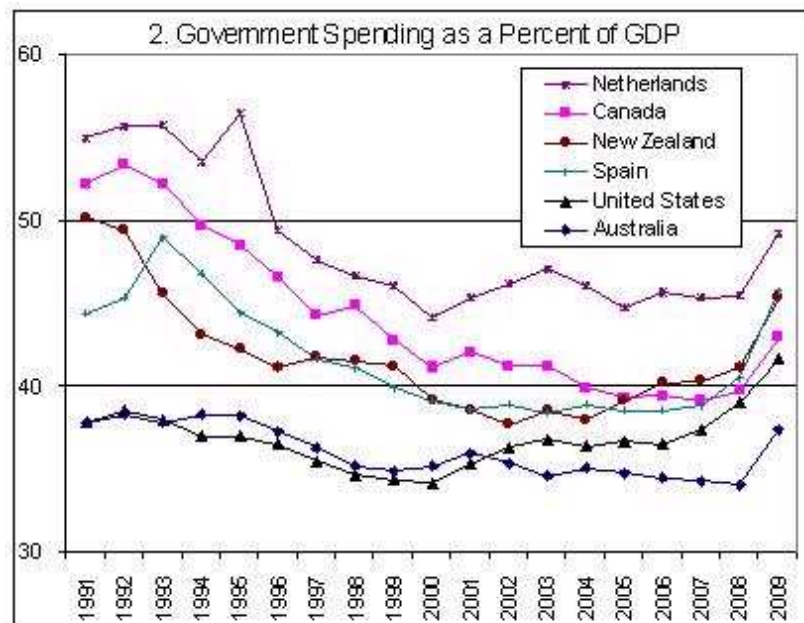


Matt Yglesias

Sep 23rd, 2009 at 5:28 pm

What Makes Big Government So Big?

Chris Edwards [posts the following](#) in a post asking “How Big is American Government?”



I think the more you think about it the less sense it makes to make the overall level of taxation such a signpost of big government or lack thereof. When you think about it, one of the biggest government interventions into the American economy is the *absence* of a tax in the form of the home mortgage interest deduction. That has a substantial impact on the flow of huge sums of money. And as we've been saying, an individual mandate to buy health insurance (or, indeed, an employer mandate to buy insurance for employees) wouldn't really be a tax but it would certainly be an important government intervention into the economy. Or if you think about Germany, the restrictions on layoffs are probably a more noteworthy form of “big government” than the tax rate.

- [Comments](#)
- [37](#)

Filed under: [Economics](#), [Germany](#),

37 Responses to “What Makes Big Government So Big?”

1. *abb1* Says:

[September 23rd, 2009 at 5:42 pm](#)

Other governments tax and spend on medical care, education, and social safety net.

The US government taxes and spends on weapons and wars.

2. *N* Says:

[September 23rd, 2009 at 5:43 pm](#)

Somewhat apples and oranges comparison. The US in terms of it's population and economic scale is nearly three times the size of all the other countries on this chart combined. Also, at least a fifth of Spain's economy is 'under the table' and thus off the tax records. These are all also countries with 'small governments' by comparison to more generous welfare states like France or Germany.

3. *heedless* Says:

[September 23rd, 2009 at 5:44 pm](#)

The best measurement I can think of is dead-weight loss due to all forms of government taxes, subsidies, and regulation, with a separate (but most likely less than orthogonal) dimension for restrictions on personal liberty.

Good luck trying to measure something like that though.

4. *heedless* Says:

[September 23rd, 2009 at 5:45 pm](#)

Also, what N said

5. *Platypus* Says:

[September 23rd, 2009 at 5:55 pm](#)

To make more useful sense out of these data, you should break out social safety net spending for each country vs. military spending.

6. *Thorfinn* Says:

[September 23rd, 2009 at 5:57 pm](#)

N: That's why this graph shows spending as a *percent* of the economy. A large informal sector would also raise gov spending as a percent of measured GDP.

7. *Ryan* Says:

[September 23rd, 2009 at 6:00 pm](#)

What Platypus said. The US has ginormous tax outlays for defense, but for most people that has almost no felt impact on their lives.

