

The Cost of Action for Its Own Sake

C. Eugene Steuerle

**"Economic Perspective" column reprinted with permission.
Copyright 2001 TAX ANALYSTS**

Document date: November 16, 2001
Released online: November 16, 2001

The nonpartisan Urban Institute publishes studies, reports, and books on timely topics worthy of public consideration.

The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders.

© TAX ANALYSTS. Reprinted with permission.

In a time when it is easy to fall into despair for myself, the kind and generous words and courageous actions of so many good people make it hard at least not to be hopeful for humankind. Thank you . . .

[1] Here in the middle of November 2001, the nation is struggling no less than is each individual to try to find meaning in all that is happening, and then to react appropriately. But, as my wife would often say, sometimes you don't know what you don't know. We have little idea of the number of ways that terrorists might act to disrupt our society, and even when we do know that they might use an airplane or the mail or a fuel truck, we still are in an infancy stage in figuring out how best to stop them.

[2] At an economic level, a recession may be less dramatic but it is affecting hundreds of millions of people throughout the world adversely. All economic downturns are unique -- which always leaves open the question of whether the fiscal and monetary responses that worked well in the past are the right ones this time around. How can, or should, a person act in these circumstances?

[3] The first response of President Bush and the Congress is exactly the right one. More crucial than anything else is to maintain some sense of balance, to avoid a cycle of fear, and to make it clear that the nation can act decisively. But staying on this difficult psychological course requires many careful steps.

[4] Action for its own sake can be dangerous. The steps can't all be made at once. And the penchant of politics to promise quick fixes at little costs, while probably not totally controllable, must be channeled in a way to prevent the damage that it can cause to confidence and the ability to take necessary action later.

[5] For many years now I have written often about the dangers of a budget process that tries to predetermine needs of the nation for decades to come. That type of process -- which still dominates federal decisionmaking today -- removes slack in the federal budget. No household or business foolishly constrains itself by signing contracts today for how it will spend almost all of its income in the future. Much less does it depend on future economic growth to cover all the bills. Even if we are lucky enough to know how much to spend and tax in the future, answering that macro-economic question does not tell us what eventually should be purchased or returned to taxpayers. We just don't know enough about the future to be able to choose at that level of detail today.

[6] The long-term federal budget problem of trying to predetermine the future is caused by Democrats and Republicans alike. One side might focus on continual health and retirement benefit increases, the other on continual tax reductions, but both are united in violating sound principles of budgeting and simple money management. The excuse of each side is that if it doesn't get there first, the other one will.

[7] Now this long-term budgetary quagmire is oozing over to the short-term budget as well. If we don't know entirely how to prepare for internal security, much less what foreign terrorist- supporting regimes we may soon confront, then it follows that next month and the month after that and the month after that we are going both to face new risks and discover new solutions. The pretense of doing everything at the end of 2001 will so quickly be overtaken by events that too much quick action now will add little to confidence and may even subtract from it.

[8] In the face of our not knowing what we do not know, it becomes easy for lobbyists to push for provisions they have been advocating for years, if not decades. And under some circumstances these provisions may have merit.

[9] But make no mistake about it, few of the many provisions in the stimulus package are well-considered

responses to our new circumstances. Indeed, they provide direct evidence that our elected officials do not know what to do. I don't fault them for this failure because few, if any, of us are any better off. I just want them to be adults about it. Sometimes one has to have patience, as hard as that may be.

[10] What about the macro question of making sure that enough money or incentives are put into the economy? Well, in the first place, much of what is being proposed today is not much of an incentive anyway. One can always promise to set aside some funds to hit whatever budgetary target one wants. The macro question can be separated from the micro one. The best bet at this time is to concentrate on what everyone agrees has to be done -- for instance, putting the right equipment in airports and post offices and providing for the military. Later we can spend whatever built-up funds might have been reserved temporarily by holding other decisions in abeyance. Slack in the budget for the near-term is now as necessary as is slack for the long-term. This is not an easy process for the politician to accept. It means that maybe someone else will beat him to the money. It means telling the public that he doesn't have all the answers now.

[11] But quite bluntly, sometimes too much is at stake to keep going on in a way eventually, if not immediately, doomed to failure.

Other Publications by the Authors

- [C. Eugene Steuerle](#)

Usage and reprints: Most publications may be downloaded free of charge from the web site and may be used and copies made for research, academic, policy or other non-commercial purposes. Proper attribution is required. Posting UI research papers on other websites is permitted subject to prior approval from the Urban Institute—contact publicaffairs@urban.org.

If you are unable to access or print the PDF document please [contact us](#) or call the Publications Office at (202) 261-5687.

Disclaimer: *The nonpartisan Urban Institute publishes studies, reports, and books on timely topics worthy of public consideration. The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders. Copyright of the written materials contained within the Urban Institute website is owned or controlled by the Urban Institute.*

Source: The Urban Institute, © 2012 | <http://www.urban.org>