

Divided government keeps bad things from happening

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FOR THE next two years, small changes are possible but nothing big can happen because politics and money conspire against change. It's not true that nothing important will happen, but it is true that most major initiatives will founder on the shoals of budget pressure and political competition.

If you are content with the status quo, divided government is a blessing. It is generally true that Democrats are predisposed to hate Republican ideas simply because they are Republican. Republican politicians, of course, have the same myopia about Democratic ideas. Therefore, in any sort of power sharing arrangement — for example, the current Republican Legislature and Democratic governor — it is a good bet that each side will quash most of the ideas of the other, and little will happen.

William Niskanen, the late chairman of the Cato Institute, long preached the virtues of divided government. He said, "The United States prospers most when excesses are curbed, and, if the numbers from the past 50 years are any indication, divided government is what curbs them." He pointed out that federal government spending increased by an annual average of 1.73 percent during periods of divided government, but 5.26 percent during periods of one-party control. The only two periods of reasonable fiscal restraint occurred when Eisenhower had a Democratic Congress and Clinton had a Republican one.

The basic reason is that Republicans dislike Democratic ideas for spending but tend to love their own, and vice versa. During one-party control, those in charge tend to be bold. This is fine if they wish to be bold in ways I support, but all too often they are incapable of reading my mind or yours. It may be best then to keep them restrained.

In New Hampshire, Republicans enjoy comfortable majorities but can't come close to overriding a veto. This likely means that things we do today are locked in, and nothing will be extended or added without broad compromise.

The second limiting factor this year is budget pressure. The two-year budget document adopted in the first year of the session is the controlling roadmap in New Hampshire. Nothing significant can happen without funding.

Every two years, there is some sort of supposed budget crisis, but they come in degrees. Some years, the gap between expected revenue and programs is quite minimal and requires only a modicum of tweaking. The other end of the spectrum is the huge \$800 million shortfall between revenues and projected spending that existed in 2011. Those changes were consuming and affected every area of government.

We don't have all the information we would like just yet, but the budget process that has begun is about halfway between cataclysm and triviality. With the election just passed, more specific information will emerge. We do know that a \$72.2 million surplus bequeathed to the last Legislature and governor was spent down to \$19.5 million — a spending deficit of \$52 million in just the first year. The problem is big enough that the governor has asked half of state

government to cut \$30 million while the Health and Human Services half of government has to make cuts of around \$45 million.

It means that the baseline going forward is quite shaky and unbalanced. To that must be added significant increases in Medicaid caseloads, other changes at HHS — creating a projected two-year hole of almost \$90 million — and the additional shortfall that we can't calculate yet, which is caused by necessary changes to the Medicaid enhancement tax. All told, the problem won't approach \$800 million, but there's no reason to suppose it won't be calculated in the hundreds of millions.

The problem is manageable if it is a few hundred million dollars in a two-year operating budget of \$4.5 billion. But agencies or programs that want more money are likely to hit a wall in this environment of scarcity. Spending as a whole must decline so individual increases will be few and very far between.

The governor will propose gambling, but a Republican House like the Democratic House before it will consider it separate from the budget process, not within it. No other revenue increases are politically possible.

The governor and Legislature will likely agree from the outset that they don't like each other's ideas. Agreement after that will be difficult. That's good news for those of us who would like government to do less.