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Dear Debt Commission: Thanks, We Needed That

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President Barack Obama, flanked by his deficit commission co-chairs Erskine Bowles (left) and Alan Simpson. Image by Getty Images North America via @daylife

Messrs. Bowles and Simpson, co-chairman of President Obama's debt commission, just splashed some much-needed cold water on our faces. Many of us long concerned about our declining fiscal situation had been planning to get serious about it once we got out of the woods of the slumping economy. Stimulus today; fiscal rectitude some time in the future. Well, the future is suddenly now.

Frankly, I haven't digested the details of what I assume is just the starting point for serious deliberations within the commission. I'm sure I won't like many of the proposals, which matters little. The commission won't either, which matters more. What really matters is whether the new, presumably more fiscally conservative Congress will walk their campaign talk. As they say, you get to campaign in poetry but you must govern in prose. It won't be easy.

I suspect the greatest public outrage will come from the suggestion of limiting or eliminating the mortgage-interest deduction, even though the rhetoric of the past few years has attacked the subsidies to and overstimulation of the housing sector. We can all support the end of earmarks, assuming of course that our congressmen continue to take care of the home folks.

I probably won't like some of the tax increases, but I can at least understand the argument that a tax on gasoline might be a more efficient way of reducing carbon than, say, cap and trade or other alternatives.

I like a lot the proposal to ratchet down the corporate income tax rate, one of the few rates likely to have a substantial Laffer Curve effect, both because the rate is so high relative to other countries' rates and because those who pay it have choices. I also like it because the proposal itself shows that the commission co-chairs understand supply-side incentives. They need to look harder for others, starting with the capital gains rates.

I always cringe when I see substantial cuts recommended for the military for several reasons. First, national defense is at the top of the list of appropriate roles for the federal government. Second, we still have two hot wars to be won or lost in addition to the war on terrorism. My

suggestion is that the commission work closely with Defense Secretary Gates, who already has an ambitious cost reduction program underway. Having worked with Bob Gates for two years at Texas A&M, I can't think of anyone I'd trust more with the defense budget and with the lives of our soldiers. Any defense cuts he willingly agrees to will be all right with me.

It will be interesting to see if all those in favor of smaller government and a balanced budget in the abstract will be willing to do what is necessary to achieve them. I'm inclined to believe, however, that it will be more of the same:

“Don't tax you;

Don't tax me;

Tax that fellow behind the tree.”

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