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## Without Compromise, Fixing Deficit is a Fairy Tale

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# Deseret News

## Nathan B. Oman: Without compromise, fixing deficit is a fairy tale

By Nathan B. Oman , For the Deseret News  
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In this Oct. 23, 2006 file photo, new 2006 \$20 currency notes are seen at the Bureau of Engraving and Printing in Washington. (J. Scott Applewhite, AP)

With the choice of Paul Ryan as his running mate, Mitt Romney is trying to force President Obama into a debate over the ballooning federal deficit. The current GOP line on this issue is pretty simple: We should cut spending to deal with the debt and should not raise taxes.

Unfortunately, this is roughly as realistic as insisting that America's fiscal woes can be solved by magical fairies appearing in the House Ways and Means Committee with bottomless chests of leprechaun gold. It is an arithmetically feasible

solution, but not the sort of thing we should plan on happening. The central problem with the no-tax-increases line is the political rather than the fiscal accounting.

The culprit here is James Madison and the other gentlemen of the Constitutional Convention of 1787. Skeptics of radical shifts in government, they deliberately designed a system of checks and balances that make it more or less impossible to act decisively without very broad consensus.

Historically this can be seen by the way in which spending increases accompany tax cuts. The politics are simple. Republicans are able to get tax cuts by dampening Democratic opposition with support for spending increases. Likewise, Democrats obtain increases by acquiescing to tax cuts.

All of this is deeply frustrating for ideological purists, who see only elected politicians "selling out." The politicians, however, are acting in precisely the way that the Founders envisioned.

Despite a country where partisan support in the electorate is evenly divided, both parties believe that they are on the threshold of a watershed victory that will give them such overwhelming control of Congress and the presidency that they can govern without the other party.

For Democrats the high tide of optimism came in 2009 in the wake of Obama's election. Their dream died with the GOP victory in the 2010 mid-term elections. For Republicans, now seems to be the moment of illusion. The hope is that in November they will capture both ends of Pennsylvania Avenue and enact an ideologically pure version of their agenda.

This will not happen. Romney may win the presidency. Republicans may retain control of the House and may even gain control of the Senate. It beggars the imagination, however, to imagine that they will gain such a crushing victory that the Democrats will be unable to stymie Republican legislation

in Congress and the court of public opinion. Even if the GOP wins, there will be no grand fiscal reckoning without at least some Democratic support.

The Republicans are basically correct in their assessment of America's fiscal woes. The problem is not that the state takes in too little money in taxes but that it spends too much money on entitlements. They are mistaken in thinking that the needed cuts in spending are politically possible without increasing government revenues.

The reality is that America will eventually act to alter its fiscal course. Unsustainable things eventually stop, and America's current pattern of government spending is unsustainable. The longer we wait, however, the more painful the inevitable shift will become. Major legislation will require a deal between Republicans and Democrats. Tax increases are the currency with which the GOP will have to buy off Democratic recalcitrance on entitlement reforms.

Republicans ought to start thinking about the kinds of tax increases that they will accept. They should seek to eliminate distorting tax deductions and limit the rise in marginal rates. Like the successful Conservative Party in Britain, they should insist that spending cuts close the lion's share of the deficit. The alternative is to continue hoping for an imaginary world in which it is possible to sort out America's fiscal problems without agreeing to some increase in taxes.

Or we could wait for the fairies with the leprechaun gold.

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