For nearly three decades, many conservatives and libertarians have argued that reducing federal tax rates, in addition to increasing long-term economic growth, would reduce the growth of federal spending by “starving the beast.” This position has been endorsed, among others, by Nobel laureates Milton Friedman and Gary Becker in *Wall Street Journal* columns in 2003. There are two problems with this position.

First, this position is *not* consistent with the evidence, at least beginning in 1981. In a professional paper published in 2002, I presented evidence that the relative level of federal spending over the period 1981 through 2000 was coincident with the relative level of the federal tax burden in the opposite direction; in other words, there was a strong negative relation between the relative level of federal spending and tax revenues. Controlling for the unemployment rate, federal spending increased by about one-half percent of GDP for each one percentage point decline in the relative level of federal tax revenues. Although not included in the sample for this test, the first three years of the current Bush administration were wholly consistent with this relation.

What is going on? The most direct interpretation of this relation is that it represents a demand curve—that the demand for federal spending by current voters declines with the amount of this spending that is financed by current taxes. Future voters will bear the burden of any resulting deficit but are not effectively represented by those making the current fiscal choices. One implication of this relation is that a tax *increase* may be the most effective policy to reduce the relative level of federal spending. On this issue, I would be pleased to be proven wrong.

Second, acceptance of the “starve the beast” position has led too many conservatives and libertarians to be casual about the sustained political discipline necessary to control federal spending.

—William A. Niskanen