



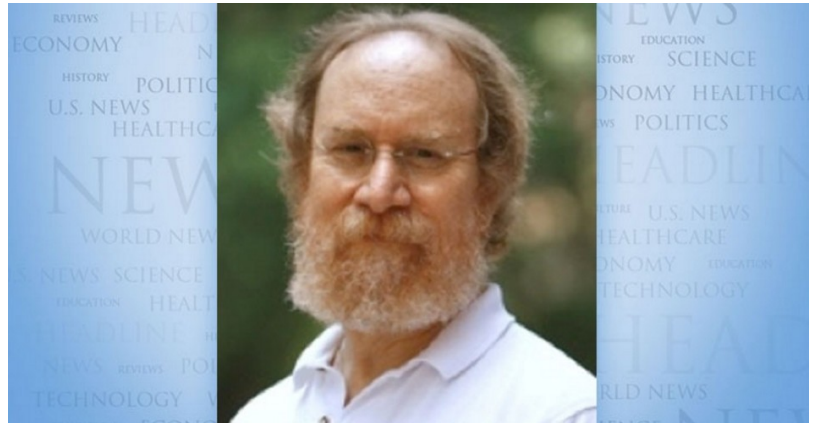
Washington's Budget Con Game

If the “fiscal cliff” controversy isn’t enough to convince you this government is one big fraud, what will it take? The budget mess was delivered to us by the same people who every step of the way claimed to be acting in our best interest. Let that sink in. Every president and every member of Congress assured us that their fiscal policies would produce prosperity and employment.

What did that bipartisan policy consist of? Spending and borrowing. Good political economists (especially those of the public choice school) warned us for decades that politicians face incentives that are inimical to the people’s best interests. Politicians who want to hold on to power have every inducement to promise to spend more money to benefit key constituencies. It is the rare politician who can get elected or reelected by promising to cut spending, unless it’s spending that benefits only people outside his or her state or district. (Even then, politicians will vote for spending in order to win support for their own projects — the practice known as logrolling.)

So spending rises in good times and bad. And how are the programs to be paid for? Politicians know better than to promise to raise taxes generally, because voters tend not to like that. President Obama has shown that you can get reelected if you promise to raise taxes on the wealthy. But there’s no mystery to be solved there. Of course lots of people are happy to see higher taxes — on someone else. Even some wealthy people will vote for a tax-raiser, anticipating that avoiding higher taxes is just a matter of asking the accountants to work a little harder.

For a long while, politicians didn’t need to talk about taxes at all. That’s because they had a magic way to pay for higher spending: borrowing. Once upon a time in America, borrowing to finance normal expenditures was taboo. But that taboo was worn down thanks to government-created crises and court intellectuals. We reached a point where government could run trillion-dollar budget deficits over several consecutive years and amass a national debt as big as the U.S. economy itself — all without inciting a revolution. Borrowing certainly has had its advantages, for the politicians and lenders at least. It also made government programs look free. Debt could be rolled over, so the bills wouldn’t have to be paid until future generations — who alas don’t get to vote today — came along. It’s especially ironic when politicians who love to invoke the welfare of “our children” burden those very children, not to mention their children after them, with crushing debt. Anyone who wants to leave future generations a better planet should also want to leave them a smaller, lighter government, and for the same reasons.





Written by [Sheldon Richman](#) on December 11, 2012

If anyone voiced a concern about borrowing, he was silenced with the admonition that “we owe it to ourselves.” Of course, that bit of nonsense can’t withstand scrutiny. Many people who do not own government bonds will eventually be taxed to pay the people who do own bonds. “We” and “ourselves” are not the same group.

Well, all good things must come to an end, and we’ve reached the point where government borrowing has finally gotten a bad name. People demand that it stop. They say they don’t like the debt or the deficit. So politicians must now sing a different, “responsible” tune. They’re now against all that — or say they are. Beware: they can’t be trusted.

They talk about cutting the budget, but they don’t mean it. Cutting, to them, means reducing anticipated (or imaginary) future spending. As the [Wall Street Journal points out](#), when Republicans and Democrats talk about cutting \$4 trillion in spending over the next decade, they are fibbing: Those numbers have no real meaning because they are conjured in the wilderness of mirrors that is the federal budget process. Since 1974, Capitol Hill’s “baseline” has automatically increased spending every year according to Congressional Budget Office projections, which means before anyone has submitted a budget or cast a single vote. Tax and spending changes are then measured off that inflated baseline, not in absolute terms. In other words, the spending and borrowing will continue apace. Once again, we’re being swindled.

Sheldon Richman is vice president and editor at The Future of Freedom Foundation (www.fff.org) in Fairfax, Virginia.



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