

Commission of sin

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So, President Obama wants a presidential commission on the budget deficit. Isn't that a little bit like W.C. Fields asking for a commission on sobriety?

Hypocrisy aside, the whole idea of a deficit commission is misguided.

That's not to say budget deficits are good. This year, the federal government will run a deficit of more than \$1.35 trillion this year. "Yes, that's trillion with a "T." That's a deficit larger than the entire federal budget in 2000. And things are only going to get worse in the future. The Obama administration projects further deficits of more than \$9 trillion over the next 10 years. Our total national debt exceeds \$12 trillion and counting, with huge shortfalls in Social Security and Medicare just over the horizon. Clearly, this can't go on.

But to focus on the deficit is to confuse the symptom with the disease.

As Milton Friedman often explained, the real issue is not how you pay for government spending—debt or taxes—but the spending itself. In other words, don't just look at the deficit; look at why we have a deficit. And the reason why we have a deficit is pretty simple—government spends too much.

For years, Republicans have tried to dodge the tough questions about government spending by substituting debt for taxes. They felt that as long as they were cutting taxes, no one would notice that they were spending like drunken Democrats.

Now, Democrats want to substitute taxes for debt. They haven't sobered up, they just want someone else to pay the bar tab. Both are equally wrong.

As mentioned, when President Bush became president, the entire federal budget was \$1.2 trillion. By the time he left office, it was \$2.9 trillion. This year, President Obama proposed a federal budget that would spend \$3.55 trillion.

As a result of this bipartisan profligacy, federal spending topped 24.7 percent of gross domestic product last year, the highest peacetime percentage in U.S. history. And, while the optimistic projections of the most recent Obama budget see that declining ever so slightly to 23.7 percent by 2020 (for comparison the historical average has been roughly 21 percent of GDP). But that respite, such as it is, will be only temporary. As the full force of entitlement programs kicks in, the federal government will consume more than 40 percent of GDP by the middle of the century. Throw in state and local government spending, and governments will control well over half of the U.S. economy.

Meanwhile, federal taxes have traditionally run at around 18 percent of GDP. (Currently, they are down somewhat, around 15 percent of GDP). Thus, a growing budget gap, to which we can expect a commission to respond—well, raise taxes.

Think about how much taxes would actually have to be raised to pay for all the government spending to come. Would we really be better off if, in 2050, federal government spending reached 40 percent of GDP, but we essentially double taxes in order to pay for it? There would be no deficit, but we would liable to be much poorer. After all, every dollar that government spends is a dollar that is siphoned off from American workers regardless of whether it is raised through debt or taxes. Both divert money from more efficient uses in the private sector to less-productive uses in the public sector. Both mean fewer jobs and less economic growth.

More importantly, we should remember that every dollar the government spends is one less dollar that Americans can spend on food, clothing, housing, charitable contributions, or other goods and services of their choosing. It is, after all, their money.

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We don't need a commission to make it easier to raise taxes. We need the political courage to confront out-of-control government spending.

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