

Being Fiscally Irresponsible

These last five years, you've struggled to make ends meet. It's not the first time you've encountered hard times, and it probably won't be the last. But the clouds have begun to part, and your finances are almost back to normal. And then out of nowhere, some distant relative dies, and you come into a modest financial windfall. So the question is – should you blow the entire windfall on a big party?

The obvious answer, to anyone who sees the long term horizon, is no. Some time down the road, the kids are going to need braces. Some time down the road, you may get laid off. Maybe, after 5 tough years, a little splurge is in order. But mostly, you should save this windfall for the rainy days to come.

But that's the situation the state of Wisconsin faces. Over the last three years, the stock market has boomed, and investors have begun to cash in their gains. The result is a tax revenue windfall. If we'd had a governor or legislature capable of looking back at our past fiscal struggles, and then projecting forward to the next financial crisis perhaps 5 or 6 years from now, they too would set the lion's share aside in the state's rainy day fund.

But we have, as usual, a bunch of crass politicians whose only horizon is 8 months from now. So they're using the windfall to buy our votes, with a forget-the-diet, jelly-donuts tax cut.

The funny thing is, the Republican party likes to present itself as the party of fiscal responsibility. The truth is, they are no more fiscally responsible than the Democrats, and maybe even less so. After all, the Democrats are constrained by their reputation as loose spenders. But the Republicans can hide behind their supposed mantle of responsibility, behaving as irresponsibly as they want to.

A case in point. The Republicans in the State Senate, concerned that this year's tax cuts might worsen next year's projected deficit, voted to solve the problem by eliminating any contribution to the state's rainy day fund. That's like the wife saying you're blowing too much money on the big bash, and may not have enough left for the car payment, and you replying "no problem – we just won't pay anything into the kids' college fund this year." This is fiscal responsibility?

I have argued before, and will continue to argue, that Wisconsin needs to strengthen the limits we put on our politicians. Our state constitution requires a balanced budget, but that requirement is too weak, too easily toyed with. We need a limit that requires that our state's spending programs and tax cuts be affordable not just in the years of plenty, but in the years of dearth as well.

I have a proposal for how to do that; for the details just google "mcgee oshkosh tabor". The proposal wouldn't work perfectly – nothing ever does – and there may be other, better ways to achieve the same end. But something like it, something that ties the hands of both the Democrats and the Republicans, and forces both parties to behave responsibly, is needed.

But nothing of that sort is being proposed by either party. And that's because neither party actually wants to behave responsibly. They both love to spend more than is affordable, and tax less than is affordable, until the economy turns and the shortfall hits the fan. Yes, they claim to be good stewards. But until some candidate stands up and proposes a true, sustainable spending limit, you can be sure that they're all just spewing hot air.