Spending Bonanza Screams for Budget Reforms

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s with the vastly overrated film *The English Patient*, the longer one focuses on last week's bipartisan budget deal, the worse it gets.

The fiscal bonanza that Congress adopted just hours after the latest (mercifully brief) government shutdown Friday morning devotes plenty to national defense. "Funding for the military was not a priority under the Obama administration, and the effect on readiness has been staggering," House Speaker Paul Ryan (R., Wis.) noted Wednesday. "So much so that [Defense] Secretary Mattis said he was 'shocked' by the poor state of U.S. combat readiness. In 2017, we lost 80 service member lives due to accidents and training incidents — nearly four times as many lives killed in combat."

While these national-security outlays are, well, defensible after eight years of Obama's spending from behind, the rest of this measure needlessly explodes domestic outlays.

According to Citizens Against Government Waste (CAGW), this nearly $300 billion abandonment of spending caps under the Budget Control Act of 2011 equals "a 14 percent annual spending increase over current levels." This exceeds 2017's 2.1 percent inflation rate nearly *seven-fold*.

Far worse, Manhattan Institute fiscal-policy scholar and former Senate staffer Brian Riedl estimates this bill's full cost as follows: $296 billion in higher budget caps (including $165 billion for defense), an additional $104 billion for "Overseas Contingency Operations" (military action in Afghanistan, plus the global War on Terror), $85 billion in natural-disaster relief, and $9 billion in additional revenue cuts, minus a $47 billion decrease in mandatory spending. Add interest payments to this $447 billion jackpot, Riedl reckons, and Washington will splurge a cool $500 billion more than planned just a fortnight ago.

One might argue, wisely or otherwise, for such profligacy to pump up a moribund economy gasping for stimulus. However, America is booming. Last year's 2.3 percent real-GDP hike comfortably outpaces Obama's 1.5 percent GDP growth rate for 2016. Unemployment stands at 4.1 percent. New joblessness claims were last this low in 1973. Black and Hispanic unemployment is at or near their lowest marks ever recorded.

Americans for Tax Reform has identified 346 companies, so far, that have announced bonuses for their workers up to $4,000, higher pension contributions, and/or wage hikes at or above the Democrats' self-declared nirvana of $15 per hour. Some 3.5 million Americans are enjoying these post-tax-cut benefits. As another result of the 40 percent reduction in corporate taxes (from 35 percent to 21 percent), numerous companies have unveiled huge investments in domestic operations. These include, among many others: Merck ($8 billion), JPMorgan Chase ($20 billion), Apple ($30 billion), ExxonMobil ($35 billion), and Comcast ($50 billion).

Politically, Republicans have been on a roll. December's tax-cut triumph flowed into January's defeat of the Schumer Shutdown, on largely Republican terms. President Trump delivered a well-received State of the Union address during which congressional Democrats looked bitter, obstructionist, and too disdainful of Trump even to applaud the American heroes whom he introduced in the House gallery. A CBS News poll found 75 percent approval for Trump's speech among viewers, with 43 percent of Democrats at home giving him thumbs up, along with 72 percent of independents, and 92 percent of Republicans. Consequently, Trump's job approval in Friday's Rasmussen daily-tracking survey stood at 49 percent, ahead of Obama's 47 percent positive rating on the equivalent date in his presidency.

With Republicans on the march, and Democrats on the run, last week was hardly the time for the GOP to deploy the white flags and surrender to Schumer. Yes, given the GOP's skinny 51-seat Senate majority, it would take nine Democrats to end a filibuster and proceed to final passage of a budget measure. (As Riedl explains, Republicans could not trigger the 51-vote reconciliation option here because "reconciliation can affect only taxes and entitlements. This deal was mostly discretionary spending.") It's one thing to let Schumer serve as back-seat driver and perhaps heed his requests to turn the music up and the heat down. It's quite another to pull over, hand him the car keys, and let him floor it on the highway to fiscal ruin.

As the National Taxpayers Union reports, this spend-o-rama includes some staggeringly inexcusable items:

- More seed-cotton subsidies
- Increased crop insurance for livestock
- Higher payments to dairy farmers

Even worse, this bill barely changes the budget process or secures structural reforms to limit, or even reverse, the damage from this midnight raid on the Treasury. Among the items that should have been included:

- **The Penny Plan**. This would reduce total federal spending by 1 percent every year for eight years. Washington would spend $1.00 in 2018, 99 cents in 2019, 98 cents in 2020, etc. Most programs could be cut by one penny annually. Urgent outlays (e.g. killing terrorists and deadly microbes) could be protected, or even increased, by shrinking other programs (such as federal funds for the arts and public broadcasting) by more than a penny — or simply scrapping them. By 2026, the budget should be balanced, and federal outlays would be frozen at 18 percent of GDP. This is the smoothest and least painful glide-path to long-term fiscal sanity.

