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Trump's Budget Is An Unrealistic Fiction

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To judge a plan or budget, it is necessary to consider the goals its creators want to achieve. Donald Trump's budget framework, released this morning, comes with a clear set of intentions. In turn, the goals sit upon a series of assumptions. But no matter how you juggle the reasoning, the result will likely be that the new budget, if used by Congress, will undercut the very things that Trump claims to embrace and, in the process, increase income inequality and deeply hurt those who already bear much of the pain in this country.

The intent of the budget, according to the document, is threefold:

- Put the need of Americans first.
- Increase domestic safety and security through reprioritizing federal spending "because without safety, there can be no prosperity."
- Achieve these changes without increasing the budget deficit.

The three major points contain a number of assumptions:

1. Someone's needs have been put before those of Americans in the past, presumably, given the budget orientations, immigrants, refugees, and foreign aid to other countries.
2. There has been a growing threat to citizens from sources abroad and domestic.
3. The budget deficit is a problem.

Some economists would argue that the third actually isn't a problem because of the ability to borrow through the creation of debt and pay over time. Although that has been the "sophisticated" take, history has proven repeatedly that theories can go awry. The Keynesian school suggested that deficit spending might be necessary at times of economic malaise to maintain employment and, therefore, consumer consumption. Periodic deficit spending is different from the constant level of deficit in which the country has indulged for decades. From a politically pragmatic view, constant deficit spending also requires constant increases in the debt ceiling, hardly something to take for granted given the dynamics on Capitol Hill that have shut down the government over the issue.

Misplaced motivations

Grant, then, that the goal to avoid growing the deficit at the very least is reasonable. The other two issues may sound solid, but actually are not. Moving up the list to the second item, the country is far more secure than it has been in many years. Despite an uptick in violent crime in some cities (that still managed to remain near historical lows), the overall crime rate in 2016 was about the same as it was in 2015, and that has been after a long period of decline.

Terrorist threats from foreigners are of microscopic size, even counting the 9/11 attacks in 2001, according to an analysis by the Cato Institute, which is hardly a bleeding-heart liberal organization. As for home-grown terrorism, it falls under violent crime and, so, isn't on the rise. That doesn't mean concerns over immigration are imaginary. We have a significant immigration problem, but one of a different nature than claims of danger, which means it requires a different orientation than "security."

The first point assumes that the bulk of attention of the federal government has been on non-Americans. Spending doesn't reflect that, unless you look at military campaigns, and those are, by Trump's definition, something that is supposed to be for the good of the country. Foreign aid is a tiny slice of the budget — less than 1 percent, the military portion generally is paid to U.S. arms manufacturers, and even the humanitarian aid goes through U.S. organizations.

Therefore, it is reasonable to argue that Trump's first two priorities as expressions of urgent need are misplaced. More Americans need well-paying jobs, affordable and robust healthcare, ways to reconcile our use of economic immigrants with their non-permitted status, better education within the means of most families, a clean environment, energy sources that aren't dependent on petroleum and coal, and less control of government by large moneyed interests.

However, even assuming that Trump's first two priorities were correct and that they addressed the most pressing issues in this country, which they do not, the overall budgetary treatment of them is highly flawed.

Misplaced money

The increase in budget of the Department of Defense is currently ludicrous because the organization has less control over its spending than a hormonal teenager with his or her first credit card. The DoD has continually been given a pass in its inability to present books that could be financially audited, a requirement for every other department and agency in the federal government. It is impossible at the moment to know how much waste there is in the Defense Department, although some of the largest opportunities to cut waste and increase inefficiency, according to an Office of Management and Budget report from last year that Trump has touted, can be found in the DoD. Until the problems are addressed and it is possible to know where money goes, the additional \$54 billion Trump wants to transfer from other agencies and programs could be flushed away in a giant custom-built titanium toilet for all anyone knows.

The deep cuts in other departments Trump's budget envisions undermine his claimed interest in true security and welfare for the American people. He expresses an interest in a more efficient government, and on the surface that is eminently reasonable. Who could make a cogent argument for inefficiency?

There are two essential business and system management problems with the argument. One is that not all efficiencies are the same. In organizational dynamics, there is a concept called suboptimization. There are times that a part of an organization should run in a less-than-optimal fashion because that part is an important cog allowing bigger activities to happen. If you rely on too close a view of what efficiency *should* be for the part, you may drive behavior that slows down the whole. An example would be a company whose ordering department keeps such tight control over inventory costs that often there aren't the parts or materials to complete customer orders in a timely fashion.

