

Reshaping Government Spending, Economic Policy Summary 10-2008,

My economic policy summary is that unlike FDR's solution for the Great Depression, more government spending should originate at state and local levels this time around. And that states and local communities can and should be the engines that drive the US economy out of difficulties and into better times. We currently have US state economies that rank very well in terms of GDP and Competitiveness when matched against the global economy. We will need flexible policies and knowledge of micro-economic conditions in order to be effective at restoring peace and prosperity. What works in one state or local community may not work so well in another community, even with regard to finding new energy solutions. This can also be viewed within a global context, that many models will be required to set the world economy on a better path. Those models that succeed can be copied, while those that fail will need to be restructured. So a theory that tax-payers can have more control over how tax monies are spent if more funding and resources are shifted to the state and local levels appeals to me. I am not anti-federalist, but by sheer size and its recent spending track-record the federal government has shown that it too easily makes the mistakes of centrally planned economies, it overspends in some areas and neglects others due to broad-based policy decisions. And when the federal government makes bad decisions, we all suffer the consequences. So, our presidential candidates this year will need more than anything else to reshape federal spending priorities to decisions that have better effects on Main Street (the micro-economic level) than the last eight years have achieved.

Candidates John McCain and Barack Obama continue to spar over economic policy and the focus of tax cuts, and reforms for Medicaid and Social Security. But the candidates seem to be out of touch with the real economic scene – which is that government spending is both driving the US economy, and protecting its financial systems. And they are out of touch by not realizing that their own economic policies are being shaped now by government spending decisions made prior and yet to be enacted. Further, as the world economy slumps it becomes apparent that further US Government spending will be required. Indeed, though the situation is quite different in many ways from the Great Depression, the solutions may require lessons from that period. FDR navigated uncharted waters when he confronted the economic carnage of that time. FDR's primary tool was government spending in the battle to regain financial stability and well-being for all US citizens.

Federal spending in today's age can be seen as both savior and cause of many of our problems. The huge opportunity costs of initiating, engaging in and funding the Iraq War and Iraq's reconstruction become more obvious every day. The simple fact that this year the US federal deficit is projected to be \$1 Trillion dollars and that it matches the costs of the Iraq War is a lesson that we cannot continue to ignore. Think of the opportunities lost, and how those monies might have been focused on creating a New Energy Age, or even in funding and holding together our state and local communities. Recent news articles suggest that Congress is weighing yet another stimulus package even after the \$700 Billion financial system bail-out package recently enacted and other corporate bail-outs are on the horizon.

May I inject some common sense into the presidential debate, and into economic policies being formed? First, whatever tax cuts are planned or enacted, it will be a President's spending priorities that will shape our future. Tax cuts alone will not solve our economic dilemmas or those of the world body. Like many others I feel that my own priorities for federal spending have been largely ignored during the GW Bush administration, and my hope is that our next president will focus more on economic issues at all levels. The fiber and substance of our states and local communities is being shredded due to imprudent federal policies, and this clearly shows that macro-economic policies have had very harmful results at the micro-economic level.

The GW Bush tax cuts of 2001 have been slanted towards the wealthiest in our country and have been largely ineffective in stimulating the US economy, so they should not be continued. Many studies show that the income gap has widened in recent years, and that the GW Bush tax cuts have benefited the wealthiest at the expense of everyone else seems more evident. That the income gap seems to have widened in practically every country in the world according to an October OECD report shows that the US is not alone in this regard. And that the world community needs to take steps to make conditions better. This would seem to indicate that some income redistribution might be a good idea. "Income redistribution" as it has been used in US campaign rhetoric could be rephrased to state, "helping what is left of the middle class and the rest to survive and have hope for the future."

I think one policy decision should be to fund tax cuts to individuals and state and local economies by making state and local taxes 100% offsets to federal taxes. This would mean a simple change to the IRS 1040 tax form, moving the Schedule A tax credits to page 2, Other Credits. All tax-payers actually paying taxes would benefit, thus removing the objection of a redistribution of wealth. States could have more funds and resources, and NY State Governor David Paterson, CA Governor Arnold Schwarzenegger, NJ Governor Jon Corzine, MA Governor Deval Patrick and others could find welcome relief and opportunity to turn things around. Should states or local communities raise taxes, more tax monies would be redirected to state and local budgets.

There are federal spending decisions made every day that might get more scrutiny. Yes, certainly we need to fight terrorism around the globe. But do we really need a missile shield in Europe now, or a missile shield in space? How can we best spend tax dollars for all our citizens and for the betterment of the world community should be a crucial part of policy-making at all levels of government when making spending decisions. It does seem that the federal government has made many poor decisions in the last eight years. We all should come up with an economic policy – maybe one of us will get it right.

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