



## Runaway Spending Is the Real Culprit

Posted by Michael Tanner on Feb 11, 2010

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The problem with a budget commission is not just that it won't work, but that it targets the wrong problem. The conventional wisdom in Washington these days is that the exploding budget deficit is fiscal enemy number one. And, certainly deficits of the size being predicted pose a significant threat to our economic future.

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 2009, federal spending topped 24.7 percent of gross domestic product, 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.

For years, Republicans have tried to dodge the tough questions about government spending by substituting debt for taxes. Now, Democrats want to substitute taxes for debt. Both are equally wrong.

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. While the distributional effects are different, and the details matter, both debt and taxes divert money from more efficient uses in the private sector to less-productive uses in the public sector. Equally important, government spending reduces human liberty. Every dollar that 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.

Consider, would we really be better off if in 2050, federal government spending really did reach 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 as a nation, and certainly far less free.

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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