With Congressman Paul Ryan as the Republican vice-presidential candidate, the US election is shaping up to be a full-throated ideological brawl. President Barack Obama champions public investment and social support for the poor, while Mitt Romney and Mr Ryan call for a smaller state with lower taxes and spending. Yet for all the rhetoric, the small-government agenda has already prevailed. No matter who is elected on November 6, dangerous cuts in public goods and services are already in train.

There is considerable controversy about Mr Ryan’s budget plan, which exemplifies an aggressive Republican pitch to cut government spending, tax rates and social protection. Mr Ryan would reduce the top rate of personal income tax from 35 per cent to 25 per cent and slash transfer programmes for the poor, such as Medicaid and food stamps. His plan would also eliminate Mr Obama’s healthcare legislation. Radical stuff.

There are also deep doubts about Mr Ryan’s claim that top tax rates can be reduced in a “revenue neutral” way by plugging loopholes. Mr Ryan invites these doubts by offering few details on how such loophole-plugging would work. It is more likely than not we would repeat the history of the Ronald Reagan and George W. Bush tax cuts: revenues would plummet and the supposed offsets would never materialise. Today’s enormous deficits would become even larger.

Still, American liberals (those to the left of the political centre), who are now vehemently blasting Mr Ryan’s budget should take note. Their candidate has also already accepted a brutal shrinkage of government programmes in coming years. The similarities of the Obama budget and Mr Ryan’s are striking.

Mr Ryan’s plan calls for federal revenues of 18.4 per cent of gross domestic product in 2016 and 18.5 per cent in 2020 (though his lower tax rates would probably put those targets out of reach). His budget outlays come in at 19.7 per cent and 19.5 per cent in 2016 and 2020, respectively. Of the total outlays in 2016, Mr Ryan targets “discretionary” programmes at 5.9 per cent of GDP; social security, 5 per cent; Medicare, 3.2 per cent; other mandatory spending, 3.7 per cent; and interest payments, 1.9 per cent.

Now consider Mr Obama’s budget unveiled in February. Federal revenues are targeted at 19.1 per cent of GDP in 2016 and 19.7 per cent of GDP in 2020, only about 1 percentage point above Mr Ryan’s revenue targets. In Mr Obama’s 2016 budget targets, discretionary spending is set at 5.9 per cent of GDP; social security, 5 per cent;
Medicare, 3.2 per cent; other mandatory spending, 5.8 per cent; and interest payments, 2.5 per cent.

In fact, Mr Obama’s overall discretionary spending targets are essentially the same as Mr Ryan’s. Whether Mr Obama or Mr Romney wins, the “non-security” discretionary budget – for education, job skills, infrastructure, science and technology, space, environmental protection, alternative energy and climate change adaptation – is on the chopping block. Mr Obama’s budget would shrink non-security discretionary programmes from an already insufficient 3.1 per cent of GDP in 2011 to 1.8 per cent in 2020. That is the “liberal” alternative.

In bemoaning Mr Obama’s budget, I do not mean to equate it with Mr Ryan’s. Mr Ryan’s budget is nothing short of heartless in the face of the dire crisis facing America’s poor. It is also reckless, guaranteed to leave millions of children without the quality of education and skills they will need as adults. Yet the sad truth is that the Democrats offer no progressive alternative. Both parties are accomplices to the premeditated asphyxiation of the state.

Viewed from an international perspective, the constricted range of the US fiscal debate is striking. Total US government revenues (combining federal, state and local governments) in 2011 came in at about 32 per cent of GDP. This compares with an average of 44 per cent in the EU and 50 per cent in northern Europe. Many Americans will say that they are dodging the European curse by keeping taxation so low but they should look again. Northern Europe (Germany, the Netherlands, Denmark, Finland, Norway and Sweden) gets great value for its tax revenues: lower budget deficits, lower unemployment rates, lower public debt-to-GDP ratios, lower poverty rates, greater social mobility, better job training, longer life expectancy, lower greenhouse gas emissions, higher reported life satisfaction and greater macroeconomic stability.

America’s two political parties depend on wealthy contributors to finance their presidential campaigns. These donors want and expect their taxes to stay low. As a result, social divisions, broken infrastructure, laggard educational attainments, high carbon emissions and chronic budget deficits are likely to continue no matter who is elected, even though the public supports higher taxes on corporations and the rich. Only a big political realignment, perhaps spurred by a third party bold enough to campaign on free social media rather than expensive television advertising, is likely to break the status quo. Until then, the demise of public goods and services will continue apace.

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