln, ran on tariffs and land sales, with total spending across

levels of government never topping 4 percent of the economy. As late as 1900, total government spending was 8 percent of the economy. It was 13 percent in 1930.

So how did our governments — federal, state and local — get so fat that they spend 35 percent of the national economy? Wars and the welfare state are major culprits. Address those, and you have a big piece of the solution.

Every war has seen government spending spike and then fail to return to its previous size. But defense spending can be reduced. Dwight Eisenhower's presidency spent 10 percent of the GDP on the Pentagon. Ronald Reagan won the Cold War, scattered the Soviet empire and pushed Russia's borders back 1,000 miles, never spending more than 7 percent of the GDP on the military. Defense spending is now 4 percent. We cut the cost of the heavily armed bits of the federal government by half. The rest of the Leviathan should be easier to shrink.

There was no longstanding national consensus to create and expand the welfare state. Half our national government spending was created in just four years: the New Deal years of 1934–36 and the Great Society years of 1964–66. Take away those entitlement programs, and federal spending would be 10 percent of the economy, not 20 percent. Here's how we can reform those programs to reduce their cost:

- Move all government pensions and Social Security from a defined benefit, pay-as-you-go system (some might call it a Ponzi scheme) to a defined contribution plan just as the private sector and many states have done. The Tax Foundation calculates that the average American would retire with more than \$1 million in assets if he invested his and his employer's Federal Insurance Contributions Act taxes in the stock market. Utah moved all new government hires to a defined contribution — 401(k)/IRA — pension in 2010. If all 50 states do so, the now-\$6 trillion unfunded liabilities in state pension programs would phase out to zero.
- Expand on Bill Clinton's 1996 reform of more than 180 means-tested welfare programs. He block-granted Aid to Families with Dependent Children (AFDC) to the states, imposed work requirements and capped the growth of spending but otherwise allowed the 50 states to compete to provide the best government at the lowest cost. AFDC spending fell about 18 percent from 1990 to 2001. What if we had saved 18 percent, or \$4 trillion, of the \$22 trillion that the Great Society programs cost taxpayers between 1965 and 2015? We can, going forward.
- End the post office's legal monopoly on first-class mail. Let FedEx, UPS and others compete to move packages and mail. The post office employs more Americans than the U.S. Army does for active duty. Private competition would mean faster, more certain delivery, at lower costs. The tens of billions in taxpayer subsidies to this monopoly would end.
- The Calvert bill — moved by California Republican Congressman Ken Calvert — would through attrition reduce the number of civilian employees at the Pentagon by 15 percent (108,600 employees). This would save more than \$100,000 per employee in pay, benefits and pensions each year.
- End all corporate welfare: The Cato Institute estimates the federal government spends more than \$100 billion annually on this.

- Fire deaths and damage have fallen due to smoke alarms, sprinkler systems and better housing construction, reducing the need for the fire service. Uber and — soon — self-driving cars will continue to displace government-run subways. Technology is making what government does at great expense less necessary.
- Repeal the Davis-Bacon Act, which increases the cost of all federal contracting by some 25 percent by insisting on local minimum wages for public works for laborers and mechanics. Michigan, Wisconsin, Kentucky and West Virginia recently repealed mini-Davis-Bacon acts or prevailing wage laws they had enacted. This means more roads and bridges at the same cost.
- And how do we get from the present welfare/warfare state, plus-size government to one that is svelte and competent? Step by step, by reforming the government to cost less over time and allowing 50 states to compete to create the most cost-effective government. Budget cuts aren't needed. Consistent reform and restraint over time will do.
- The “gridlock,” when President Bill Clinton and the Republican Congress cut the capital gains tax but could not agree on a new, more expensive budget, reduced federal spending from 19.33 percent to 17.45 percent of the GDP from 1996 to 2000. The 2011 “sequester” that President Barack Obama and a Republican Congress enacted brought federal spending down from 23.18 percent to 20.01 percent in 2014. At the state level, the California government would be spending \$29 billion less today had it simply increased its spending no faster than its citizens increased their incomes.
- Grow the economy at 4 percent a year — get back to Reagan-like rates, rather than Obama's 2 percent average a year. Simultaneously, maintain budget restraint at every level of government. The government, with these reforms in place, could use a much smaller part of your family budget. There's no need to push full on to Ayn Rand's Galt's Gulch.

Freedom is addictive and contagious. America has thrived over the centuries when it moved toward “less” government and “more” freedom. That's what it needs again.