

THE NATION'S PULSE

Big Government's Moveable Feast

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For once the American people appear to be undertaxed. Fiscal crisis is all around us. Yet Tax Freedom Day came on April 9 this year, about two weeks earlier than in 2007. Congress is spending us blind, bailing out virtually every person, business, government, and other entity known to man, yet our tax burden is *down*. Such a deal!

Of course, there's a small catch. Uncle Sam is borrowing \$1.5 trillion this year.

Which means the formal tax level understates the true burden of government. By a huge amount. Alas, Big Government is Big Government, whether financed by taxes or bonds.

And the situation is going to get worse, much worse, before it gets better.

Given present plans, Uncle Sam will run up another \$10 trillion in red ink over the coming decade. But that's just the start. If President Barack Obama's health care takeover is not reversed, taxpayers will be liable for trillions more in new spending. The claim that the program is all paid for -- indeed, that it will reduce the federal deficit -- is the sort of fantasy that only a Democratic congressman could believe.

And additional bailouts are flooding our way. Fannie Mae and Freddie Mac continue to lose money. The FDIC is shutting down banks at a record rate. The Pension Benefit Guaranty Corporation's fund is under water.

Then there are Social Security and Medicare. The former is spending more than it is taking in *right now*. Over the long term these two programs alone are underfunded by \$100 trillion, a fiscal tsunami which no amount of administration double-counting can disguise.

Nor is the problem only spending. Regulation also is up. Health care already was one of the most regulated industries. Obamaesque "reform" is going to make Americans pine for the "good ol' days" when not every medical decision was subject to the dictates of some bureaucrat somewhere. Financial "reform" will have a similar effect. The only sure beneficiaries of the new legislation are the regulators who are empowered to do most anything to most anyone with a vague connection to financial services.

But, why worry? Our taxes are down.

Actually, the American people are worrying. Which is why Democrats also are worrying, but for a different reason. The public wants to know who is going to pay the bill the Democrats have been running up. The Democrats want to know how they can fool the public into voting for them again.

The people won't be fooled if they read the latest Cost of Government Day report.

If you want to know the real burden of government, add up government spending and regulation. That makes August 19 Cost of Government Day -- meaning Americans spent 231 days working to pay for Uncle Sam and 51 mini-me's in the states and the city of Washington, D.C. That's almost two-thirds of the year.

The latest report was written by Benjamin Pacini of the Center for Fiscal Accountability, a project of Americans for Tax Reform. It makes for somber reading.

At August 19, COGD is eight days ahead of last year. Alas, COGD in 2009 was up nearly a month from the year before, when Americans quit paying for government on July 16.

THE PROBLEM IS BIPARTISAN. During most of the last decade the Republicans pushed up COGD slowly if irregularly. And the Bush administration shares the blame for 2009, during which government's burden jumped the most ever. Unfortunately, this just created a new base from which Democratic policymakers could impose an even higher burden on the rest of us.

Indeed, it is hard not to grow nostalgic for the *Clinton years*. The recent COGD peak was July 20 in 1982, after which Ronald Reagan brought COGD down to July 2 in 1988. President George H.W. Bush -- he of "Read my lips" fame -- then gaily pushed the burden up again, to July 18 in 1992. COGD started coming down under President Bill Clinton; the GOP's 1994 takeover of Congress accelerated the drop. By 2000 Americans worked "only" until June 29 to pay for America's still wastrel public sector.

Now, thanks to Presidents George W. Bush and Barack Obama, and Congresses under Republican and Democratic control, COGD has skyrocketed to August 19. We are working an incredible *51 days* longer for government today than just a decade ago.

There is no silver lining in this financial cloud. We are paying more for more government, not for better government. The Orwellian "Patient Protection and Affordable Care Act" will waste trillions of dollars and impose trillions of dollars more in wasteful regulations while reducing patient control over health care made more expensive.

Uncle Sam is not the only culprit. Writes Pacini: This year's "late date is driven by continued government spending on all levels and a further increase in the regulatory burden which, taken in combination with a struggling economy, have made the cost of government equal to 63.41 percent of national income." There is more than enough blame to go around.

Still, the federal government, as always, accounts for the bulk of the cost of government. Explains Pacini, "The average American worker will have to labor 104 days just to pay for federal spending, which consumes 28.6 percent of national income." The good news, such as it is, is that last year federal spending required 108 days of toil. But we have regained *only four days of the 18 day jump* from 2008 to 2009. A year after the tsunami of bailouts, stimuli packages, and more, federal spending remains dramatically higher than the historic average. Uncle Sam's outlays may continue to recede in the future, but probably only slowly, leaving federal outlays at a permanently higher level. At least, unless there is a serious political revolution in Washington.

Thank goodness state and local governments cannot deficit spend. Obviously, balanced budget requirements do not prevent determinedly irresponsible politicians from wrecking their states' finances -- just look at California, America's version of Greece. Nevertheless, there is a limit to the amount of budgetary legerdemain possible even for the most foolish state officials.

Even so, states and localities account for the next big block of the cost of government. Notes Pacini: "Despite a declining economy, state and local spending has increased since last year: in 2010 the average American has to work 52 days just to pay for state and local government expenditures." That's an increase of four days over last year -- wiping out the small drop in federal spending. Indeed, over the last decade state and local outlays have jumped 22 percent compared to national income.

