

Could we fund the government entirely by borrowing?

On Philadelphia public radio last month, my friend and adversary Bruce Bartlett of the rabidly anti-tax National Center for Policy Analysis was tapped to defend President Bush's enacted and proposed tax cuts. Bartlett spoke glowingly about the tax cuts' sharp tilt in favor of the wealthy, and admitted that they're being financed entirely by borrowing. But that's no problem, he reassured the audience, since budget deficits don't really matter. Complaints about Bush leaving a crushing debt burden on our children are "not correct," Bartlett argued, since our children can just pass the debt on to their kids, who will pass it on to their kids, etc., etc. "We'll simply pass this on forever," he said.

Before you dismiss Bartlett's deficit theories as the irrelevant ravings of an oddball, you should know that he's an influential figure with the Bush administration. In fact, his comments echoed those of Bush's budget director Mitchell Daniels, who opined in early March that he was not worried about "the dimension of today's deficits, and tomorrow's for that matter." After all, he said, "They didn't produce disaster before. They won't this time, either." And don't think that Daniels was speaking out of school. "The president finds [the deficits] acceptable," he said in February.

Pondering these claims, I've begun to wonder if there is any level at which George Bush and his advisers would stop being so blissfully unconcerned about deficits. As the other guest on the radio show, I posed that precise question to Bartlett. But he didn't really respond, other than to say he strongly favored zero taxes on most of the income of the wealthy.

So for fun and edification, I decided to investigate what might happen if we threw caution to the winds and simply funded everything the government does, except for Social Security, by borrowing the money. Ignoring the likely economic meltdown, making heroically low assumptions about interest rates, and keeping total federal spending (including interest) at the same share of the economy as it is today, here's what I found.

Within eight years, interest on the ballooning national debt would cost more than all other federal outlays combined. About a decade later, the entire non-Social Security budget would be devoted to interest payments. Not a single penny would be available for defense, homeland security, roads, education or anything else!

After that, well, after that I had to relax my constraint on the size of total federal spending because interest payments would continue to skyrocket. Another decade or so later, federal spending, entirely on interest, would be twice as high as it is now as a share of the economy—assuming we still had an economy.

Of course, it's inconceivable that any Congress would actually vote to eliminate everything the government does except send out Social Security checks and pay interest on the debt—or that the voters would tolerate it. And anyway, so far the President has proposed to finance only a piddling one-third of non-Social Security spending with borrowing, not all.

But my little thought experiment does illustrate how silly it is to contend that we can just keep rolling over an ever-growing debt to the future without huge cost. In fact, the revisionist theory that deficits don't matter is really a cover-up. Later in his radio interview Bartlett essentially conceded as much, noting that he and his ilk hope that big deficits will force major cuts in public services, cuts that would be hugely unpopular and thus politically impossible otherwise.

Promising big cuts in well-liked programs is not a recipe for electoral success. So most conservative politicians (as opposed to right-wing think-tankers) prefer to espouse a happier, if completely contradictory theory. They insist that cutting taxes on the wealthy will somehow lead to increased revenues and thus allow even more government spending. The President articulated this theory (sort of) last January: "If you're worried about budgets, which we should be worried about budgets, the first question you ask is, how do you create growth in the economy? The more growth there is, the more likely it is you'll have tax revenues." Therefore, Bush argued, upper-income tax cuts "ought to be the centerpiece of public policy."

I have no idea if Bush truly believes in this discredited fantasy—"voodoo economics" in his father's famous phrase—or has just been duped by his handlers, who have quite a different agenda. But the practical effect of falsely touting cost-free tax cuts and deficits-that-don't-matter is insidious. At stake are both our economy and essential public programs—some of which even Bush, as commander-in-chief, says he supports.