

## **The Balanced Budget Task Force**

Well, so much for Congressional leadership.

Last week, by a 53-46 vote (where 60 votes were needed for passage), the U.S. Senate refused to establish a Bipartisan Task Force to develop a balanced Federal Budget. The Balanced Budget Task Force was supported by 60% of Senate Democrats, but by only 40% of the Republicans. President Obama, in his State of the Union address, announced that he would establish a task force by executive order, but his task force won't have the same authority that a Congressionally established task force would have had.

The Democrats who voted against the Task Force claimed that they were afraid it would propose cuts in Social Security and Medicare. The Republicans said they were afraid it would propose tax increases. Well, duh – there's no way to get to anything approaching a balanced budget without some of both.

The Democrats, generally the liberal wing of the party, I kind of understand. They never claim to support balanced budgets anyway. Stupid, but at least consistent. But the 60% of the Republican senators, including all the Senate Republican leadership, plus 6 Republican Senators that had originally sponsored the bill, that voted against the bill are hypocrites of the highest order. When in power under Bush, they spent freely, cut taxes freely, and ran deficits freely, but now that they're in the minority, they carp about the high deficits while refusing to help eliminate them.

But then again, Republicans have been lying to us for 29 years now about their concerns about deficit spending. A little history: in 1946, at the close of WWII, the Federal Debt stood at 121% of GDP. That is, to finance the war we borrowed to the point that the government owed more than the entire economy produced in a year. Over the next 35 years, under Truman, Eisenhower, Kennedy, Johnson, Nixon, Ford, and Carter, that ratio fell steadily, to under 33% of GDP.

Then came Ronald Reagan's 1981 tax cuts. Tax revenues fell, spending rose to about 10% more than under Carter, and by the end of the first Bush administration, that ratio was back up to 66% of GDP.

Bill Clinton's first act as President was to push a tax increase through the Congress, with no Republican votes. Along with spending constraints, which gradually reduced spending by about 15% relative to GDP, this led to a surplus by the end of his administration, and a Federal debt down to 58% of GDP.

And then came George W Bush, anxious to reinstate the Reagan legacy. Taxes were cut, spending drifted up, and the Federal Debt returned to 66% of GDP.

So the simple fact is that Republicans, since Reagan, have consistently chosen tax cuts over fiscal discipline. Their rhetoric says they like balanced budgets, but their actions, the vote last week included, proves otherwise.

Incidentally, how did those tax cuts spur economic growth? During the Reagan, Bush 1 and Bush 2 administrations, the economy grew at rates of 3.4%, 2.1%, and 1.9% respectively. During the Clinton administration, it grew at a 3.7% rate. A more accurate assessment, looking at peaks in the business cycle, shows that under Reagan/Bush, the economy expanded at a 3% rate; under Bush/Clinton, at a 3.3% rate, and under Bush 2, at a 2.4% rate. So it appears that fiscal discipline and balanced budgets produce better economic growth than tax cuts and deficits.

And yes, Obama has run an enormous deficit this past year. But Econ 101 says that big deficits are a good thing during recessions. With economic recovery peeking

through the window, it's time for fiscal discipline. And a Balanced Budget Task Force is as good a way to get there as any.