8. *soullite* Says:
[September 23rd, 2009 at 6:01 pm](#)

The government can trump up any manner of charges against you because, lets face it, so many things have been made illegal at this point that we all break the law any day.

The fact that we have such a sizeable portion of people in prison right now tells me that Government is too damned big. If all it can do is bailout banksters and imprison people, then classical conservatism is right and we need to seriously cripple government. If it won't help people, we should make damn sure it can't injure them.

9. *abbl* Says:
[September 23rd, 2009 at 6:07 pm](#)

It's not just the direct military spending. It's, for example, interest on the debt accumulated during Reagan's military build-up in the 80s. It's veterans' services. It's the space program, to whatever degree it's used for military purposes. It's military aid. And so on.

It's at least a trillion dollars/year, and that's not counting the actual wars.

10. *StevenAttewell* Says:
[September 23rd, 2009 at 6:15 pm](#)

It's funny, I was having the same argument at a Policy History Conference last year with someone who was making the argument that we shouldn't bother with studying the Federal government in the 19th century, because it was at a very small size of GDP as taxes.

I noted that the [power of the government](#) goes far beyond tax revenue. After all, the 19th century U.S owned about half the North American continent, and used that real estate for providing capital to railroad and canal construction, public higher education, and what may have been the largest distribution of wealth in world history in the form of giving away farmland as homesteads.

11. *Mixner* Says:
[September 23rd, 2009 at 6:19 pm](#)

Other governments tax and spend on medical care, education, and social safety net. The US government taxes and spends on weapons and wars.

Yes, the United States spends a whopping 2-3 percentage points more of its GDP on defense than Europe. My God, all that military spending is practically bankrupting us.

But I completely agree that Europe and the rest of the world should stop crouching under America's military umbrella and shoulder more of the burden of their own defense.

12. *Jesse.in.Tulsa* Says:
[September 23rd, 2009 at 6:20 pm](#)

Somewhat apples and oranges comparison. The US in terms of it's population and economic scale is nearly three times the size of all the other countries on this chart combined.

No, it's not an apples and oranges comparison at all. The chart simply compares the size of

government spending relative to each of these countries' economies; it's not talking about absolute sizes. You did complete sixth grade math, didn't you?

Also, at least a fifth of Spain's economy is 'under the table' and thus off the tax records.

So? What does that have to do with GDP and total government spending? Economists make estimate of the informal economy when estimating GDP.

These are all also countries with 'small governments' by comparison to more generous welfare states like France or Germany.

The Netherlands operates a large government with one of the world's most generous safety nets. Also, if the chart is accurate it would appear New Zealand's government spending is in the 45% of GDP range — not that much below where France and Germany are.

Matt, is Drudge linking to you these days?

13. *chappy* Says:
[September 23rd, 2009 at 6:21 pm](#)

“When you think about it, one of the biggest government interventions into the American economy is the absence of a tax in the form of the home mortgage interest deduction.”

Instead of this difficult sentence, why don't you just say tax expenditure? Also, where does MY stand (really, I don't know and I'm sure he's taken a stance) on health care tax expenditures? These are huge and distortionary as well.

Anyway, my sense is that the above countries also have a lot of tax expenditures as well, so I'm not really sure what the point is. Maybe it's that countries that spend directly through the government have less ability to make changes through tax expenditures?

14. *abbl* Says:
[September 23rd, 2009 at 6:22 pm](#)

Probably more like 8%, all things considered; and that's not counting the actual wars. These days it's probably more like 15%.

15. *Mixner* Says:
[September 23rd, 2009 at 6:30 pm](#)

Probably more like 8%, all things considered

That's the spirit. Ignore the actual data, and just make up whatever number you like.

16. *myglesias* Says:
[September 23rd, 2009 at 6:36 pm](#)

Also, where does MY stand (really, I don't know and I'm sure he's taken a stance) on health care tax expenditures? These are huge and distortionary as well.

In principle, I'm against them. I don't want to just unravel the employer-based group pools without

creating a safety net, but I think we should start curbing health-related tax expenditures with a view toward phasing them out.

