

Belts yet to tighten State spends as usual

By Jeffrey A. Miron | Wednesday, May 6, 2009 | <http://www.bostonherald.com> | Op-Ed

As Massachusetts tries to close its fiscal deficit, most discussion focuses on higher taxes. No one likes this approach, but many assume expenditure cuts would be too harmful.

In fact, state spending is excessive. Rather than raising taxes, Massachusetts can balance its budget by reducing expenditures that should be cut independent of the current fiscal situation.

Consider first recent history. Between 2004 and 2009, state expenditures increased by about 13 percent in real, per capita terms. Massachusetts was already a high expenditure state in 2005, ranking in the top 10. Expenditure cuts would hardly produce a bare-bones, minimalist government.

Many expenditure items have no compelling justification, but they also have minimal impact on the budget (e.g., skating rinks and golf courses). To make a real difference, expenditure cuts must target health and education, which account for about 48 percent and 22 percent of the total budget, respectively.

Health expenditures in particular have grown rapidly. Subsidizing health insurance for the poor is a defensible way to redistribute income. Further, an insurance mandate like the one adopted in Massachusetts can overcome private sector reluctance to offer reasonably priced insurance to small businesses and individuals.

Yet health insurance causes excessive health expenditure. Patients demand more care because they do not pay the full price. Doctors recommend extra procedures and tests, partially to avoid liability, partially because patients are not sensitive to price.

Subsidizing insurance exacerbates this problem. In deciding how much to subsidize health insurance, therefore, government faces a trade-off: The more it subsidizes, the more it distorts health care markets.

Society must balance its desire to provide affordable health care against other social goals. The obvious way to achieve this balance is to limit subsidized health insurance to the truly poor. Massachusetts has expanded coverage to families with incomes up to three times the poverty level. At a minimum, Massachusetts should significantly ramp up co-pays and deductibles for those above the poverty line.

In education, two key changes make sense on the merits and would reduce expenditures substantially.

At the K-12 level, Massachusetts should increase the number of charter schools or, better yet, introduce vouchers. This would enhance choice, variety and innovation in publicly funded education. Vouchers and charter schools reduce expenditures by hiring non-unionized and alternative certification teachers. With an expanded pool of qualified teachers, Massachusetts can spend less while improving the quality of teaching.

At the higher education level, state colleges and universities should set higher tuition rates, commensurate with those at private schools, while aiding deserving students. Under the current policy of setting below-market tuition, middle- and high-income families receive a large subsidy from the general taxpayer. Such redistribution makes no sense.

Private companies throughout the economy are using the recession to identify wasteful or inefficient projects; Massachusetts should do the same. Every entity, public or private, ends up with too much expenditure in good times, and this is understandable. The right response in bad times, however, is to cut excessive expenditures, not raise taxes.

Jeffrey A. Miron is a senior lecturer on economics at Harvard University and a senior fellow at the Cato Institute.

Article URL: http://www.bostonherald.com/news/opinion/op_ed/view.bg?articleid=1170421

Related Articles:

Mass. swine flu count up to 6
</news/regional/view.bg?articleid=1169464>

Gen. Petraeus to speak at JFK School of Government
</news/regional/view.bg?articleid=1166635>

Report: Bank bailout a bad deal for U.S.
</business/general/view.bg?articleid=1164231>



[Contact us](#) | [Print advertising](#) | [Online advertising](#) | [Herald history](#) | [News tips](#) | [Electronic edition](#) | [Browser upgrade](#) | [Home delivery](#) | [Herald wireless](#)

[Save on Boston Herald Home Delivery](#)

[Jobs with Herald Media](#)

For back copy information and more information on other collectible copies please call 617-426-3000 Ext. 7714. [Click here for Celtics, Patriots and Red Sox back copies](#)



© Copyright by the Boston Herald and Herald Media.
No portion of BostonHerald.com or its content may be reproduced without the owner's written permission. [Privacy Commitment](#)

0.387672 : cached : owl.heraldinteractive.com
opi1170421_2009-05-06 02:31:29_text_1_0_0