

# The United States Fiscal Problem: Why autocrats sneer at us

Philip Bitar, Ph.D.

[campaign@LetsTearUpTheBlankCheck.com](mailto:campaign@LetsTearUpTheBlankCheck.com)

[www.LetsTearUpTheBlankCheck.com](http://www.LetsTearUpTheBlankCheck.com)

Conservative Enthusiasts, 2011-08-18

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## ◆ Context: U.S. government

- ◇ Response to federal government debate on fiscal policy
- ◇ Chinese Communist government says U.S. government is addicted to debt
- ◇ Vladimir Putin of Russia says, as a result, that the U.S. government is parasitic on the international community
- ◇ Standard and Poor downgraded the U.S. government credit rating

## ◆ Conventional explanation of fiscal conservatives

- ◇ The problem is the people in the government: get the bad guys out and get the good guys in
- ◇ Michele Bachmann: the government is vile and corrupt

## ◆ Context: King County government

- ◇ KCC raised car tab fees by \$20
- ◇ They needed a supermajority, and got it when two Republicans, Jane Hague and Kathy Lambert, switched sides
- ◇ Reagan Dunn and Paul von Reichbauer held to the position that such an increase must be approved by the voters

## ◆ Conventional explanation of fiscal conservatives

- ◇ The problem is the people in the government: get the bad guys out and get the good guys in
- ◇ Using Michele Bachmann's terms, Jane and Kathy are vile and corrupt
- ◇ Tim Eyman is given to using a similar type of graphic language

## ◆ My perspective

- ◇ The problem is not the people in the government, but the structure of the government
- ◇ I'd like to present this perspective by using an analogy.

## ◆ Boeing analogy

- ◇ Let's suppose that we're an engineer at Boeing on design team
- ◇ Problem: occasional near crash with small percent of pilots
- ◇ Conventional explanation: pilot error, improve training
- ◇ We study the problem and obtain creative insight: we can solve the problem with a cockpit change
- ◇ Team agrees
- ◇ New perspective: pilot error? No, cockpit design deficiency. Fix cockpit design

## ◆ **Solution for fiscal problem**

- ◇ The problem is not the people in the government, but the structure of the government
- ◇ Unless we realize this, we'll spend the rest of our lives trying to solve the problem by getting the bad guys out and the good guys in, and we'll never succeed. History confirms this.
- ◇ The problem: interest groups drive up the cost of government through their control of the legislature
- ◇ Give the people control of the ability of the government to get their money
- ◇ Citizen-controlled ceiling on government income+debt
- ◇ Ceiling is expressed as a percentage of the income of the economy
- ◇ Citizens can change ceiling in response to a request by the legislature or through an initiative process
- ◇ Using the initiative process, the people can not only hold the cost of government steady, they can drive it down to an asymptotic value
- ◇ This is the optimal solution for the fiscal problem
- ◇ Furthermore, this provides a platform for getting the good guys into the legislature