

MICHAEL TANNER

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Not Just the Size of the Debt

The size of the government matters, too.

Today, Pres. Barack Obama will give a speech calling for debt reduction and entitlement reform. Forgive me for a bit of skepticism, but haven't we heard this before?

Just a month after he took office, President Obama hosted a fiscal summit at the White House. The president invited more than 100 lawmakers, economists, policy specialists, and special-interest groups to a daylong meeting designed to “launch a national conversation on how to put the nation on sounder financial footing.”

“We cannot simply spend as we please and defer the consequences,” the president declared, promising to cut the deficit, then \$1.3 trillion, in half before the end of his first term. Having made that promise, the president instead went out and *increased* the budget deficit to \$1.4 trillion. He also pushed through a \$2.7 trillion health-care bill that adds \$833 billion to the deficit over its first decade of full implementation.

Roughly a year later, he appointed a bipartisan deficit commission, warning that “these are tough times and [the federal government] can't keep spending like they're not.”

In December, the National Commission on Fiscal Responsibility and Reform issued its report calling for spending cuts, tax reform, and changes to Social Security, Medicare, and Medicaid. The president ignored it. The deficit reached \$1.65 trillion.

In this year's State of the Union address, President Obama again said we have to confront the fact that our government spends more than it takes in. “That is not sustainable,” he said.

He then proposed a 2012 budget that adds \$13 trillion to the national debt over the next decade.

One begins to detect a pattern.

In truth, the president's approach to debt and entitlement reform is not nearly as inconsistent as it seems. The president may or may not be concerned about the size of the national debt, but he clearly is not concerned about the size of the federal government.

Thus, the president consistently calls for tax increases as a solution to our debt problems. Sometimes he talks about reforming entitlements, but the reforms he supports are simply tinkering around the edges, not a fundamental restructuring. He's happy to try to make government programs more efficient but will not eliminate them.

This is the fundamental difference between the president's approach to debt reduction and that of, say, Rep. Paul Ryan. Ryan seeks to return government to the roughly 18 percent of GDP that it consumed under Pres. Bill Clinton. President Obama would allow government to continue to grow more or less on the same trajectory that it is now on, rising from 25 percent of GDP today to 42 percent of GDP by 2050. Given that state and local governments consume an additional 10–15 percent of GDP, government at all levels would be consuming well over half of everything produced in this country. Proportionally, we would have a government bigger than France's.

Thus, when the president calls for raising taxes, he is saying that government should do more and spend more, but that we should pay for it, a marginally more responsible position than simply continuing to borrow the money. And, since part of the projected governmental growth is interest payments on the debt, if we could avoid accumulating *any* additional debt, the future size of government might be kept down to, say, 35 percent of GDP.

But could the United States economy really survive the burden of a government that big or the taxes necessary to support it? In 2008, the Congressional Budget Office reported that in order to simply pay for spending that was locked in at that time, we would have to raise both the corporate tax rate and the top individual tax rate from their current level of 35 percent to 88 percent, raise the 25 percent tax rate for middle-income workers to 63 percent, and raise the 10 percent rate for low-income Americans to 25 percent. That was before Obamacare and the post-2008 spending binge.

And people say that Paul Ryan's proposals are unrealistic?

That's what should be kept in mind as the president makes his latest call for deficit reduction. The real debate is not just about the deficit, the debt, or even entitlement reform. It is about two different visions of government. Do we continue down the road to becoming a European-style welfare state with a much bigger government and much higher taxes, or do we return to America's roots of constitutionally limited government, lower taxes, and individual liberty?

— *Michael Tanner is a senior fellow at the Cato Institute and author of Leviathan on the Right: How Big-Government Conservatism Brought Down the Republican Revolution.*