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America's lessons in governing
By Lawrence J. Haas

The Commentator's European readers could learn lots from how we, in the United States of America, run our government. We are, after all, the world's richest, most powerful, and most stable democracy.

Nothing better illustrates our genius for governance than how we do our most fundamental business, which is to set our priorities through our tax and spending policies. That's when we decide what we'll do as a nation and how we'll finance it. Pay attention, Europe – for you'll surely want to adopt our “best practices.”

On the tax side, the experts all say that we should maintain a stable tax system, one that's not subject to frequent changes so that individuals and businesses can reliably plan for, and invest in, the future.

Nonsense! We enact tax laws every year or so, sometimes because a new President or Congress wants to make sizable shifts in tax policy but more often merely to extend dozens of tax breaks – for small business, renewable energy, college tuition, and other causes – for just a year or two, guaranteeing that we'll have to pass another tax law when they're again due to expire. In fact, we do that so often with this group of tax breaks that everybody in Washington calls them “the extenders.”

We do that because we want to retain leverage over the industries involved – “behave or lose your tax break!” – and we want to keep the tax lobbyists employed; lobbyists are, after all, the source of lots of campaign support. You'd be surprised how many lobbyists make their living on the certainty that, thanks to “the extenders,” Congress will draft a tax bill every year or so for which they can ply their craft.

It also helps that, when we're running big budget deficits, we can pretend that these tax benefits don't cost as much as they do. By extending them for a year or two, we only count the cost of a year or two, even though everyone knows that they'll be around for the long term and will rack up costs well into the future.

On the spending side, we don't bother with the passé notion of providing full-year budgets for our public agencies. More often these days, we give them temporary budgets that last for the first three or six months of the fiscal year (which begins on October 1st and runs until the following September 30th).

That is, we enact “continuing resolutions” that usually extend the previous year's funding into the next year. (Why set new priorities when you can simply extend the old ones from one year to the next?) When one continuing resolution expires, we sometimes replace it with another. Then,

maybe half-way through the year, we get around to giving the agencies real budgets for the rest of the year.

This year, by the way, the current continuing resolution runs until March 27th (that is, six months into the fiscal year), and nobody's sure what Congress will replace it with.

Some Republicans want to replace it with agency budgets that would make deep cuts in federal spending – and they're willing to let the government close for lack of funding if they don't get their way. (Yes, we shut the government down from time to time, though never for more than a few weeks.)

Ever hear of our “debt limit?” We have a legal limit on the amount of total federal debt and, as we run budget deficits each year, we must raise the debt limit in order to accommodate the rising debt.

Our debt limit has no discernible purpose, which may explain why no other major industrialized nation has one of its own. By raising the debt limit, the President and Congress merely empower the federal government to pay the bills that have come due (resulting from their previous decisions to cut taxes, boost spending, or both) – the bills from bondholders, retirees, health care recipients, defense contractors, and the like. It's akin to a family voting to pay its mortgage each month.

The debt limit does, however, give America the opportunity to default on its obligations, which would probably send the U.S. economy tanking, interest rates soaring, and global financial markets swirling.

Most recently, the President and Congress decided to raise the debt limit just until May 18th, so they'll have to raise it again fairly soon.

Due to widespread misunderstanding about the debt limit – most people think that, by raising the debt limit, Congress is voting for more debt – congressional leaders are finding it harder and harder to gather the needed votes to raise it. One of these days, the necessary votes may not be there.

So, as you can see, we've got very rational and efficient procedures in place to set our priorities and govern our nation.

“American Exceptionalism,” anyone?

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