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Budget fictions

By Richard W. Rahn

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Do you think the government needs more revenue? If you answered yes, even if you are on the political left, you have not been paying attention to the facts and have been duped by those in the political and media class who believe government can never be big enough.

Government spends too much because of mismanagement, waste, fraud and abuse (MWFA), and because government has undertaken many unnecessary and questionable activities. The following will only deal with the MWFA part, which both responsible liberals and conservatives agree needs to be drastically cut, and not the appropriate role of government, which is subject to endless political disagreement.

It has recently been reported that the "federal government consumes about 32 percent more energy per square foot than the nation's building stock at large." The above number is, probably, a fair representation of the MWFA throughout the government, given the results of many microstudies of overspending by government departments. With the exception of social security transfers, if the U.S. federal government was, on average, as well managed as business is, on average, it could do exactly what it does now while spending at least one-third less.

Your initial reaction may be that I am greatly overstating the case, but think about it for a few moments. Almost every day you can find reports in the press of billions of dollars of government misspending, and that does not even touch on the rampant overstaffing in much of government. A little example: Even the new budget contains a chart that admits some of the waste, a chart titled "Improper Payments Reduced to [only] \$36.3 billion," and this does not include all government departments.

Last August, Chris Edwards of the Cato Institute reported that "The Bureau of Economic Analysis released data this month showing that the average compensation for the 1.8 million federal civilian workers in 2006 was \$106,759 -- exactly twice the average compensation paid in the U.S. private sector, \$53,289. If you consider wages without benefits, the average federal worker earned \$71,114 -- 62 percent more than the average private-sector worker, who made \$43,917." (And there are almost 2 million civilian federal employees.)

The reasons for lax government spending are easy to understand. The politicians and the bureaucrats spend other peoples' money, so they are less careful; and because of civil service protections and the monopoly nature of government, there is far less accountability than in the

typical private sector corporation. The proposed spending for the fiscal 2008 federal budget is \$2.9 trillion (or about threefold President Reagan's last budget in 1988).

After deducting \$608 billion for Social Security payments and \$261 billion for interest on the debt, the federal government will spend a little more than \$2.1 trillion (or about \$7,000 for every man, woman, and child in the U.S.) on programs subject to MWFA. If I and others are right that the MWFA number is about one-third of spending, then we are each forced to pay \$2,300 a year more than we should for the government we are now getting.

Ask yourself: "What could my family of four do with another \$9,200 a year?" If you think my number is too high by a factor of 2 (almost no serious expert believes MWFA is less than 15 percent), your family's savings would only be \$4,600 per year.

The \$700 billion in MWFA is only the first order cost to the economy. Every cent the government spends must be obtained through taxation or borrowing, and each of these activities has a negative effect on the economy -- through the direct costs to the private and public sectors, and the disincentives for productive activity. These costs, in turn, substantially reduce employment opportunities, real wages, and productivity growth. If government agencies were told that in 2008 they had to operate on the same budget they had in 2006 (a 10 percent reduction from the projected increase, and well within the MWFA in almost all agencies), the budget would be balanced.

Those who claim the government needs more money, which must be obtained through higher taxes or borrowing and more onerous and oppressive IRS enforcement, are only telling the truth if they believe government mismanagement, waste, fraud and abuse at current levels are acceptable.

Congress and the administration should require all government financial officers to certify that their books are correct and within the law, and require that all program managers attest that their programs meet a reasonable cost-benefit standard. If such certification is not made, spending on the program would stop. If a false certification was made, the person in charge would be fired and subject to civil and criminal penalties as would happen in private companies.

Those who demand more money for government, without first requiring accountability for the money already being spent, are both irresponsible and dangerous to our economic health.

Richard W. Rahn is a director and board member of several economic policy organizations and an adjunct scholar at the Cato Institute and a visiting fellow of the Heritage Foundation.