

IRET Congressional Advisory

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THE BUDGET WARS: SECOND ENGAGEMENT

We've been wondering for some time now how the White House intends to deal with the fiscal 1997 federal budget, given that the country still doesn't have a fiscal 1996 budget. Last month, we were given the answer: skirt the dilemma by tendering the rejected January 1996 budget offer and finessing the basic issues that, until late 1995, separated the Administration and the Congress. By doing so, President Clinton has clearly indicated that he's convinced that he's swept the issues off the table, that he's made the Congressional Republican leadership present themselves to the American public as bad guys, and that keeping that leadership mired in a numbers game is a winning tactic in his bid for a second term. He may well prove to be right, particularly if the Republican leadership continues to forget or ignore what the November 1994 election outcome was about and relinquishes defining the budget battle to the opposition.

Many of the Republican victories in November 1994 were inspired by Newt Gingrich's insightful analysis of the sources of weakness and failure in American society. Gingrich provided a clarion call to take government off its accelerating growth path

and to curb its increasing dominance in the daily lives of households and businesses. He insisted on a radically different though ancient perception of the appropriate role of government that, if implemented, would drastically change and shrink the inventory of government activities. Republican candidates, fired by the Gingrich message, secured the enthusiastic support of their constituencies and came to Washington ready and eager to make that message the order of the day. So how come that message and its implied policy agenda has all but vanished from the scene?

The short answer is the infatuation of policy makers -- Democrats and Republicans alike -- with numbers. When the core budget policy issue is identified as the number of years over which the move to a zero budget deficit must occur or whether the CBO's or the OMB's budgetary and economic trend lines are to be relied on or how many dollars are to be cut out of Medicare and Medicaid over the target period, and so on, the really basic issues concerning what are appropriate activities for government to undertake and in what amount are lost sight of. Freshman Republicans might well wonder where their issues, the ones they learned from the Speaker of the House, have gone, what they are doing here, and what they're supposed to do to square things with the folks back home.

The irony in this situation is that it hasn't been these freshmen who have lost their way; it's been their leadership who have allowed the greatest opportunity in modern times to change the course and character of government to turn into a mindless numbers game. No intellectual or political genius is required of President Clinton for him to recognize that if he can keep the Republican leadership on their present course, he'll be the winner come November.

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By the same token, if policy makers, Republicans or Democrats, are to make effective use of the budget battle, to use it as a vehicle for putting the basic political and economic issues of our time unmistakably before the American electorate, they will have to shift from numbers to fundamental principles. Republicans have allowed the White House to characterize them as mean-spirited, indifferent to the needs of the poor and to the pain caused them by cutting one or another entitlement or social program, all to serve the interests of greedy corporations and rich individuals. Republicans and like-minded Democrats have to shed this image if policy making is to become honest instead of a game for misleading the public.

How do they do this? First, they must clearly articulate the principles, rather than the biases, on which their reordering of budget priorities and policies rest. Eliminating or cutting back any government program will assuredly pain the program's beneficiaries. The pain can't be justified on the basis that those suffering it are unworthy. Justification for such budget paring must rely on a showing that the program fails minimal tests of acceptability. It would be wise for policy makers to refresh their recollections about these tests.

The first of these tests is that the federal government's activities should be confined to those that are intended to benefit all of the public, not particular groups of us. Policy makers are continually besieged by assertions of the benefits to be realized by this, that, or another group of their constituents, and for the most part, these constituents would have policy makers believe that the benefits will be widely shared. You bet. Policy makers should adopt the most skeptical stance about externalities and neighborhood effects. When the federal government spends money to introduce a breed of Canadian wolves into Yellowstone National

Park, it's uphill all the way to show that this benefits anyone living in Anacostia in Washington, D.C.

Much the same test should be applied to activities and programs intended to redress the alleged wrongs suffered by alleged groups of victims among us. As a community, we may have the greatest sympathy for those among us who have been victimized by the march of events, but we must keep clearly in mind that government programs to ease their pain victimize and pain all of us who must foot the bill. To be sure, the bill that any one of us must pay for any one such purpose may be insignificant, but the aggregate of those bills, once the game of making victims whole is afoot, becomes very large indeed for each payer.

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Policy makers should keep in mind that in few, if any cases, is the public at large the victimizer and that there is little, if any, justification for requiring all of us to suffer exactions by government to redress wrongs for which we are not responsible. Policy makers should also keep in mind that in most cases of true victimization, the appropriate redress for the victim is to be found in a court of law, not in a government expenditure program.

A second test that policy makers should apply is whether the benefits provided by the government activity or program at least equal its costs. Every government activity, like every private sector activity, entails costs that are appropriately defined as what has to be forgone if the activity is to be undertaken. If policy makers aren't confident that these costs can be identified, at least roughly estimated, and proved to be less than the benefits allegedly provided by the activity, they should seek to eliminate it or resist its adoption. They should also demand far more objective and rigorous identification and measurement of benefits than is generally provided by those promoting the activity.

A third test is whether the government has some unique qualifications for undertaking the activity. Is the activity something in which private sector households or businesses are engaged? Is there convincing evidence that the government can or does perform the activity more efficiently, i.e., that the government can provide more benefits at the same cost or the same benefits at lower cost than those in the private sector who are engaged in the same activity?

Realistically, federal policy makers are not likely to apply these tests in a literal sense. Even with the resources of the Office of Management and

Budget and the Congressional Budget Committee, they lack the technical skills and orientation to do so. The tests, nevertheless, are extremely useful guides to decision making if only policy makers will familiarize themselves with them. At the very least, calling them to mind will help policy makers who are so inclined to explain to the public why they strive for a restructured, smaller, less intrusive federal government and why their early 1995 budget initiatives were consistent with that objective.

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