Regulation accounts for another big increase, landing at 74 days, up seven from 2009. Explains Pacini: "This year, regulation is estimated to consume 20.5 percent of national income which, compared to 16.1 percent in 1999, is a drastic increase." Again, the Feds come out at number one. Washington's rules consume 48 days of our labor, almost as much as total state and local spending. State and local regulations come in at 26 days.

Of course, these rules theoretically are promulgated for our good and are supposed to generate greater benefits than costs. But that is rarely the case in practice. Much economic regulation is a form of looting, simply a bit better disguised than direct government subsidies. Lobbying is rarely more intense than when companies push legal requirements to disadvantage or even disable their competitors and mulct the public in the name of the public interest.

Many other controls, such as the incoming flood of health care rules, are meant to short circuit consumer choice and allow our betters to engage in social engineering. Thus, there are beneficiaries of health care "reform," but few among the general public.

Elsewhere obnoxious paternalism lives. People unable to govern themselves feel an irresistible impulse to seize control of the state to govern others. Every day the nanny state grows more intrusive and obnoxious. Even when regulations really do promote some laudable health or safety end, they often are unnecessarily rigid, inefficient, and costly.

AUGUST 19 IS MERELY the national average. The news is worse in some states.

At the bottom is Connecticut, always Connecticut. Residents there won't stop paying for government until September 17. That's up ten days over 2009. New Jersey is next. People there have to work until September 14. COGD was "only" September 6 last year. Next comes New York, where residents have to work until September 10. That's a ten-day increase. Maryland's population also suffers from the "September distinction," being stuck paying for their public overlords until September 4. Last year the state's COGD was August 21. At least the remaining wastrel states stop charging their citizens for government in August.

Of course, when averages are involved, some parties do better than average. In this case, Alaskans finished paying for government on July 28. Still, that's up *17 days* from last year. Louisiana residents share July 28 as COGD, having jumped *ten days* from 2009. Mississippians come in at July 31, *almost two weeks* later than last year. Next come South Dakota, West Virginia, New Mexico, and Tennessee, which finish out the first week of August.

It is ridiculous when working seven months for government appears to be a good deal. But such are the times in which we live. If the folks in Washington had their way, we would labor all year for government, with an occasional pittance doled back by our virtuous rulers to people for use on their own selfish, greedy pursuits.

Washington is a city in which every problem is termed a crisis in order to stampede people into accepting greater government control. The rapidly increasing Cost of Government Day is a genuine crisis. And it will grow ever worse unless federal spending, in particular, is curbed. Last year the Congressional Budget Office declared:

Under current law, the federal budget is on an unsustainable path -- meaning that federal debt will continue to grow much faster than the economy over the long run. Although great uncertainty surrounds long-term fiscal projections, rising costs for health care and the aging of the U.S. population will cause federal spending to increase rapidly under any plausible scenario for current law. Unless revenues increase just as rapidly, the rise in spending will produce growing budget deficits and accumulating debt. Keeping deficits and debt from reaching levels that would cause substantial harm to the economy would require increasing revenues significantly as a percentage of gross domestic product (GDP), decreasing projected spending sharply, or some combination of the two.

Naturally, politicians want to hike taxes so they can continue spending. But most of the deficit and rising debt results from dramatically higher spending. President Bush and the Republican Congress turned down the road of fiscal irresponsibility. President Obama and the Democratic Congress are rushing further along at hyperspeed.

Notes Pacini, "President Obama pushed ahead with an ambitious legislative agenda, including a breathtaking increase in both spending and regulation." Unfortunately, this "breathtaking increase" will never stop if Obama and his congressional allies have their way. Adds Pacini: "the current baseline projected by the Congressional Budget Office (CBO) estimates that the federal government will be spending an overwhelming \$5.2

trillion in 2020. Nevertheless, CBO estimates that under President Obama's proposals we will spend *an additional \$3.7 trillion.*"

Health care "reform" will further inflate this burden -- almost certainly by hundreds of billions of dollars annually. Adding this expense to today's cost of government would, Pacini figures, push COGD up a full week, to August 26.

Almost as bad will be the legislation's increased regulatory burden. Not only the bureaucracies and rules explicitly enumerated by the legislation, but also those that will inevitably become necessary to counter the unintended consequences of increased federal meddling at every level of medicine. So too with financial "reform" legislation. The agencies will have substantial discretion, and undoubtedly will have to keep expanding their controls to fix problems created by their previous controls.

On top of direct compliance costs, which COGD measures, will fall what economists call "deadweight" losses, the economic output sacrificed as bureaucrats attempt to remake our world. Last year economists at Washington University in St. Louis figured these costs may run an extraordinary \$1.5 trillion a year. As unnecessary and inefficient regulations increase, so will these economic losses.

In fact, the total number of government employees rose nearly a half million over last year alone. Counting the military, there are now 4.4 million federal workers. The revolutionaries complained in the Declaration of Independence that King George III "has erected a multitude of new offices, and sent hither swarms of officers to harass our people, and eat out their substance." Yet King George was a piker compared to President Obama.

Today is not so different from 1776. The train of abuses and usurpations is long. The hour is late.

All that is necessary for Big Government to triumph is for the people to do nothing. If Americans still believe the U.S. to be a land of liberty, they must act now, before they find themselves spending all year paying for government.

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