17. *indentured Servant Girl* Says:
[September 23rd, 2009 at 6:49 pm](#)

http://www.fee.org/pdf/books/Economics_in_one_lesson.pdf

Read it.

18. *Mixneereous* Says:
[September 23rd, 2009 at 6:57 pm](#)

Yes, the United States spends a whopping 2-3 percentage points more of its GDP on defense than Europe. My God, all that military spending is practically bankrupting us.

In other words, the US spends well over double what the (larger economy) [EU countries spend, combined](#). I'm sure there are no negatives associated with spending a few hundred billion extra bucks on the Pentagon every year, year after year...

That's the spirit. Ignore the actual data, and just make up whatever number you like.

They're not made up. There's widespread agreement that official US military spending figures are inaccurate, and **wildly** under-count [the actual share of the economy going to defense](#).

19. *bubbleandsqueak in nc* Says:
[September 23rd, 2009 at 7:12 pm](#)

In other words, the US spends well over double what the (larger economy) EU countries spend, combined.

In other words, a couple of percentage points. Double a tiny share and you get...a tiny share.

They're not made up.

Of course they're made up.

There's widespread agreement

That's right. An opinion piece on the website of an outfit called "The Independent Institute" constitutes "widespread agreement."

20. *Sean K* Says:
[September 23rd, 2009 at 7:58 pm](#)

In other words, a couple of percentage points. Double a tiny share and you get...a tiny share.

If you think US military spending is tiny in any way, you are either a moron, or a lobbyist for the Pentagon.

US spends more on defense than the rest of the world combined (counting the cost of wars for

“freedom”, and support for dictatorships).

21. *Pete S* Says:
[September 23rd, 2009 at 8:39 pm](#)

If you think US military spending is tiny in any way, you are either a moron, or a lobbyist for the Pentagon.

If you think US military spending is more than a tiny share of US GDP, you are either a moron or a...moron.

22. *Anthony* Says:
[September 23rd, 2009 at 8:49 pm](#)

http://www.fee.org/pdf/books/Economics_in_one_lesson.pdf

Read it.

Given that your “lesson” on the Civil War included the lie, contradicted by SC’s declaration of secession, that secession was about taxes rather than slavery, any “lesson” that you and your VDare buddies find persuasive should be met with suspicion by honest and intelligent people.

23. *Mixneereous* Says:
[September 23rd, 2009 at 8:59 pm](#)

In other words, a couple of percentage points. Double a tiny share and you get...a tiny share.

Huh? America is outspending the EU by at least \$500 billion annually. That’s not a “tiny share” of the economy. I suppose the Social Security or Medicare budgets are likewise “tiny shares” of the economy. Good grief.

Of course they’re made up.

No regrettably they’re all too real. The Hopkins PhD who wrote the article breaks down the components in the accompanying chart.

That’s right. An opinion piece on the website of an outfit called “The Independent Institute” constitutes “widespread agreement.”

In the case of the US there are numerous and large defense-related expenditures that aren’t counted in defense-as-%-of-GDP calculations. This isn’t a matter of opinion. And the article, which provides a table detailing such expenditures, appears to be a well-sourced piece from a guy who lectures at Stanford, Oxford, etc. — (and is apparently a libertarian). He tells us where he gets his data:

Source: Author’s classifications and calculations; basic data from U.S. Office of Management and Budget, Budget of the United States Government, Fiscal Year 2008 and U.S. Bureau of the Census, Historical Statistics of the United States, Colonial Times to 1970.

And here’s further reading (PDF/start with page 201) from [Ben Friedman](#), a Cato analyst at MIT.

Excluding debt interest generated by previous defense spending, US military outlays by Friedman's reckoning now very nearly reach \$900 billion.

But according to you America's level of defense spending is pretty much the same as Holland or Denmark, with a few extra howitzers? Do I have that right? And I'll go out further on a limb and guess you're fond of pretending America's addiction to military spending has nothing to do with the country's slumping living standards. Correct?

If you think US military spending is tiny in any way, you are either a moron, or a lobbyist for the Pentagon.

I think in poor Mixie's case the likely answer is "both."

