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The Budget's Next Battlefield

THE SOURCE: "The New Commanding Heights" by Arnold Kling and Nick Schulz, in *National Affairs*, Summer 2011.

The debt ceiling fracas that consumed Washington this summer made it seem as if restoring economic health was only a matter of finding a new balance of taxes and spending. But Arnold Kling of the Cato Institute and Nick Schulz of the American Enterprise Institute argue that policymakers are neglecting a transformational development on the horizon: Health care and education are on track to become "the heart of the economy." That is, or should be, the central issue, they argue.

Unlike many fields, health care and education will enjoy solid demand and wage growth for the foreseeable future. They've already accounted for the vast majority of job gains in recent memory: Employment in health care, education, and other parts of the public sector increased by 16 percent over the past 10 years, while employment in all other sectors fell by eight percent. And the trend will only continue. The way the modern economy has evolved means that Americans use a smaller percentage of their income for basic needs such as food, clothing, and shelter, freeing up money for secondary but still integral services such as education and health care. What's more, even in hard times, people refrain from tightening their belts when it comes to these secondary services: In 2008, at the height of the panic over the financial system, personal spending on education and health care continued to rise.