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Raise taxes to strengthen national security
By Lawrence J. Haas

A recent call by three House Democrats for a temporary tax surcharge to finance the Iraq war met an all-too-expected fate. The White House and congressional Republicans blasted the Democrats as congenital tax raisers, and Democratic leaders played defense by disavowing the idea.

With their proposal, Reps. David Obey, D-WI, John Murtha, D-PA, and James McGovern, D-MA, cynically sought to stoke public opposition to the war and also to gain leverage against President Bush in the coming battles over war funding as well as domestic spending.

But we must not let crass political motives cloud a basic reality. A tax increase (though permanent, not temporary) makes sense on the grounds of national security, for it will reduce our national vulnerability on three fronts — fiscal, economic and moral.

In fact, it is national security hawks, not doves, who should put the idea before a reluctant White House and Congress, to deal with three significant national vulnerabilities:

Fiscal vulnerability.

Historian Paul Kennedy warned us two decades ago about “imperial overstretch,” predicting our Cold War commitments would soon exceed our financial resources and force our inevitable retreat on the world stage.

The Soviet crackup enabled America to sidestep that danger, but a larger financial challenge now haunts our future. The retirement of baby boomers will put enormous demands on Social Security, Medicare and Medicaid, which are already consuming growing shares of the federal budget.

With no change in our fiscal policy, budget deficits will soon rise to unprecedented levels, forcing a squeeze on all other spending, including defense and homeland security.

A significant tax increase — say, a return of income tax rates to 1990s levels — would not solve our long-term fiscal problem, but it would provide a huge down payment on which to build. That would ensure the steady flow of necessary defense dollars to meet future challenges.

Economic vulnerability.

Our fiscal profligacy and anemic national savings rates of recent years have forced the U.S. Treasury to find foreign buyers for the securities it sells to finance our debt.

Foreign holdings have risen sharply, now accounting for nearly half of federal debt held by the public, the Congressional Budget Office recently reported. Worse, central banks, under the control of central governments, hold most of that foreign-held debt.

What Benjamin Franklin said of a person is potentially true of a nation — “The borrower is a slave to the lender.” With investment options expanding around the world, some lenders may conclude they hold enough U.S. debt and decide to diversify their holdings, pushing U.S. interest rates higher as the Treasury seeks other buyers to take their place.

More ominously, a foreign government whose central bank holds significant U.S. securities, such as China, could threaten our economy in a more nefarious way. Seeking a geopolitical outcome with which we disagree, such as a takeover of Taiwan, Beijing could threaten to dump its U.S. securities, sending the dollar plummeting, interest rates soaring and the economy reeling.

The chances of such high-stakes gamesmanship may not be high, but they are surely real. Those concerned about U.S. national security should be the last to countenance such vulnerability.

Moral vulnerability.

We are a bifurcated society, with our uniformed men and women paying the price to protect our freedom while we pass the burden, in the form of budget deficits, to our children and grandchildren. Over the long haul, the situation is unsustainable.

We are engaged not merely in skirmishes in Iraq but in a “long war” with a multitude of enemies fueled by a radical ideology. We cannot sustain long-term public support for our efforts unless Americans believe enough in that war — indeed, sense the absolute urgency of winning it — to pay the costs now, not pass them on.

For most of our history, we have financed our wars in real time, even swiftly paying off whatever debt we accumulated when the war ended. The tax cuts of recent years, most of them enacted after the bombs began to fall in Afghanistan, much less Iraq, are a historical anomaly.

Anti-war liberals may have proposed a tax increase for all the wrong reasons. We should adopt one for all the right reasons.

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