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Delusions of Grand Expenditures

By Richard W. Rahn

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Liberal pundits fantasize that more spending will fix economy

Many in the establishment media and, in particular, some of the commentators on MSNBC have referred to members of the tea party and their supporters in Congress who did not vote for the debt ceiling compromise as delusional or worse.

A delusion is a false belief strongly held in spite of invalidating evidence. The tea party crowd argued that the compromise would do almost nothing to stop the United States from going over the budget deficit cliff and that the continuing, irresponsible deficits required stronger medicine, such as a balanced budget amendment to the Constitution. The idea of a constitutional amendment to balance the budget or to limit taxes and spending was mocked by smug, leftist commentators as both unneeded and unrealistic.

Those who look at numbers, in contrast to those who just express opinions, clearly thought that the budget compromise was insufficient, to put it mildly. The stock markets have plunged, Standard & Poor's downgraded U.S. debt and the U.S. gross domestic product to debt ratio reached 100 percent. Those who disparage the tea party ignore the fact that the S&P managing director said they would probably not have downgraded if the United States had a credible balance budget amendment. The anti-tea party crowd has been trying to explain the market reaction as due to the lack of a tax-increasing compromise.

If you were canoeing with a friend and you believed, based upon reading the maps, that you were within five minutes of going over a massive and perhaps lethal waterfall, while your math- and geography-challenged friend believed that you had another 15 minutes before going over the falls, would you compromise by agreeing to go another 10 minutes

before returning to shore? It is delusional to agree to compromise in such a situation. Sometimes it makes sense to compromise - other times it can be fatal.

President Obama claims that the Republicans are being irresponsible in not wanting to close “tax loopholes” for private jet owners and oil companies. These loopholes turn out to be nothing more than amortizations of capital expenses (i.e., being allowed to recover your investment before being taxed on it), which is necessary for any business investment. There is no more expensive aircraft in the world than Air Force One (the president’s Boeing 747). Can you imagine the howls if Congress insisted that the full cost of using Air Force One - including depreciation and all of the associated personnel - be charged to the president for any political or other non-essential use of the aircraft, rather than reimbursement at the rate of equivalent airfares, which is the current practice?

As long as the government continues to grow faster than the economy - as it has been doing - there is no tax increase that can solve the problem. It is delusional - or irresponsible - to think that the kind of tax increases the president has talked about would do anything serious to solve the debt situation - and would, instead, make the unemployment problem worse.

Steven Rattner, a former Obama Treasury official and one of the key architects of the current economic mess who is now a TV commentator on MSNBC, called the tea party folks “terrorists,” as have other leading Democrats. Despite the empirical evidence and his own forecasts, Mr. Rattner continues to exhibit a certain form of delusion called “cognitive dissonance,” by insisting that higher levels of spending and taxes will increase employment. Who is more of an economic “terrorist” - a person who insists on not increasing an unsustainable debt without a credible plan to bring it down, or someone who insists on continuing to follow policies that have only led to more unemployment and almost non-existent growth?

You may have heard comments by some Democratic elected officials or seen some of the TV ads that demand that we make no changes in Social Security, Medicare, Medicaid and the other entitlements. Government actuaries show that without reform, the entitlements will eat up the entire federal budget and then the economy. One of the ads is sponsored by a labor-union-affiliated group. I called the group to ask for its alternative to any proposed changes to these entitlements. I spoke to a fellow in its policy shop who did not dispute my numbers, but who told me that his organization was just demanding no cutbacks and it was up to others to come up with a solution. Hmmm, if someone ran ads demanding that the length of daylight be the same in January as in June, but had no

proposal for accomplishing the impossible, you would correctly think they were delusional.

It is amazing the way the establishment media has largely overlooked the fact that more than half of the Democrats voted against the budget-ceiling compromise, for the most part, because they did not like even the small cutbacks in spending. But a smaller percentage of Republicans voted against the bill because they correctly saw it as insufficient to deal with the budget problem, and yet they are called “delusional.” Who are the ones really denying reality?

We know from studies of cognitive dissonance that many who have invested a great deal in bad ideas, like those who predict with certainty a date when the world will come to an end, will continue to defend these false beliefs - with some lame excuse - when the date comes and goes. The people who claim that more and more government spending, taxing and regulation will bring economic salvation in higher growth and more jobs are equally false and destructive prophets.

Richard W. Rahn is a senior fellow at the Cato Institute and chairman of the Institute for Global Economic Growth.

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