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Chairman's Message

Some Major Threats to Limited Government

Federal spending has been a roughly constant 20 percent of GDP since the Korean War; the rapid growth of the U.S. welfare state during this period was financed primarily by a reduction of spending for defense and interest payments as a percentage of GDP. The rapid growth of federal regulation of health, safety, and the environment beginning in the 1970s was substantially offset by a comprehensive reduction of the older forms of economic and trade regulation. And most of the innovative policy proposals in this period were made by the libertarian right.

All of this seems about to change.

Some of the major new threats to limited government in the United States are independent of who is elected to the White House and Congress this November.

An administration and Congress of either party is likely to approve a federal program of universal health insurance. Such a program was endorsed by most of the presidential candidates in both parties, was implemented by former Gov. Mitt Romney in Massachusetts, and has been promoted even by our friends at the Heritage Foundation—despite the prospect that it would substantially increase federal spending, the relative price of medical care, and both price controls and nonprice rationing of medical care. The failure of any presidential candidate or more than a few members of Congress to criticize the $150 billion debt-financed "stimulus" package as ineffective or possibly counterproductive suggests that there is a broad bipartisan indifference to responsible fiscal policy. Another major threat to limited government that will probably be approved next year, whatever the outcome of the November election, is a first-stage national commitment to reducing the emissions of greenhouse gases; this ineffective but potentially very expensive policy is being promoted as a moral obligation, rather than the best of the alternative feasible responses to global warming.

The huge implicit debts for Social Security and Medicare, of course, are the largest threats to the federal budget. This is where the outcome of the November election might make a difference. In his recent State of the Union address, President Bush reminded us that these two programs should be reformed soon to avoid a large annual increase in their implicit debts, a warning that both Congress and the press ignored. In opposition, the Democrats have either denied any problem with these programs or claimed that small technical changes are sufficient and can be deferred. In general, it is politically difficult to reform a program for which the problems will not be broadly apparent for four or eight years. A substantial Democratic victory in November, however, could accelerate this process by giving the Democrats the political margin to control the restructuring of these programs, most likely by tax increases. The opposition Republicans would have a strong case for criticizing the Democrats for the proposed tax increases or for again deferring the necessary reforms of these programs.

Finally, there are several potential threats to a limited federal government that would only be a consequence of a Democratic victory in November. Based on an expectation of a larger Democratic margin in each house of Congress, the Democratic-oriented think tanks have been busy making the case for a substantial increase in the scope of federal powers. Matt Miller, a senior fellow at the Center for American Progress, for example, has made "A Modest Proposal to Fix the Schools: First, Kill All the School Boards" and increase the federal share of expenditures for K-12 schools from 9 percent to 25 or 30 percent!

And Bruce Katz, director of the metropolitan policy program at the Brookings Institution, has claimed that "Chicagoland [and other major metropolitan areas] simply [do] not have the power or resources to achieve meaningful reforms to metro-scale problems such as crushing traffic gridlock and inadequate work force housing on [their] own. . . . The federal government has a powerful role to play in helping metros address these and other issues—through smart investments, market-shaping information and environment-strengthening regulation. This potential is not being realized, since for too long the federal government has been strangely adrift and unresponsive to the dynamic forces at play in our country."

Odd—with all these skills and resources, one might think that the federal government would already have solved the major problems of the programs for which it has a clear constitutional responsibility.