Something for Nothing: The Endless Free Lunch

Losing a major American city to catastrophe is, thankfully, a very rare event. The Chicago fire 135 years ago and the San Francisco earthquake a century ago come to mind. The rarity of such disasters explains why the destruction of New Orleans has been so traumatic to us all.

It is not surprising that we all want to pitch in and help New Orleans recover and rebuild. George Bush, if a bit late, expressed that American resolve when he promised the nation that the federal government would make sure that happened, whatever the cost.

Most Americans welcomed that commitment. But Bush went on to say that we could spend hundreds of billions of dollars rebuilding New Orleans without cutting back on our other commitments and without raising taxes. Bush made the same assertions about funding the wars in Iraq and Afghanistan and the fight against terrorism. As any household or business knows, this is nonsense. You cannot spend more and more without increasing your revenues or cutting spending in other areas. Bush, apparently, though, sees free lunches everywhere he looks.

Bush obliquely hints that he will solve this problem by eliminating waste in government and cutting unnecessary programs. One might wonder why he did not do that to fund his military adventures around the world. Instead, he recently signed the energy bill that had enormous gifts to the wealthiest and most profitable businesses in the world: international oil and gas companies who are currently making exorbitant profits are our expense at the gas pumps and on our utility bills. There was pork, of
course, for lots of other businesses too. Bush also signed the highway bill to which every senator and representative added their little and big pieces of pork. Then along came Katrina and a whole new set of truly serious and gargantuan claims on the federal treasury. Still, Bush insists, that we do not need to slow or cancel some of the tax cuts nor does he have to be hardnosed about what new spending he authorizes.

Instead, he simply lets the federal deficit balloon, borrowing the money from citizens and countries near and far. While attacking liberals on the ground that they tend to “tax and spend,” he offers a much more attractive alternative: “don’t tax but spend and spend big.” “Tax and spend” at least has built into it fiscal responsibility: You don’t spend what you don’t have. Bush’s modified approach, “don’t tax but spend big,” assumes that government fiscal responsibility is incredibly old fashioned and outdated. As long as the Chinese government is willing to lend us the money, why shouldn’t we spend it? This is the same fantasy and disease that has trapped so many American families in un-payable credit card debt. The problem here is that it is the federal government that is engaged in the fantasy.

This is not a criticism of the federal government playing a major role in the rebuilding of New Orleans and the stricken Gulf Coast. Louisiana and Mississippi are almost certainly too poor to undertake that effort themselves, and we as a nation do not wish to simply abandon that city and its people. Whatever you may think about the war in Iraq, most of us want the military to be capable of meeting threats to us and other countries. We are willing to support a strong and capable military. Similarly, most of us are embarrassed and ill at ease with our dependence on Middle Eastern oil. We would like to escape that crippling addiction and are willing to spend money to do so.
The problem with Bush’s approach is the assumption that we as citizens will not have to pay for any of these things. The federal government can magically supply them while taxes are also miraculously cut. We can have both “guns and butter” and anything else we want too.

The fact is that in a democracy taxes are the price we pay so that the government can do the things we ask it do. In all past wars and crises taxes were raised because, in fact, there is no one else to pay the government’s bills. Bush, a magical economic wizard of some sort, rejects that unavoidable reality and instead cuts the taxes on the wealthiest among us and urged us all to go shopping.

For a while we all can enjoy this magical fantasy world where everything is free. But ultimately the bill will have to be paid. Those of a conservative bent will seek to see that the bill is paid by cutting almost all discretionary government programs on the grounds that we can no longer afford things like government support for social security, education, and highways. The commitments being made by Bush today that run up the deficit ever higher will ultimately force cutbacks across the board in federal programs. Bush, of course, will not shed tears over that. The crunch will come after he has left office, and it will force those who follow him in office to cut the programs that Bush and his friends would have like to have attacked but politically could not. The deficit that Bush is cheerfully running up will be a radically conservative time bomb that ultimately may transform the federal government. That may explain the sly smile on Bush’s face as he promises one hundred-billion project after another. It is not surprising that there is a strong Alfred E. Newman, “what, me worry?” aspect to Bush’s countenance. He knows what he is doing even if we do not.