

The Spending Cliff

Republicans focused on taxes, and lost on spending, too.

By: Michael Tanner - JANUARY 3, 2013

Twenty-three point nine trillion dollars.

That will be our national debt in 2022 under the fiscal-cliff bill that just passed Congress. That's nearly \$4 trillion more than the current-law baseline, and while most of that comes from making the Bush tax cuts permanent for most Americans without offsetting the loss of revenue through spending cuts, at least \$330 billion of the new debt results from the increased spending that was part of the deal. Our government debt will amount to more than 118 percent of GDP.

So the deal not only fails to cut spending, it also simply tosses more money on top of the spending increases that were already built into future budgets. Now the federal government will spend \$5.5 trillion in 2022, compared with \$3.5 trillion this year. We will be spending \$2 trillion more per year and facing \$1.5 trillion more in debt than if federal spending were to rise commensurate with population growth plus inflation over the next ten years.

And this is only going to get worse after 2022, as entitlements, still unreformed after the cliff deal, explode. By 2050, our national debt will top \$58 trillion *intoday's dollars*. That's more than double what it would be if the increase in federal spending were limited to inflation plus population growth.

How did we end up with this epic failure? In part, it was because Republicans' fixation on cutting taxes blinded them to the real threat to economic growth and freedom — the growing size of the federal government.

I would be among the first to agree that raising taxes is bad. Tax hikes take more money out of the productive sector of the economy and redistribute it to the non-productive governmental sector, slowing economic growth. The distortions in economic decision-making brought about by those taxes will slow growth and reduce prosperity even further. But even more important, taxes appropriate the property that an individual has justly earned through his labor or ingenuity. Every dollar that the government takes from an individual is one less dollar that he or she can save, invest, or spend as he or she sees fit.

But simply paying for big government through debt rather than taxes is not an appreciable improvement. As Harvard's Robert Barro points out, there is a "significantly negative relation between the growth of real GDP and the growth of the government share of GDP." And, of course, our liberty is further constrained as a growing

government takes up more and more space that once belonged to individuals and their choices.

Yet during the fiscal-cliff negotiations, Republicans were all too willing to forgo spending cuts as long as they were able to retain some additional tax cuts.

Republicans claim that, having disposed of the tax issue, they will now devote all their attention to securing spending reductions as part of the continuing-resolution and debt-ceiling negotiations to come. But President Obama is already laying the political groundwork for this debate, warning that Republicans will risk throwing the country into default over the debt ceiling in order to cut Social Security and Medicare. Will the GOP have the courage to insist on making the deep and painful cuts that will be required to restore us to fiscal sanity?

Forgive me for being skeptical, but not only did the last debt-ceiling agreement fail to actually cut spending (federal spending rose by \$61.5 billion in the twelve months following that deal), the fiscal-cliff agreement undid two months' worth, or \$24 billion, of the sequestration cuts resulting from the debt-ceiling compromise. Indeed, congressional negotiators will spend the next two months looking for ways to undo the rest of the sequester.

“God put the Republican Party on earth to cut taxes,” the late columnist Robert Novak once noted. “If they can’t do that, they have no useful purpose.” Perhaps. But unless Republicans are willing to see that spending is every bit as big a threat to liberty and prosperity as taxes are, America is well on its way to becoming Greece.