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## The fiscal commission's omission

By: **Tad DeHaven**

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President Barack Obama's National Commission on Fiscal Responsibility and Reform was given the seemingly impossible task of crafting a budgetary blueprint to head off the country's looming debt crisis in a way both Democrats and Republicans could accept. The commission's final report was therefore predictable — with elements Republicans and Democrats could both like and dislike.

Though the commission's 11-8 vote for the report was short of the 14 needed to send it to Congress, the panel has succeeded in stirring a much-needed national debate about the government's unsustainable fiscal situation. A critical element is the question: "What is the proper role of the federal government?"

Unfortunately, this question is virtually absent from the report. Rather, it appears to operate on the premise that the federal government should continue to do everything it now does.

On the revenue side, the report advocates increasing federal revenues, primarily by lowering marginal tax rates, and broadening the tax base, by eliminating or reducing various credits and deductions. Republicans would get a more economically friendly tax code, while Democrats would get more money for the government to spend.

On the spending side, the report proposes

to cap discretionary spending and modestly trim the big-ticket entitlement programs – Social Security, Medicare and Medicaid. Republicans would get smaller increases in projected spending, while Democrats would see entitlements remain Washington's sacrosanct obligations.

The report states, "We should cut red tape

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and unproductive government spending that hinders job creation and growth.” Few would argue with that. But then it says, “At the same time, we must invest in education, infrastructure, and high-value research and development to help our economy grow, keep us globally competitive and make it easier for businesses to create jobs.”

Did the panel even consider whether decades of multibillion-dollar federal “investments” in education have actually accomplished anything? Inflation-adjusted federal spending per-pupil has exploded by almost 200 percent since 1970. Yet, test scores have remained essentially flat.

Might federal involvement in education be a reason why this country produces such mediocre educational results despite massive taxpayer “investments?” The commission should have addressed that question before deciding that federal taxpayers “must” continue funding the Department of Education.

The panel proposes a federal gas tax increase of 15 cents a gallon to fund infrastructure. Again, the presumption seems to be that the federal government is the ideal means for funding state and local infrastructure.

The report, though, recognizes the federal government’s inefficiency by advising Congress that it “should limit [transportation] trust fund spending to the most pressing infrastructure needs rather than forcing states to fund low-priority projects” and “should also end the practice

of highway authorization earmarks such as the infamous Bridge to Nowhere.”

Here’s a novel idea: Why not consider allowing the states to take the responsibility for their infrastructure needs? Perhaps some states would raise their gasoline taxes while others might experiment with privately financed and operated

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infrastructure. A decentralized approach to infrastructure could produce more effective and efficient outcomes, but the commission just perpetuates the top-down Washington model.

The upshot is that, under the commission's plan, federal spending and revenues as a share of the economy would both settle at 21 percent of gross domestic product. But federal revenues have never reached 21 percent of GDP, while the average for postwar spending is less than 21 percent. In other words, the big government we have is the big government we're going to keep.

A valid point is that the true cost of government is how much it spends. Therefore, financing government spending with additional revenues instead of dumping more debt onto future taxpayers could be considered the lesser of two evils. The country would avoid having the national debt spiral further out of control, which is what the commission was mandated to accomplish.

Nonetheless, the commission did the national debate disservice by failing to acknowledge that Washington might not have the answers to all its citizens' needs.

As the debate moves from the commission to Congress, policymakers need to remember that our dilemma isn't just the debt burden we're set to foist on future generations. It's also whether we want our children and grandchildren to live in a freer, more prosperous society.

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