24. *urgs* Says:
[September 23rd, 2009 at 9:03 pm](#)

I agree on that one. Those government spending or tax rate graphs are nonsense if they are used the way they are usually used. They are a starting point at best.

Overall the northern European type rather high tax/public sector employment model is far less market intrusive than the lower tax rate social insurance based conservative model (Germany, Austria Switzerland). In a way, its even less market intrusive than the US model since the public sector monopolies there are often replaced by private sector monopoly/oligopolies in the US. And in general, unless Hayek wrote your personal bible, most people prefer public sector monopolies to private sector ones. Who is freer, the Japanese that depends totally on his company for all his social services or the Nordic that can move job how he likes without losing his social safety net. Not to mention Americans risking to lose their health insurance.

25. *soullite* Says:
[September 23rd, 2009 at 9:04 pm](#)

No, anyone who says that 54% of the total US government budget is "a tiny amount" is probably not an idiot. Instead, they are most likely a lying hack getting cute with the language to mislead people while remaining technically honest.

Comparing this spending to the total amount of GDP is simply insane. In what way is that actually even relevant? The government does not actually control GDP. It's simply a dishonest way to measure individual (as opposed to total) outlays. IT doesn't actually give you any useful information.

26. *soullite* Says:
[September 23rd, 2009 at 9:05 pm](#)

I love how 1.44 Trillion dollars is "a tiny amount" amount to this jackass.

27. *Just Karl* Says:
[September 23rd, 2009 at 9:51 pm](#)

And as we've been saying, an individual mandate to buy health insurance (or, indeed, an employer mandate to buy insurance for employees) wouldn't really be a tax

It's not a tax because 18-35 year olds will be purchasing piece of mind. Never mind that this mandate is a transfer of wealth from poor healthy people to poor sickly people with 30% taken off the top for rich private investors. The whole idea of this mandate makes me sick to my stomach. Despite the rhetorical games, the public will view this increased cost of living as a tax and vote accordingly. Anyone who doesn't believe there will be a political price to pay for this lie lives in a bubble.

28. *fostert* Says:
[September 23rd, 2009 at 11:36 pm](#)

"In other words, a couple of percentage points. Double a tiny share and you get...a tiny share."

Tiny share? Maybe. But here's a concept, maybe that tiny share could be spent more wisely. The 'tiny share' that we could spend giving people health care is still smaller than the 'tiny share' it's already cost to fight the Iraq war. And what did we get out of Iraq? I got nothing but a future bill. Anyone else get anything? Probably not, unless you work for a defense contractor. And that is the problem with our military spending. The only thing it does is create more need for military spending. If military spending had a purpose beyond sustaining further military spending, I'd support it. But as it is now, its sole purpose is to generate future liabilities. It's a good deal if you're in on the scam, but it offers nothing to those who are being scammed. We pay these guys to create military problems so they can justify asking for more money. And we fall for it every time. The US military is already more expensive than all the money spent by every other country in the world combined. And conservatives think that's not enough. It's the biggest boondoggle in history, and nobody even cares.

29. *fostert* Says:
[September 23rd, 2009 at 11:59 pm](#)

So why is our military so ineffective for its price? Hollywood has far more influence on the rest of the world at a fraction of the price. So why don't we just subsidize Hollywood? The Chinese military influences more people than ours, and it costs a hell of a lot less. And their military is strong enough that we wouldn't even think of taking them on. Seems those damn Commies have proven that they really can do it in a more cost effective manner. Maybe we should outsource that, too. It's obvious that American companies simply can't compete against China in this realm, and like a good business, it should be outsourced to the most efficient producers. It would pretty much be the end of American industry because weapons are all we make these days, but we should really consider it. It would save a lot of money if we just hired China to do our foreign policy.

30. *SF Bay* Says:
[September 24th, 2009 at 12:24 am](#)

Looking at the US spending, it's pretty clear that if you want to get spending under control, ie. have it go down as a % of GDP you need a Democrat. Look at the years 1992-2000. Spending went down steadily under Clinton. It's Bush's 8 years that have led to a huge increase in federal spending.

Republicans talk a good game, Democrats actually deliver.

