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Good governance

By Richard W. Rahn
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Have you noticed Congress and administrations periodically claim they will save a great deal in some government program by ending "waste, fraud, and abuse," and then provide a "number" representing the obtainable savings?

Yet few ever ask how the waste, fraud, and abuse got there in the first place, and why they are not taken out of every other government program. The poor management of these programs causes a huge and unnecessary dead weight loss on the economy, which reduces living standards and economic opportunity.

The president has been stymied on many of his initiatives, but he still has a golden opportunity to make his mark by doing a few things to make the government much more cost-effective. There is much the Bush administration can do without going to war with Congress, the Democrats or the media. And if the administration drafts carefully crafted bills, which are not seen or marketed as being ideological but merely as "good governance," a great deal more can be done to reduce the unnecessary burden of government on the economy.

Congress directly and through regulatory agencies, such as the Securities and Exchange Commission (SEC), requires that businesses maintain good books and follow certain accepted accounting principles. This is largely done under the rubric of preventing fraud and protecting stockholders.

Yet, we citizens are also "shareholders" in our government, and thus should we not be protected from misuse of our funds? Shouldn't government officials be held to the same high standards of fiscal conduct we expect of private corporate officials? I would bet if the public were asked this question, well more than 90 percent would answer yes.

The Government Accounting Office (GAO) reported this last year, as it has done many years, that federal financial recordkeeping is so inadequate the GAO could not determine the books' accuracy. Under the Sarbanes-Oxley Act passed by Congress in 2002, private corporate officials must sign off on the accuracy of their financial statements or face criminal liabilities. The Bush administration and Congress should require the same statements with the same penalties from government executives that they require from private executives (including those who work for the SEC and the Internal Revenue Service).

If every government executive had to certify every dollar under his or her control was properly spent and accounted for, with misstatements subject to dismissal and criminal charges, wasteful and fraudulent government spending would nosedive.

Several dozen federal officials dragged off to jail each year for financial misconduct would send a message to the bureaucracy that might save taxpayers several hundred billion dollars.

Four years ago, the Bush administration started an evaluation to see if government programs were achieving objectives. Of the programs evaluated, 40 percent were deemed "ineffective" or unable to demonstrate results, yet Congress continues to fund most of them. The president must get over his veto phobia and tell Congress he will veto these ineffective programs and then do it.

Studies indicate a total regulatory cost to the U.S. economy of more than $1 trillion, or 8 percent of gross domestic product, and many programs are ineffective or counterproductive and do not meet reasonable cost-benefit tests. These excessive regulatory costs are like plaque in the arteries of our economic system and will kill economic growth if nothing is done.

The president, through executive orders, can demand real and effective cost-benefit tests on most regulations and the withdrawal of those that fail the tests. For this to succeed, the president will need to hold each of his Cabinet secretaries accountable. He should also ask Congress for legislation to expand the right of individuals, businesses, and associations to sue the government when it issues regulations that do not meet reasonable standards.

The president should demand the Treasury Department develop (or contract out development) of a sound dynamic scoring model for tax changes. A sound model (as contrasted with some of the static and Keynesian claptrap models now used) would show which tax rates are too high to maximize revenue over the long run. This would allow cutting certain tax rates without loss of tax revenues, thus making the economy more efficient (the capital-gains tax rate is a good illustration).

The president should demand use of proven, new, low-cost and more effective technologies by the federal government to solve problems, as is done in the private sector. One example, Homeland Security, continues to be plagued the inability of first responders to communicate with to each other -- the policeman cannot talk to the fireman who cannot talk to Coast Guard officer -- because each has different equipment. Yet, low-cost software solutions have been developed to allow different agencies with different equipment to communicate with each other. Such software is already used in local schools.

For the first president with an master's in business administration, a great improvement in government management and accountability would not be a bad legacy.

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