

Our Government Spending Problem

By: John Hayward – April 11, 2013

The *Wall Street Journal* says the real news about President Obama's long-delayed budget proposal is that it "ratifies much of the spending increase of the first term and tries to lock it in":

He wants the feds to spend \$3.78 trillion next year (\$11,944 per American), which would still be 22.2% of national output nearly four years into an economic recovery. Before the financial panic in 2008, the government was spending about \$1 trillion less, or closer to \$2.7 trillion a year and an average of 20% of GDP—and President Bush was no slouch as a spender himself.

Mr. Obama wants federal spending to grow to \$4.45 trillion by 2018 fueled mostly by the exploding costs of his Affordable Care Act. This spending surge appears smaller than it is only because the government will bank large reductions in military spending as the Iraq and Afghanistan wars wind down. But unlike in the 1990s, this peace dividend will be spent.

On the other hand, the Cato Institute says Bush was actually much worse about the rate of spending growth than Obama, if the TARP bailout is excluded:

The figure indicates that spending jumped from \$1.86 trillion in 2001 to \$2.98 trillion in 2008. That's a 60 percent jump in seven years under Bush, which works out to an annual average growth rate of 7.0 percent. (All data cited here are for fiscal years).

Then comes 2009. Usually this year would be assigned to the outgoing president because the new president comes in part way during the year and typically does not make substantial changes to the current-year budget. But Obama took steps to immediately boost spending in 2009, including pushing through the giant stimulus bill. The CBO has reported that stimulus outlays were \$114 billion in 2009.

In Bush's last budget, he proposed that 2009 spending be \$177 billion above the 2008 level, but the actual increase ended up being a massive \$386 billion. So you can see that Obama and Congress were mainly responsible for the huge spending leap in 2009, not Bush.

So let's assign 2009 to Obama and measure his spending from a base in 2008 (\$2.98 trillion) to his newly proposed spending for 2014 of \$3.78 trillion. Spending increased 27 percent over those six years, or 4.0 percent annually. That's far too much, but still substantially less than the 7.0 percent growth rate under Bush.

As Cato's article notes, the role of Congress throughout both presidencies should not be discounted. It should also be remembered that Obama's spending increases were piled atop Bush's. Our government spending problem has been growing for a long time.

The media is not generally keen on reminding voters that much of this spending becomes part of a permanent, perpetually rising "baseline." These aren't all one-time expenditures or short-term "emergency" plans, although they are frequently sold to the public that way.

A \$4.45 trillion government by 2018? Has America really become so sick and weak that it cannot survive without a government 65 percent larger than the bloated system left by George W. Bush? What happens if we need to launch another major military operation, and that "peace dividend" suddenly evaporates? Sadly, that's not a remote possibility, and at any rate it's not healthy for our enemies to think we don't have the economic strength to fight a war. Locking in high levels of permanent spending leaves us with reduced flexibility to deal with emergencies.

The great fiscal crisis confronting the United States is *government spending*, not just the deficit. The deficit is an accomplice to irresponsible spending. Deficit spending facilitates the rapid surge of these spending "baselines," while leading the public to believe that more money can be spent on crowd-pleasing programs without cutting anything else. Deficit spending today leads to demands for higher taxes tomorrow. The problem with pennies from heaven is that you eventually find yourself buried under them, if it rains pennies long and hard enough.

Big spending also creates the conditions under which gigantic deficits seem acceptable to the public. A \$1 trillion government running a \$1 trillion deficit would be eye-popping, but \$3.7 trillion governments can spend a trillion dollars they don't have without causing a panic. How much of a deficit will that \$4.45 trillion government be able to get away with running... as the spending baseline rises enough to make a \$6 trillion or \$7 trillion government seem feasible?

The more government spends, the harder it becomes to control. Look at the howls of agony greeting the comically tiny sequestration spending cuts. One might think \$80 billion is easier to cut from a budget (ahem, make that "non-budgeted spending") that grew by a trillion dollars in four years, but in many ways, the reverse is closer to the truth. More money gives the State more ways to make spending cuts hurt; it brings more dependency, and purchases more votes. Spending more money also means the government is *doing more*, which automatically makes it harder to hold politicians "accountable" for any particular blunder or offense.

Government spending eats away at freedom. The State is compulsive power. We need some of that power to keep society running – we most certainly want agents of the State to show up and compel thieves and murderers to knock it off. But *everything* the government does is a form of compulsion, even the programs it presents as acts of charity. Conditions must always be met to receive this "charity," and not everyone qualifies.

More money means more force, which is used to do everything from overturning the judgment of the free market, to confusing citizens about the true value of goods and

labor. Even the money that isn't seized from today's citizens through taxation is still employed to force political judgments upon the unwilling, with either penalties or subsidies. Compulsion can come in the form of both carrots and sticks, after all, although we'd do well to remember that every carrot was beaten out of someone else with a stick.

It's clear that big money makes government less efficient. A tight operation on a strict budget watches its funds carefully; a lavishly funded agency goes in search of new missions and stops sweating over the small change, especially since the only way it can keep the money coming is by perpetually claiming to be under-funded. Give government a million dollars, and thousands will disappear; give it \$3.7 trillion, and tens of billions vanish into thin air. You'll notice the super-State is so untroubled by this waste that it doesn't give serious thought to controlling it, even when the public is alarmed about our national debt; those who worship Big Government merely use this as an opportunity to demand higher taxes.

Feed the State, and it grows hungrier. Make politicians into giants, and they want to become titans. Let the government control parts of your life, and it will become obsessed with whatever it doesn't control yet. Accept the State as a partner, and none of the partnership's failures will ever be its fault. Government spending is a crisis, and not just because of taxation or debt.