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## Deficits, Promises and Destiny

By Richard W. Rahn

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### *Averting the Washington Monument ploy*

If your accountant told your family that you are spending 40 percent more than you are earning and that your borrowing limits have been reached, how would you cut your expenditures? Would you stop buying food and not pay your mortgage and utilities, or would you first cut out entertainment, such as movies, sports events, cultural performances, nice restaurants and vacation trips? Rational people would do the latter, but government bureaucrats often do the equivalent of the former. This is known as the Washington Monument Ploy, which got its name when a national parks director shut down the Washington Monument and Grand Canyon for two weeks in 1969 to protest budget cuts, rather than cutting administrative costs, deferring maintenance and curtailing new projects.

When faced with a need to cut budgets, the Washington Monument Ploy - or stunt - is the political tactic of shutting down the most visible, popular and/or valuable government service while leaving less important and less appreciated government activities untouched. This is designed to pressure legislators to appropriate more funds for the more popular government service.

Many businesses find that over the years they have allowed some fat to grow in their operations. During recessions or periods of increased competitive pressure, businesses realize they must cut costs drastically in order to remain profitable and survive. Firms like IBM and Ford have done this in recent years, and now both are in fine shape. The process of getting rid of non-essential activities is painful but the alternative is far worse.

All bureaucracies have a tendency to grow fat and lazy over time, whether they are in businesses, nonprofit hospitals, associations, charitable foundations or governments. Other than in government, all other entities normally go through periods of cost-cutting and renewal. Government should not be exempt. Some state and local governments are now suffering through painful, but necessary,

cost reductions because they must comply with balanced-budget requirements and they have reached their limits on increasing taxes or borrowing.

Only the federal government can go on without facing normal economic constraints because it prints its own money. However, Congress could require every government agency to rank its programs from the most to the least cost-effective, and present a detailed plan as to how each agency would deal with a required 10, 20 or even 40 percent budget reduction, just as businesses often have to do.

To bring the federal budget into balance this year would require spending cuts of approximately 40 percent. No one has proposed cuts of that magnitude at the moment - Republicans are proposing cuts of about 1.8 percent of this year's budget and Democrats are only proposing cuts of 0.28 percent. If Congress and the administration fail to agree on a budget or debt-limit increase, government tax revenues would only cover about 40 percent of spending, so a ranking of spending priorities would be necessary.

The Republicans are now being criticized in the media for some of their proposed budget cuts. We have all been exposed to the heart-tugging stories of how small children will go without adequate food if the budget is cut. Everyone who has ever worked for or interacted with government knows there is tremendous waste and inefficiencies and that there are programs that just don't need to be funded, such as National Public Radio, the Organization for Economic Co-operation and Development, and ethanol subsidies. I often speak before groups of government executives, and when I ask them, "If you were forced to substantially reduce your budgets without impairing the effectiveness of your operation and mission, could you do so - if you were freed from unnecessary paperwork and other absurd requirements?" The answer is almost always "yes," including those in the military.

Rather than taking all of the heat, the members of Congress should do what boards of directors in companies and other organizations do and that is to require management to come up with specific - and very substantial - budget cuts that would not impair the core functions of the organization. Specifically, they should require each government department to state specifically how it would reduce its budget (by some specified amount) in the most cost-effective way, and be prepared to defend it before the appropriate congressional committees. In addition, the government departments should be required to rank the importance of their activities on the Internet and state how they would reduce the budget (if required to) so members of the media and the public could comment on their rankings. Even the managers of Social Security, Medicare and Medicaid should be forced to come up with proposed reforms to their programs to meet the budget constraints.

Congress could enforce compliance with this requirement by denying the right of any department to spend monies, after a specified date, until each department has submitted an acceptable budget-cutting plan to Congress. The bureaucrats would hate it, but the American people would relish it.

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