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## Yes, We Can – Cut Spending

By Richard W. Rahn

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### *Obama's government bloat fails international test*

When I hear politicians say they cannot cut government spending and we must have tax increases, I know they are either corrupt or incompetent. Anyone who has ever been around government agencies knows that they tend to be overstaffed and inefficient compared with operations in the private sector. But we also know that many governments do a much better job in managing taxpayer dollars than other governments. At a minimum, we should demand that our political leaders manage the government they are responsible for as well as other political leaders manage their governments.

President Obama and many of his fellow Democrats say we cannot reduce our debt problem to manageable levels without increasing taxes. I say, why not? Some other countries spend less per capita and yet provide higher levels of government service. Take a look at the accompanying chart, and you will see that both Australia and Switzerland have higher per capita incomes than the United States. (Note: The per capita figures for both Australia and Switzerland are somewhat overstated because of the recent fall in the dollar versus their currencies, but the fact of higher real incomes in those countries remains.)

Furthermore, both of these countries have lower unemployment rates, lower levels of total government spending per person (federal, state and local), much lower debt and deficits as a percentage of their gross domestic products, less corruption, equal or more economic freedom, and longer life spans than the United States. It is only recently that the Australians and the Swiss have had real per capita incomes higher than Americans. The question is, if the Swiss and Australian governments can spend less per capita than American politicians and get better outcomes, why don't our representatives reduce and reform spending, rather than increase taxes, which will slow economic growth?

Over the past 15 years, Australia, Canada, Sweden, Switzerland and some other countries have all reduced the relative size of their governments and have seen their per capita incomes and other measures of citizen well-being rise relative to the United States. The Swedes managed to cut the size of their government by 20 percent, and now they have about the highest growth rate in Europe. If the U.S. did the equivalent, much of its debt/deficit problem would disappear.

**LESS GOVERNMENT, MORE PROSPERITY**  
**Ranking Australia, Switzerland, and the U.S.**

	AUSTRALIA	SWITZERLAND	USA
GDP per Capita (current USD), July - 2011	\$64,351	\$75,834	\$48,666
Life Expectancy at Birth	81.8	81.1	78.4
Unemployment Rate	5.0%	3.4%	9.2%
Government Spending as a % of GDP, 2011	36%	34%	41%
Debt as a % of GDP, 2011	11.0%	20.2%	61.3%
Deficit as a % of GDP, 2011	-2.5%	+0.3%	-10.8%
Corruption Perception Index Rank	8	8	22
Index of Economic Freedom Rank	3	5	9
Economic Freedom of the World Index Rank	8	4	6

Sources: IMF, CIA, Transparency International, Heritage Foundation, Fraser Institute

Mr. Obama claimed last week that if the Republicans did not increase taxes, American children and the elderly would be left without adequate food and medical care. However, Swiss and Australian children and the elderly who are in need get help from their governments. If they can do it, why can't we? The answer is too many U.S. politicians and government bureaucrats are corrupt and/or incompetent. When he was running for office, Mr. Obama promised to examine every federal spending program and cut out waste, fraud, abuse, etc. - but he has never done it.

The same excuse-making is true at the state level. New York spends almost 65 percent more per capita and California more than 30 percent more per capita than Virginia does. New York and California have big budget deficit problems, and Virginia is running a surplus. By almost all measures of citizen well-being from per capita income, unemployment rates, etc., Virginia is doing better than California and New York. Virginia recently has been rated "best for business." A few decades ago, Virginia was much poorer on a per capita income basis than New York or California. So why has Virginia succeeded? One reason is that Virginia has a part-time legislature, which is limited to meeting just a couple months a year. This has proved to be plenty of time to get the state's business done while limiting the time that legislators have to come up with useless and counterproductive programs. Virginia also has been blessed with more competent governors (Democrats and Republicans who can serve only one term) and more capable elected officials than California or New York. There is no

substitute for good leadership, as Ronald Reagan, Margaret Thatcher and others have shown.

Texas, Florida and several other states have no state income tax and are leaders in job creation. Some states have income tax rates as high as 12 percent and are losing jobs. What does that tell you? When you see politicians in California, New York and elsewhere saying they need to increase taxes, you know they are corrupt or incompetent.

Successful countries and states do not try to solve a problem of excess government spending by increasing taxes, which only slows growth and drives away businesses and jobs. They cut spending. The Republicans should demand that the president uphold his campaign promise to examine every expenditure and cut out the waste, fraud and duplication before increasing the debt limit.

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