

NATIONAL REVIEW

Ten Reasons to Oppose More Spending

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DEMOCRATIC leaders in Congress are moving ahead with a \$1 trillion infrastructure bill and a \$3.5 trillion reconciliation bill to expand entitlements. Both bills are fiscally reckless and fund activities that are the proper responsibility of the states and private sector. To hear most politicians tell it, though, you would think there are no downsides — and only tremendous benefits — attendant to federal-budget expansion. But that is not the case.

Here are ten reasons to oppose the infrastructure and entitlement bills.

Federal Overload

With more than 2,300 programs, the federal government is already far too large for policy-makers to oversee. As economist Milton Friedman once observed, “Because government is doing so many things it ought not to be doing, it performs the functions it ought to be performing badly.” The White House’s focus on expanding the welfare state in recent months may, for instance, have distracted it from properly planning the Afghanistan pullout.

Tax Hikes

The infrastructure and entitlement bills would be funded partly by damaging tax hikes. Proposed corporate-tax increases would undermine business investment, thus reducing job opportunities and wages. Proposed capital-gains-tax increases would undermine investment in start-ups, particularly in technology hubs such as Silicon Valley.

Rising Debt

Both bills would be funded partly by incurring more debt, which would result in higher taxes down the road. If both bills pass, federal debt per U.S. household would rise from \$179,000 today to \$288,000 by 2031. As debt rises, a larger share of worker pay will be taxed to pay interest costs, which will be very hard on tomorrow’s workers, who will have their own costs and crises to deal with.

Economic Crisis

Rising debt could trigger an economic crisis marked by soaring interest rates and falling output. Greece's debt crisis a decade ago created long-lasting damage — its real income per capita is still down one-quarter from its pre-crisis level. Our combined federal- and state-government debt is already about the same size relative to the economy as was Greece's before its crisis.

States Can Fund

Most of the proposed spending is for activities that states can fund themselves. With infrastructure, more than half the states have raised their gas taxes to fund their own highways and transit since 2015. With entitlements, some states are already funding activities that the Democrats want to impose nationally, such as paid family leave. Expanding entitlements is a bad idea, but it is far more damaging when in the form of a top-down scheme imposed by Congress. Besides, the federal government is running huge deficits while the states are enjoying budget surpluses with tax revenues up 11 percent over pre-pandemic levels.

Democracy

One casualty of rising federal spending is democracy. When the feds hand out subsidies for state and local activities, decision-making authority is moved from elected state and local officials to unelected and unknown officials in far-away Washington. The infrastructure and entitlement bills would move control over activities such as preschool, child care, paid leave, housing and zoning, and the electric grid to federal bureaucrats. That is why former Senator James Buckley argued that “citizens are effectively disenfranchised” by federal subsidy programs. In his April address to Congress, President Joe Biden expressed his support for “democracy” 16 times, but his plans to expand federal power would do the opposite.

Diversity

Residents of each state have varying preferences for social programs and taxes. In our federal system, the states can maximize value by tailoring policies to the needs of their residents. But the proposed bills would undermine such beneficial diversity by imposing one-size-fits-all programs for paid leave, preschool, energy, and other activities. In his April address, the president promised that he would bring the nation together, but trying to force conformity on Americans with top-down programs would increase anger and division.

Corporate Welfare

Democratic leaders, such as Senators Elizabeth Warren and Bernie Sanders, often rail against corporate subsidies. Yet both bills include hundreds of billions in corporate subsidies for broadband, utilities, electric vehicles, manufacturing, research, renewable energy, and other items. If passed, the subsidies would be a boost to the corporate lobbyists in Washington, encouraging them to ask for even more, more, more . . .

Regulations

Federal subsidies come hand in hand with costly regulations imposed on the states, cities, and private groups administering the programs. The current federal education disabilities law, for example, is 94 pages long but has generated 1,700 pages of regulations and masses of litigation. Meanwhile, federal infrastructure subsidies come tied to labor and environmental rules that raise costs and delay projects. The proposed legislation would likely be accompanied by a mass of costly federal rules on education, energy, housing, college, child care, and other subsidized activities.

Fraud and Waste

Federal subsidy programs suffer from high levels of waste and fraud because state and local administrators have little incentive to restrain costs when the funds come “free” from Washington. Programs such as Medicaid and national school lunches have long had high fraud rates; we have seen massive fraud in the recent pandemic aid to the states, too. Meanwhile, federally funded local projects, such as light-rail systems, often suffer from large cost overruns. The new hand-out programs would suffer these same problems.

In sum, new infrastructure and entitlement spending would overload federal policy-makers, who are already doing a lousy job of managing the vast array of current spending programs. All the proposed spending is for activities that should be instead handled by states, businesses, charities, and individuals. When it imposes national programs, Congress needlessly crushes diversity and local democratic choices. Americans would benefit more from a smaller, leaner federal government that balanced its budget and focused on its core missions.

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