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## How to control the habit

By Richard W. Rahn

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Did you know that between fiscal years 2001 and 2004 federal spending will rise by about 24 percent, and nondefense, discretionary outlays will increase about 31 percent?

In 2000, federal government outlays were 18.4 percent of GDP, but in 2004 they will be approximately 20.5 percent of GDP. By any measure, both defense and nondefense federal government spending is rising far faster than the real economy, and spending discipline is eroding.

Republicans claim to be fiscal conservatives who believe in smaller government. But the latest spending binge has occurred under a Republican President and a Republican Congress. Only under Lyndon Johnson did the budget grow faster than under President Bush.

The Republicans clearly have been irresponsible. But before you decide to throw the bums out, take a look at what their Democrat opponents propose. According to a study by the National Taxpayers Union, all the Democrat candidates for president propose spending tens, and in some cases, hundreds of billions of dollars more than Mr. Bush.

The sad fact is at the moment the voters are left with a choice between bad and truly awful. (For those interested in more details of the spending explosion, I recommend an excellent paper, "The Republican Spending Explosion," just released by the Cato Institute and authored by Veronique de Rugy - <http://www.cato.org/pubs/briefs/bp-derugy.html>.)

For decades, opinion pollsters have shown Americans prefer lower taxes and less government spending. Why then do the politicians tax and spend more than the people say they want? The answer is that for any spending program there is a concentration of benefits and a dispersion of costs.

Assume you live in a crowded metropolitan area and want more spending on rail mass transit. You and your supporters are likely to be quite vocal and put pressure on members of Congress to appropriate the funds, even though well more than 90 percent of your fellow citizens would receive no benefit from the appropriation. The cost to each of the 250 million Americans who do not ride rail mass transit is likely to be small enough for them not to find it worthwhile to fight the proposal.

It is also well known that government tends not to manage the taxpayers' money as carefully as would the taxpayers. Or as the Nobel prizewinning economist Milton Friedman has put it: "If you spend your own money on yourself, you tend to be very careful both how much you spend and how it is spent; but if you spend your money on someone else you are still very concerned about how much is spent, but somewhat less concerned about how it is spent; but if you spend someone else's money on yourself, you are not much concerned about how much is spent but you are concerned about how it is spent; but if you spend someone else's money on someone else, you neither are very concerned about how much is spent or how it is spent."

Do not despair, because there are constructive actions that can be taken. Most politicians are aware of the spending problem, but it is hard for them to say no. The solution is to establish procedures to make it easier for the politicians to say "No" and not so easy for them to say "Yes."

In the 1990s, it was clear to everyone we had more military bases than we needed or the Pentagon wanted, but members of Congress would fight to keep open any military base in their own districts whether it was necessary or not. House Majority leader Dick Arme came up with a brilliant solution. A commission was created to recommend what bases would be closed, and its recommendations could only be overturned by a supermajority of the Congress.

The Arme plan worked because members of Congress realized they needed to put in a constraint on their own behavior, and the commission idea was a politically acceptable way to do it.

Similar strategies can be used to control spending. Voters should lobby their elected officials and candidates to demand budget rules that require supermajority voting for all spending, or perhaps even a simple two-line constitutional amendment that would call for either two-thirds or three-fifths majority vote for all spending bills.

Such measures would make it more difficult for any specific spending proposal to be approved, but would not prevent spending on any program that a clear majority of the American people truly desired.

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