



The Golden Age of Government by Groupon

By Nick Gillespie

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These days only suckers pay retail for restaurants, clothes, and massages. And tanks, medicine, retirement, border patrol, and nearly every other thing the federal government provides.

Now that Tax Day has come and gone in a ritualized haze of misery and Maalox, can we get serious about, you know, actually settling the bill for the federal government's expenditures? For all the bitching and moaning about paying taxes, the inconvenient truth is that we're still totally living on borrowed money—and hence borrowed time. Eventually taxes will have to be raised, outlays reduced, or national debt inflated away (or most likely, some combination of all three).

Last year, according to the [Congressional Budget Office \(CBO\)](#), the feds spent about \$3.5 trillion while bringing in just \$2.8 trillion. That means that Uncle Sam borrowed about 20 cents of every dollar he spent. Sadly, that represents progress of a sort: Over the years 2009-2013, Washington borrowed about 33 cents per dollar of spending. That's one of the reasons why [the national debt](#) is now north of \$17 trillion and 100 percent of GDP.

Well, only suckers pay retail, right? Maybe instead of worrying about the inevitably higher taxes, lower expenditures, and/or worth-less dollars that are surely coming our way at some grim point in the future, we should just embrace what should be called the Golden Age of Groupon Government.

You know Groupon, right? [It's a website](#) that allows consumers to get steep discounts on all kinds of goods and services. As I started writing this from *Reason's* offices just north of Dupont Circle in D.C., I could pick up \$34 of Ben & Jerry's Ice Cream for just \$17 (50 percent off!); \$199 worth of teeth whitening for the low, low price of \$49 (75 percent off!) and \$98 of zip lining in West Virginia for a mere \$59 (40 percent off!).

The idea behind Groupon is pretty simple: If you discount the price of something, then people are more likely to buy it. While we may not be willing to shell out \$34 for artery-clogging amounts of [Cherry Garcia, Coffee Heath Bar Crunch, and Chubby Hubby](#), we might sign on if the cost is just \$17.

For decades now, we've been getting much more government than we're actually willing to pay for. Which leads to...more government. About a decade ago, two Cato Institute scholars—Peter Van Doren and the late William Niskanen—reported on [“Some Intriguing Findings About Federal Spending.”](#) Basically, they found that when the government appears to charge citizens less money in the form of current taxes and fees, people are happy to purchase more government. “Controlling for the unemployment rate, federal spending [between 1981 and 2000] increased by about one-half percent of GDP for each one percentage point decline in the relative level of federal tax revenues.” Does anyone else remember a simpler, more parsimonious America? “Gas, grass, or ass—nobody rides for free” is only a bumper sticker these days.

Sadly, Groupon Government is one area in which bipartisanship rules like a schoolyard bully. Liberals and conservatives, Democrats and Republicans are totally on board with Groupon Government. Barack Obama has been happy to give us 33 percent off the real price of government since taking office—and [his latest budget plan](#) doesn't do anything to change that. It's deficits all the way forward through 2024. There's not even a feint toward matching revenue and expenditures.

That's more evidence—along with a demonstrated disregard for civil liberties, a willingness to create massive new health care programs, and a passion for deporting immigrants—that Obama is an extension of George W. Bush's policies. Dubya borrowed on average 17 cents per dollar in the budget years 2002-2009. Who wouldn't be tempted to buy \$1 worth of government if you can get it for just 83 cents or, better yet, for just 67 cents? In 2009, a budget year that included the start of Bush's TARP and Obama's stimulus and hence is on both their backs, we paid just 60 cents for every dollar spent. Given the financial crisis and recession (which simultaneously lowers revenues and raises demand for social welfare programs), such a spike is understandable. But the plain fact is that neither Democrats nor Republicans ever envision a day when spending and revenue come into even rough alignment. The Republican budget plan, authored by Rep. Paul Ryan, is one of the phoniest documents since CBS revealed George Bush's Alabama National Guard records. It's filled with tricks and gimmicks—chief among them, [zeroing out Obamacare spending while maintaining Obamacare tax revenues](#)—while growing total federal spending.

Bush was particularly deft at offering irresistible new programs and activities at steep, steep discounts. At the time, 2003's Medicare prescription drug benefit was the largest entitlement expansion since Medicare and Medicaid were enacted in the 1960s. Pills for old people—who were spending “just 3.2 percent” [<http://reason.com/blog/2010/11/19/happy-birthday-medicare-part-d>] of their income on prescriptions when the expansion passed—cost taxpayers \$62 billion in 2010. It cost Medicare beneficiaries essentially nothing (no wonder seniors love the program to death). Bush and the Republican Congress refused to raise taxes or reduce other outlays to cover those new costs, which could be as much [as \\$150 million per year](#) in 2019.

