



TAX POLICY CENTER
URBAN INSTITUTE & BROOKINGS INSTITUTION

Budget Hawks, Doves Deadlocked? Send in the Foxes!

Donald Marron

August 17, 2011

Published by Christian Science Monitor

ABSTRACT

In a contribution to the Christian Science Monitor, Donald Marron argues for a new way of approaching the U.S.'s budget woes.

The findings and conclusions contained within are those of the author and do not necessarily reflect positions or policies of the Tax Policy Center or its funders.

CHRISTIAN SCIENCE MONITOR, THE NEW ECONOMY: BUDGET HAWKS, DOVED DEADLOCKED? SEND IN THE FOXES!

America's fiscal challenges are often portrayed as a conflict between hawks and doves. The real battle, however, is between foxes and hedgehogs.

"The fox knows many things, but the hedgehog knows one big thing," wrote the ancient Greek poet Archilochus. Both foxes and hedgehogs play important roles in the policy ecosystem in normal times. In times of great change, however, society needs more foxes and fewer hedgehogs. More citizens and leaders who can adapt to new conditions, and fewer who want to preserve the status quo.

That's where we find ourselves today. Despite all the anguish over a debt limit deal, America's fiscal outlook remains daunting. Little progress has been made on our largest budget challenges. Despite bipartisan efforts, prospects for a grand fiscal bargain remain dim.

One reason is that fiscal hedgehogs still have the upper paw on key issues.

Consider entitlements. Everyone knows that entitlement spending is our No. 1 long-term budget challenge. Because of an aging population and rising health-care costs, spending on Social Security and federal health programs will explode. The Congressional Budget Office estimates that over the next 25 years spending on these programs will rise from roughly 10 percent of the economy to almost 17 percent. Accommodating that growth would require substantial cuts in other government programs, much higher tax revenues, or unsustainable deficits and debt.

The challenge is to find ways to keep the core benefits of these programs while reining in costs. This is where entitlement hedgehogs and foxes part company.

The hedgehogs know one big thing: These programs provide major benefits. Social Security, for example, has dramatically reduced poverty among seniors and provides essential income to millions of retirees.

Inspired by that one big thing, hedgehogs oppose any benefit reductions, such as increasing the eligibility age or trimming benefits to reflect increased longevity.

Entitlement foxes have a more nuanced view. They recognize, like the hedgehogs, the value of the guaranteed retirement income that Social Security provides. But they also know that the number of retirees receiving benefits is growing faster than the number of workers paying payroll taxes. They know that Americans are living longer but retiring earlier. They know, in short, that the future will be different from the past and that the program needs to evolve to remain sustainable. Foxes are thus open to ideas like raising the eligibility age or changing the benefit formula.

A similar dichotomy exists with taxes. Revenue hedgehogs know one big thing: Taxes place a burden on taxpayers and the economy. Thus, they oppose all tax increases, even efforts to reduce the many tax breaks that complicate our tax code.

Revenue foxes see things differently. They recognize the burden that taxes place on taxpayers and the economy. But they also know that tax increases are not all created equal. Higher tax rates, for example, are usually worse for the economy than cutting back on tax breaks. Indeed, cutting tax breaks sometimes frees taxpayers to make decisions based on real economic considerations rather than taxes, thus strengthening the economy. That's why revenue foxes support eliminating many tax breaks.

Fiscal hedgehogs will never embrace such changes. To make progress, we need more fiscal foxes.