31. *alphie* Says:
[September 24th, 2009 at 1:43 am](#)

Does that chart include state/provincial spending?

32. *abb1* Says:
[September 24th, 2009 at 2:14 am](#)

@15:

[The Trillion-Dollar Defense Budget Is Already Here](#) . Trillion is more than 7% of the GDP.

That's the "defense" spending. The amount spent on wars *and all their consequences* is, of course, impossible to estimate.

33. *pseudonymous in nc* Says:
[September 24th, 2009 at 2:44 am](#)

Arriving late here, it's amusing to see silly Voldemix self-pwning himself and lashing out at random.

As for military spending, [Paul Kennedy's three-piechart model](#) remains the one that guides me: 50% of total military spending, 20% of total GDP, 5% of total population. That can't last, and the question will be whether the military rollback is graceful or not.

34. *Max424* Says:
[September 24th, 2009 at 2:51 am](#)

@30 SF Bay: "Spending went down steadily under Clinton. It's Bush's 8 years that have led to a huge increase in federal spending."

Yeah, you have give Clinton credit. His administration kept its nose to grindstone. They made balancing the budget a priority and they succeeded. They had some luck. Boom years increased revenue and some of that boom was bubble related. But Clinton avoided making the big blunder. That was the key. That is ALWAYS the key.

Just think, if we had followed the Clinton budget prescription we could have wiped out our debt, AND AS A NATION, put 3 or 4 trillion dollars in the bank by 2010. Instead, just one idiotic administration later, the United States has accrued an impossible to manage \$12 trillion debt. That is a \$15 trillion swing in just 8 years! George Bush and the Republicans cost this nation \$15 trillion in 8 short years!

No use crying over spilled milk. There is nothing we can do about it now. Yes, Clinton spent 8 unheroic, under appreciated, and mostly forgotten years effectively working on a national debt measured in the hundreds of billions. His efforts did not receive grateful applause from his peers. Instead, they impeached him. Too bad. But that is the past. And there is nothing to learn from it, other than the obvious. All Republicans must be eliminated.

The \$12 trillion debt we have now, advancing at \$1 trillion per year, can never be slowed, let alone stopped, unless there is an all out concerted nationwide effort requiring the unheard of privation of American citizens and hard-edged discipline from incorruptible politicians -across the board. It requires something never before seen in American history. It requires levels of national unity and discipline that make the sacrifices of our citizens during WW II look like a garden party of ladies auxiliary.

And this impossibly unlikely scenario, requiring a magical confluence of things including the out-of-the-blue and highly implausible awakening, or more accurately, birth, of collective greatness amongst the American people and her politicians; this must occur just to stop the national debt from increasing, for only a short time. To balance a yearly budget or two -sometime in the distant future.

To begin the long, exponentially more painful process of reducing debt to levels approaching zero, and to live to see the United States of America's overall balance sheet tip at some point into the black; to see our country become a great creditor nation, like, say, China? This you will not see in your lifetime. Nor will your grandchildren's grandchildren.

35. *scott* Says:

[September 24th, 2009 at 9:13 am](#)

Whether or not it's a tax, an individual mandate requiring people to buy health insurance they can't afford is robbery. We could try to make it more affordable by having a public option that really meant something to control costs, but apparently that would be wrong.

36. *becca* Says:

[September 24th, 2009 at 10:30 am](#)

I wonder how forcing people to buy health "insurance" in this jobless environment will go over? Especially since job losses may extend well into 2010.

This hasn't sunk into the average American- yet. Could be the tipping point for an already infuriated middle class.

At least it's something that both right and left voters will agree is a very, very stupid idea.

37. *Cranky Observer* Says:

[September 24th, 2009 at 10:30 am](#)

> "When you think about it, one of the biggest
> government interventions into the American
> economy is the absence of a tax in the form
> of the home mortgage interest deduction."

Because "tax expenditure" is a baloneyfied non-phrase? A polity and its government decided to tax, not tax, and exempt at certain amounts. Calling any specific decision to not tax or to exempt an "expenditure" is bafflegab that came about during the Reagan years and is utterly meaningless except as a smokescreen/emoticon.

Cranky

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