

The Political Forum

*A review of social and political trends and events
impacting the world's financial markets*

Mark L. Melcher
President
melcher@thepoliticalforum.com

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GEORGE WANTS TO GO TO MARS, BUT DOES HE KNOW THE WAY?

Mark L. Melcher

Last week, in a major public address filled with much pomp and pageantry, George Bush proposed that the United States take a "journey into tomorrow" by colonizing the moon and using it as a launching pad to go to Mars.

Now it's difficult to oppose the idea of journeying into tomorrow, given the alternative. But if George had a little more imagination, he might have saved himself a lot of time worrying about rockets and boosters and such stuff and just walked next door to the Office of Management and Budget.

There he would have found his staff working on negotiations with Congress over what to do about the mess they're in over funding for the aptly-named catastrophic health insurance bill Congress passed last year. It's hard to imagine a more appropriate beginning for a presidential "journey into tomorrow" than venturing into that little melee.

The full story over this on-going controversy is too complicated to cover in depth here. But basically what happened is that Congress last year passed a bill to provide Medicare patients with a greatly expanded package of benefits, including caps on out-of-pocket liability for most hospital and doctor bills, expansion of home health, hospice and nursing home benefits, and the first broad coverage of outpatient prescription drugs.

In a rare effort to act somewhat responsibly, Congress funded the proposal with higher taxes on those who would benefit from it, namely the elderly. But they couldn't resist playing budget games. So they did two things that have led up to the mess in which they find themselves today.

o They seriously underestimated the total cost of the program.

o They began collecting the taxes right away, but phased in the benefits. This provided them with a \$3 billion-plus Gramm-Rudman cushion in fiscal 1989. But it also is responsible for the

Subscriptions to The Political Forum are available by contacting:
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8563 Senedo Rd., Mt. Jackson, Virginia 22842
Tel 540-477-9762, Fax 540-477-3359, Email melcher@thepoliticalforum.com,
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delightful irony that exists today, i.e., that it would now cost more over the short term to terminate the program than it would to continue it, because Congress would have to give the \$3 billion or so back, which it has already spent on other things.

Talk about a “journey into tomorrow.” It's hard to imagine a more perfect microcosm of all the elements that will shape the next decade or so in America. These include an enormous build up of debt that limits fiscal flexibility; an extreme shortage of federal funds; a rapidly aging population; the consequences of duplicitous, boneheaded congressional leadership, both past and present; a congressional inability to deal with anything except on a superficial basis; and the White House's complicity in the whole process.

Now this is not a diatribe in favor of programs for the elderly and against space exploration. I'll leave that discussion to the thousands of people in this town who are well paid to represent the poor, the elderly and, yes, the space program. These people are pros at emoting on "misguided national priorities," and most could switch sides in a heartbeat for a pay hike.

The fact is that this nation could afford to have an ambitious space exploration program that probably includes a moon colony and a visit to Mars, just as old George said. And we could do it in concert with a well-conceived and administered Medicare system. Furthermore, we could do it while balancing the federal budget and generally placing our entire fiscal house in order.

Indeed, and here we come to the real point to this article, we couldn't do it any other way. Whether George knows it or not, the first step in his proposed trip to Mars entails straightening out such things as the Medicare mess, as well as a host of other similar fiscal messes on Capitol Hill that are right now bleeding through the Band-Aids.

If this one small step for fiscal responsibility is not taken, and taken soon, there will never be another great leap for mankind, at least in the space program. And tomorrow in America will be vastly different place depending on whether George understands this or not.

This is not simply an abstract theory. It relates directly to this administration's approach to fiscal policy.

George Bush has chosen to follow Reagan's lead and use huge fiscal deficits and an adamant opposition to increased taxes as the primary tool for directing the nation's fiscal policy.

As we saw during the Reagan years, this approach does hold down the growth in government spending, at least to some degree. And in theory at least, it is a perfectly legitimate way to do it. But it is a much less precise system than the more difficult one of exercising true presidential leadership over fiscal policy in the ways provided for by the founding fathers, i.e., public persuasion and presidential veto.

For that reason, a president who uses deficits to control spending, along with an adamant opposition to raising taxes for any reason whatsoever, largely abdicates the capability to fine tune fiscal policy and with this he loses the ability the launch any significant new programs of his own, such as a new venture into space.

Indeed, a president who uses deficits to control spending, and still talks heartily about all the new things he intends to do, runs the risk of resembling a well-liked, but ne'er-do-well father who constantly tells his poor family of the good times to come and all the things they will do together when he gets back on his feet. The family listens politely, because they like him and don't want to hurt his feelings. But they know, and he knows, it won't happen, because he doesn't have the character to make it so.

To sell his proposed new space venture, and thus his version of America's tomorrow, George would have to make a convincing argument that it would be worthwhile to the nation as a whole and to us as individuals. He would have to talk directly and honestly about the costs and benefits of such a venture, and how these integrated with other national priorities.

More importantly, he would have to dramatically change his approach to fiscal policy. He would have to abandon the passive policy of letting the deficits rule the spending process. He would have to actively enter the fray, fighting for those projects he supports and aggressively opposing those he thinks are frivolous. He would have to be assured enough of his programs that he could ask the public to fund them, and confident enough of his leadership skills to see that new tax revenue would go only for those projects he deemed necessary.

Absent such a change in Bush's approach to fiscal policy, this nation truly won't have enough money to go to Mars. Nor will it have enough to solve the Medicare mess, or to do a host of other things that need to be done.

Like the above-mentioned ne'er-do-well father, George will somehow pay the rent and feed the family. But he won't take us on that long-talked-about trip to Hawaii; or to Mars either.

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