The second problem is that you don't announce the need to reorganize government, looking for efficiency, and then deliver a budget that was crafted before the analysis phase of the reorganization has taken place. On a less complicated level, the equivalent would be to have a mechanic repair your car without diagnostic procedures to identify what was wrong with it. You could easily spend money unnecessarily and not the necessary results.

Mistakes and misrepresentations aplenty

Such mistakes abound in Trump's budget. One example is the elimination of the Office of Community Services, which includes the Low Income Home Energy Assistance Program (LIHEAP) with the following rationale: "Compared to other income support programs that serve similar populations, LIHEAP is a lower-impact program and is unable to demonstrate strong performance outcomes."

Someone who can deny strong performance outcomes of an energy purchase assistance, which generally means fuel for home heating in cold climates, has never spent a day outside in the depth of a New England winter. When you are cold and cannot afford fuel, you become desperate, particularly when you have a family. Desperate people can do desperate things to remain warm, have food to eat, and meet other basic requirements. Leave people cold and you're likely to drive the crime rate up. Now you've introduced someone into the criminal justice system and you spend money on police, prosecution, and possibly incarceration. The costs may not be obvious in the federal system, as the infractions are likely at the state level, but taxpayers are responsible still for the bill that is now much higher than the few hundred dollars that might have been provided to keep warm enough to live.

That is just one part of the 17.9 percent cut in the Department of Health and Human Services. More money is shifted into the Health Care Fraud and Abuse Control (HCFAC) program for Medicare and Medicaid, pointing to the \$5 return for every invested dollar from 2014 through 2016, assuming that more spending necessarily will get the same return. The National Institutes of Health's budget, which funds much of the necessary medical research in the country, is cut by 18.3 percent. Perhaps efficiencies of operation will be realized, but, again, how much? Restructuring the Centers for Disease Control and Prevention to use block grants to states — a mechanism proven time and again to allow states to divert money into other areas rather than the ones targeted by allocations — is likely a mistake. Public health can become an expensive problem with ramifications that have an impact on localities, states, and businesses.

There is inherent dishonesty in how many individual figures are presented devoid of historical context. The Department of Housing and Urban Development will see a 13.2 percent decrease

from baseline funding, as an example. The corresponding section of the budget framework mentions that it will provide "over \$35 billion for HUD's rental assistance programs and proposes reforms that reduce cost while continuing to assist 4.5 million low-income households." Compare that to the 2016 budget that sought \$49.3 billion to support 4.7 million low-income families. Can a 29 percent cut in that part of the budget provide the same services given that the claimed number of people being aided drops by only 4 percent?

Cuts in all the wrong places

In the Department of Energy, which will see a 5.6 percent cut, a number of programs that support basic research would be eliminated "because the private sector is better positioned to finance disruptive energy research and development and to commercialize innovative technology." Only, such a statement ignores the history of energy research. Commercial interest spikes when oil prices go up and then drops when the cost of a barrel recedes. A big reason the country hasn't seen much further development of solar is because of the coquettish affections of the private sector.

The Department of Commerce sees a 16 percent budget decrease, including the elimination of the Minority Business Development Agency, which is supposedly "duplicative of other Federal, State, local, and private sector efforts that promote minority business entrepreneurship." The examples given include Small Business Administration District Office and Small Business Development Centers. The SBA will see a 5 percent decrease in budget, including elimination of grant programs "where the private sector provides efficient mechanisms to foster business development and investment," although the clear effect of letting the market do as it will has been the reduction of opportunities for minority entrepreneurship, if you look at apparent discrimination in lending and investment.

The investment in infrastructure to improve roads, fix bridges, and provide jobs Trump claimed he would make as president? The Department of Transportation budget is cut by 13 percent, not increased. Improving the balance of trade? Education? Cut by 13 percent and with \$1.4 billion of the \$59 billion budget directed at supporting "school choice" of private schools, so ignoring market supply and demand when convenient. The Department of Justice's 3.8 percent decrease also sees a heavy shift toward terrorism, drug enforcement, unauthorized immigration, and border security, suggesting that other areas like white collar crime, antitrust, and civil rights will be underfunded and ignored.

There are likely actions in the budget that will make sense. But overall poor readings of history, deceptive comparisons, and an apparent ignorance of the underlying conditions that lead to crime and insecurity appear to have driven much of this budget. Income inequality will be hit hard. Many other important things, as well.