

## Nation's Choices Needn't Be Painful

By ROBERT H. FRANK

REFERRING to the host of painful economic choices the nation is said to confront, President Obama [recently said](#), “I won’t pretend the path I’m offering is quick or easy.” The Romney-Ryan ticket has also repeatedly stressed that it [won’t duck the tough issues](#).

Well and good, except for one thing: The nation doesn’t actually face difficult economic choices. Many problems will be expensive to solve, yet we can solve them without requiring painful sacrifices from anyone.



Disrupting the status quo won’t appeal to many lobbyists and some ideologues. But bear with me. These remedies rest on

solid evidence and common sense.

Let's begin with unemployment. Millions of Americans remain out of work only because employers can already produce more than enough to meet depressed demand. The obvious remedy is to increase total spending. Although economic stimulus has become a controversial topic in the abstract, a few simple observations should persuade every sensible legislator — perhaps even a majority! — to support a specific type of higher spending: accelerated refurbishment of our crumbling infrastructure.

Some in Congress have consistently opposed the president's infrastructure proposals, citing the huge [national debt](#). But that's an incoherent objection. If repairs to the Capitol dome or a tattered stretch of interstate highway are postponed, they will just become more costly. Many job seekers have the skills for this work. If we wait, we'll have to bid them away from other tasks. The required materials are cheaper now than they will ever be. And interest rates are at record lows.

Of course, the debt is an important long-run problem, but deferring infrastructure repairs will only worsen it. Relative to current policy, then, such projects would address multiple pressing problems without distress.

Even after the economy is back at full employment, we can free additional resources by taking steps to curb the waste

that plagues our current system. The ripest opportunities are in tax policy, an area distorted by decades of lobbying.

A tax on any activity generates revenue and discourages people from pursuing that activity. Perversely, much of our current revenue comes from taxing useful activities. The [payroll tax](#), for example, discourages job creation, and the income tax discourages saving and investment. By shifting taxes toward activities having harmful side effects, we can raise substantial revenue while expanding the economic pie.

Consider highway congestion. Because drivers can generally enter a congested highway without charge, they often do so — thus adding to the crowding. But many drivers would willingly pay a fee for using that road if it resulted in fewer delays. A modest congestion fee, administered with E-ZPass-style technology, would raise needed revenue and provide an incentive to use crowded roads only when the benefits outweigh the social costs.

Critics object that such fees would harm low-income households. But because the gains far exceed their price, we can redistribute them so that everyone comes out ahead. Some of the new revenue, for example, could support tax relief for low-income households.

So, here again, we can easily free resources for solving an important problem.

Similar spillover effects pervade the economy. People have little incentive to consider the danger of carbon emissions, for example, or the risks that the heavy vehicles they drive are posing to others. Taxing carbon emissions and taxing vehicles by weight would expand the economic pie by curtailing activities that do more harm than good. And because some of the resulting revenue could help low-income families, these taxes, too, needn't be painful.

BY far our largest source of economic waste, however, is the changing context of our spending. The [average American wedding](#), for instance, now costs almost \$28,000, up from just \$15,000 in 1990, after adjusting for inflation. But spending on a more lavish wedding doesn't make a couple happier; mainly, it just raises the bar that defines special occasions.

The bad news, then, is that much of our extra consumption in recent decades has been social wheel-spinning. But the good news is that it would be relatively simple to redirect such spending toward more pressing purposes. As I described in [an earlier column](#), this could be accomplished by replacing the current income tax with a more steeply progressive consumption tax, making big-ticket spending much more expensive. It's a step that both liberals and conservatives have advocated.

None of these taxes should be levied, however, while the

economy is still struggling. But approving them now and scheduling them for phase-in only after the economy rebounds would serve two objectives. First, anxious credit markets would be reassured about the nation's capacity to pay down government debt. And second, the delayed new taxes would speed the recovery by encouraging immediate increases in private spending.

With a carbon tax on the horizon, businesses would rush to develop technologies for adapting to higher energy prices. And consumers would accelerate major purchases to escape the looming consumption tax. The economy would get just the infusion of spending it needs — without the government's having to spend a penny.

The endless hand-wringing about painful economic choices is misguided. With a few simple policy changes, we could restore full employment, rebuild crumbling infrastructure and pay down the national debt without requiring real sacrifices from anyone.

*Robert H. Frank is an economics professor at the Johnson Graduate School of Management at Cornell University.*