- **Zero-based budgeting**. Rather than ladle fresh gravy atop each federal program's budget, department and agency chiefs would have to justify each year's expenditures from the first dollar. If they cannot do this, then budgets should be slashed or zeroed out accordingly.

- **Audit everything**. Contract with Ernst & Young, KPMG, and other major accountancies to audit each and every federal program, from top to bottom. Those found profligate, duplicative, and corrupt should be reined in or dumped.

- **Accrual accounting**. Federal agencies should move from corner-deli-style cash accounting (What's in the register drawer right now?) to accrual accounting (What do we have today, and what do we owe in 20 years?). The latter is federally mandated for every publicly traded company. If Washington obeyed the same grown-up bookkeeping rules that it demands of *Fortune* 500 CFOs, it could not get away with the gourmet-style cooking of books that has become sadly routine, rather than criminal.

- **You're fired!** A new law should allow immediate dismissals across the entire bureaucracy, like those that have booted 1,500 incompetents and crooks from the Veterans Administration since President Donald J. Trump signed the VA Accountability Act. A much broader statute would let all federal managers sack rotten employees, rather than let them enjoy months or even years of Lois Lerner–style paid leave (i.e., paid vacation) followed by cushy retirements, lavish pensions, and gilded benefits. Ideally, corrupt feds should be locked up. At a minimum, they should be terminated with maximum savings to taxpayers in terms of eliminated salaries and shrunken retirement benefits.

- **Dispose of Davis-Bacon**. This pricey and racist (really!) New Deal relic costs taxpayers money by requiring that federally funded infrastructure projects pay "prevailing wages" — usually local, above-market union scale. The Cato Institute's Chris Edwards and Gabriel Roth wrote that "these rules increase the wage costs on highway projects by an average of 22 percent, while also slowing projects and piling paperwork on contractors."

- **Modernize federal pensions**. Existing federal workers should be freed to convert their old-fashioned, defined-benefit plans under the Federal Employee Retirement System into 21st-century defined-contribution accounts. New employees should go directly into such arrangements. This would save taxpayers a little money now and much more later.

- **Kill more of Obamacare**. The budget deal mercifully erases Obamacare's Independent Payments Advisory Board (the original "Death Panel"). But if not fully repealed, this dreadful law certainly could have been dismembered even further. A strict prohibition on future insurance-industry bailouts, for one, would shield taxpayers from such an outrage.

- **Delete unauthorized programs**. CAGW reports: "The federal government also has $310 billion in unauthorized programs currently running on autopilot." These activities and agencies essentially are flying on expired licenses. As *Politico* notes, the FBI and DEA have operated without congressional authorization since 2009. The National Weather Service's "operating permit" lapsed in 1993. The Federal Election Commission's mandate ran out in 1981. Essential programs should be scrutinized and then reauthorized. As for the rest, to paraphrase Sir Elton John: "*Do* let the sun go down on them."

- **Auction off federal enterprises**. New Jersey conservative activist Ted Pomeroy reminded me that the Tennessee Valley Authority runs 73 power stations, including three atomic-energy plants, 15 solar facilities, and 29 hydroelectric dams. Washington should privatize these assets and extricate Uncle Sam from these and many other businesses.

- **Sell federal land**. The federal government owns 27 percent of America, mainly vast swaths of the West. According to the Congressional Research Service, this includes 39 percent of Arizona, 61 percent of Alaska, 63 percent of Utah, and 80 percent of Nevada. Without selling the Grand Canyon to Chevron, surely some of this federal property could be unloaded, even for recreational use. Ski resorts are not strip mines. Hiking trails are not superhighways. Letting the states and conscientious private parties pay market prices for even 5 or 10 percent of the least ecologically precious federal lands would generate revenue and allow Washington to manage properly its other lands, many of which endured $19 billion in deferred maintenance, as of Fiscal Year 2016.

Any four or five of these ideas might have made last week's delivery of Purina Swamp Chow easier to swallow.

The financial markets greeted this spending embarrassment with their worst week in two years. To reassure investors and regain the confidence of disgusted fiscal conservatives, Congress still should adopt many or all of these reforms. Ideally they should be tied to whatever vehicle replaces today's continuing resolution. In the next episode of the suspense series, *As the Budget Turns*, the new continuing resolution will expire on March 23, just in time for the next fiscal nail-biter.