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Is Obama Trying to Do Too Much?

President Obama's budget for the coming years has come under attack from both Republicans and Democrats because it proposes significant new government spending on health care and alternative energy programs at a time when coping with the financial crisis and economic downturn have already created massive and growing federal budget deficits. Adding to that deficit by proposing even more long-term government spending is seen by Obama's critics as threatening our future prosperity.

Obama's budget proposals seek to link solutions to three important long-term problems. He proposes a significant expansion in the federal government's role in assuring that all Americans have access to health insurance and health care while curtailing the rapid increase in health costs. He also proposes a major increase in our nation's investment in both improving the efficiency with which we use energy and in developing more renewable energy sources. Obama proposes funding these new programs with revenues generated by the imposition of controls on the emission of greenhouse gases caused by our use of fossil fuels.

Charging energy users in proportion to the greenhouse gases they emit would discourage those emissions, moving us towards one objective, reducing the threat of global warming, while generating substantial revenues to fund access to health care and the development of low-carbon energy sources.

Both congressional Democrats as well as Republicans appear to have rejected this "tree birds with one stone" approach to our long run medical, energy, and

environmental problems. The Republicans see the President's "cap and trade" greenhouse gas emission controls as a massive tax on all energy consumers to fund more big government. Democrats, hesitant to appear to be fulfilling the Republicans' "tax and spend" caricature and sensing that in times of economic crisis across the board tax increases would be seen as making hard times worse for most Americans, are also backing away from the President's proposals. As a result, many pundits see the President's larger medical care and energy policy agenda cornered by the economic collapse he inherited and the massive deficits being run up trying to stop the economic free-fall and then dig our way out of the economic hole we are in.

That is nothing short of dangerous myopic thinking. It assumes that we can return to economic stability and prosperity while doing nothing about the burdens that our current medical and energy systems impose on our economy while also doing nothing about the costs associated with global warming. That is delusional thinking, even if it is politically a cheap shot that merely delays the inevitable while increasing the ultimate costs we will have to pay.

Medical insurance have become an increasing burden on our businesses. Lack of insurance for tens of millions of Americans and sky-rocketing health care costs lead to inadequate health care and higher levels of sickness, reducing the overall well being of our families while also reducing the productivity of our workforce. Despite very high levels of health care spending per person, our health statistics trail those of almost all other developed as well as some developing countries.

Our reliance on foreign sources of energy also stresses our economy, boosting imports and siphoning off purchasing power to regimes that often are hostile to us, boosting, in turn, our need to keep military spending high to protect our access to that

energy, increasing the effective cost of that energy to us and burdening the economy still more.

In short, our medical system operates as a drag on our economy and well being. Our reliance on foreign fossil fuels does the same. Meanwhile our greenhouse gas emissions steadily rise. None of this is sustainable.

What Obama is proposing is the equivalent of taxing unproductive or destructive behavior, namely the massive releases of climate changing gases into the atmosphere. He proposes using those revenues to fund programs that will boost the productivity of our overall economy while also substantially improving the well being of the vast majority of Americans. The net result has got to be positive compared to the dysfunctional status quo in the medical and energy sectors that is costing us so dearly.

Taxes are an economic concern when they burden and discourage productive activity. Our current heavy reliance on payroll taxes, for instance, tends to discourage businesses from hiring workers while also reducing the reward for working, discouraging work effort. Very high taxes on investment and the returns on investment can also discourage savings and the types of real investments on which our prosperity is based. Those potential negative impacts of taxes on positive economic behavior are the basis of the conservative claim that taxes are a drag on the economy.

But the equivalent of taxes on unproductive or destructive activities, that is taxes on economic waste, and the use of those revenues to support programs that boost our overall productivity, such as reducing medical costs to businesses and families and reducing our dependence on unreliable and damaging foreign energy supplies, has the opposite effect: It encourages productive behavior all the way around.

We cannot afford to wait until a tentative prosperity returns to lay the foundation for a more sustainable and productive economy, built around new medical care, energy, and global warming policies.