Do you remember the wars in Afghanistan and Iraq? Not only did Bush and company refuse to pass a war tax to fund those efforts, they used [“emergency supplemental”](#) appropriations procedures that minimized legislative oversight and restraints on spending caps. Only a real skinflint would turn away from purchasing trillions of dollars of “free” war, right? In fact, war boosters—and virtually all Democrats and Republicans were war boosters at one time—even claimed that the reconstruction of Iraq would [effectively pay for itself](#) over time through oil revenue.

Although emergency spending procedures were only supposed to be used to pay for actual emergencies—think natural disasters or the first year of a war—the federal government was still using them as late as 2009 to cover parts of the costs for ongoing military engagements that had started in 2001 and 2003. Needless to say, the emergency supplementals didn’t just fund troops and material in Afghanistan and Iraq. As Meratus Center economist Veronique de Rugy detailed in 2008, these bills also threw dollars at Gulf Coast shrimpers, Florida orange growers, and Hawaiian road builders, “and other recipients who have nothing to do with fighting terrorism.”

The Godfather of Groupon Government is none other than Ronald Reagan, who campaigned on killing whole cabinet departments and then presided over deficits that were so scandalously large that even Andy Warhol [felt a need to comment on them](#). Starting in 1983, revenue increased every year under Reagan, but so did spending (by 42 percent), leading to a tripling of the national debt on the Gipper’s watch.

Between 1974 (when new budget rules and accounting systems were put in place) and 2013, the CBO reports that total federal revenues averaged 17.5 percent of GDP while outlays averaged 20.5 percent of GDP. Expressed in terms of dollars, the government only charged Americans 84 cents per dollar of spending. Over the course of Reagan’s two terms, revenue only covered 82 cents, thus generously offered Americans an 18 percent discount.

More important, he ushered in an age in which, politically at least, deficit spending means never having to say you’re sorry. Or as former Vice President Dick Cheney reportedly told Treasury Secretary Paul O’Neill back in 2002 as George Bush was in the early stages of becoming [a big-government disaster](#), [“Reagan proved that deficits don’t matter.”](#)

They sure don’t. Unless you’re the schmuck sitting in the White House or the Capitol when the bill finally comes due. Or if you plan to be alive sometime over the next few decades. The trust funds for Social Security [are running dry](#) and when they do, current law stipulates that payouts can only equal a given year’s receipts. That means benefits will be cut by 25 percent or more. Or taxes will be raised. Or some mix of both. Medicare’s finances are in similarly awful shape and there’s every reason to believe that Obamacare—sold on the promise that it wouldn’t “add one dime” to federal deficits—is likely to cause [at least \\$340 billion](#) in red ink during its first full decade of operation. Given that the other big promise girding the passage of Obamacare—“If you like your health care plan, you can keep it”—was Politifact’s 2013 [“Lie of the Year,”](#) is anyone shocked that the Affordable Care Act will turn out to be much more expensive than originally assumed?

As a libertarian, I would cut federal deficits primarily through spending cuts. And not the nonexistent cuts in the supposedly draconian budget offered by heartless House Republicans (who call for spending \$3.7 trillion in fiscal 2015 and a whopping \$5 trillion in 2024; [see table S-1](#)). I mean actual year-over-year decreases in spending per capita. We've reached the point, I'd argue, [where spending increases](#) have been so automatic for so long, it's time to call time out (this is effectively what's been happening over the past few years since 2009). We can certainly get by with far less spending on the military and it's well past time that [we scrap old-age entitlements](#) that addressed problems of the Great Depression and relied on a completely different labor supply than the one we'll have for the next 100 years. I realize that my priorities will not sing to conservative and liberal ears, but don't we all agree that persistently spending far more than you take in is a problem (even [Krugtron the Invincible](#) cops to this).

At least with a Groupon deal, you settle your bill up at the exact moment of the sale. Those heavily discounted gallons of Ben & Jerry's Ice Cream may give you a stroke, but it's not as if you—or your descendants—are still on the hook for the other 50 percent of the purchase 10, 20, or 30 years down the line. Yet that's exactly where we are with Groupon Government: We buy more than we can afford now, with no good idea of how we're ever going to pay up when the rest of the bill finally comes due. Because if we're lucky, we'll be long gone before that day arrives. As Keynes once quipped, ["In the long run, we are all dead."](#) You bet, but who's paying for our funeral? And will they be paying retail?