The Heritage Foundation Backgrounder

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LESSONS FROM BUSINESS ON CUTTING FEDERAL SPENDING

INTRODUCTION

Nearly two years after President George Bush and the U.S. Congress struck the 1990 budget deal that promised to put America's fiscal house in order, both the federal deficit and federal spending are higher than at any time in the country's history. Last June's defeat in the House of Representatives of a constitutional amendment which would have required a balanced federal budget by fiscal 1998 demonstrates the continuing inability of Washington to come to grips with the country's fiscal problems. Congress seems paralyzed—unable to fashion a strategy to bring spending under control.

Lawmakers would be wise to examine the steps American businesses take when economic conditions force reductions in a firm's operating costs. The techniques used by business owners to tighten their belts offer many lessons for Congress. That is why so many voters have been calling for Washington to apply a business-like approach to extract the country from the federal budget quagmire.

Overwhelming Budget. Most newly elected members of the 103rd Congress will be stunned when they arrive in Washington and discover what they have inherited—a fiscal 1993 budget deficit now projected at $336 billion and annual deficits through the end of the decade estimated at over $200 billion, according to the Congressional Budget Office (CBO). Even the most reform-minded lawmaker could be overwhelmed by the sheer magnitude of the federal budget—a document over 2,200 pages long, representing nearly $1.5 trillion in annual expenditures or more than 25 percent of America's gross domestic product (GDP).

In order avoid the same paralysis suffered by the current Congress, members of the next Congress should put themselves in the place of a business owner trying to save his enterprise from bankruptcy court. To get the government back in the black, Congress and the President should consider the same questions a smart business owner asks when he is up against the wall:

> **Question # 1:** "What can I realistically expect my annual income to be during the next few years?"

Question #2: "How can I get my expenses below my expected income?"

The importance of establishing realistic income or revenue estimates cannot be overstated. Lagging revenues often lead many business owners unwisely to increase their prices. They suppose that the higher prices will be paid by the same number of customers and so produce more income. But more often than not, higher prices drive customers away, leading to less income—not more. This lesson has yet to be learned by Washington's politicians. Raising taxes slows economic growth and usually leads to lower than expected revenues. And resorting to tax increases, like raising prices, usually means putting off the tough but necessary steps to curb costs.

Like wise business owners, therefore, policy makers must come to grips with runaway spending. To do this, Congress should adopt the steps routinely taken by embattled firms to cut costs. Among them:

1) **Cut overhead, travel, and personnel costs.**

   Example: Congress should freeze overhead costs for two years, then cap future growth to the inflation rate.

2) **Bypass the middle man by finding cheaper ways to purchase goods and services without reducing the quality of the service.**

   Example: Congress should give poor people housing vouchers to help pay rent on a home of their choice rather than fund the construction of new public housing.

3) **Cease unprofitable activities.**

   Example: Congress should eliminate the Federal Crop Insurance Program.

4) **Close outmoded or inefficient departments.**

   Example: Congress should close the Federal Helium Reserves and Excell helium processing plant.

5) **Streamline departments and agencies by eliminating duplication and merging departments with similar goals.**

   Example: Congress should merge sixty federal environmental programs into a single block grant to the states.

6) **Eliminate waste by trimming luxuries, perks, and unnecessary spending.**

   Example: Congress should eliminate the honey, wool, and mohair farm subsidy programs.

7) **Sell assets to generate cash and eliminate future costs.**

   Example: Congress should sell to the private sector the government's $205 billion direct loan portfolio.

8) **Give managers the flexibility to cut wasteful spending.**

Example: Congress should repeal the 1931 Davis-Bacon Act that raises costs on federal construction contracts.

9) **Crack down on "deadbeats."**

Example: Congress should allow the Farmers Home Administration to foreclose on delinquent loans and hire private collection agencies.

10) **Contract out to private providers for functions currently done in-house that can be done cheaper by outside firms.**

Example: Congress should privatize NOAA's research fleet.

Using these and other commonsense business measures, lawmakers can balance the federal budget by fiscal 1998 without raising new taxes, without inflicting deeper defense cuts than those already proposed by the Bush Administration, and without reducing benefits in major entitlement programs.

WHY COST-CUTTING IS NEEDED

The chronic inability of Washington to put the country's fiscal house in order has led many taxpayers to ask, "Why not apply the same sound business practices to government that entrepreneurs apply to their businesses or that each household must apply to the family budget?"

To be sure, the federal government and businesses are different in many fundamental respects. Most important, of course, is the fact that businesses cannot print more money or confiscate their customers' money to cover their debts, as can the government. In addition, the government's revenue, unlike business income, is not directly connected with performance or service. If a business routinely wastes money on perks for management or unpopular product lines, when those dollars should be invested in new equipment or new product design, the business soon will be forced to close its doors. When the government wastes money and manages its programs badly, it runs a deficit and raises taxes.

In recent years, however, it has become clear that, despite the obvious differences, the government is subject to forces very similar to those experienced by every private business. A business that raises its prices too high, for instance, loses customers and income. Similarly, a government that raises taxes too high slows down the economy, punishes private productive efforts, and thus also sees its income lag or even decline.

Keeping Costs Below Revenues. The smart business owner begins the process of putting his enterprise on a sound financial footing by estimating his future stream of revenues and then making sure his costs do not exceed that level of income. He does not begin by projecting how much his costs are likely to be and then figure out how to make enough money to support that level of spending. Yet this is precisely how Washington goes about budgeting.

Reduced to their basic elements, deficits result from too much government spending rather than from a lack of tax revenues. For instance, the Congressional Budget Office estimates that federal tax revenues will grow by more than $400 billion over the next

Table 1
CBO Projection of Spending, Revenues, & Deficits
(Billions of Current Dollars)

	1993	1994	1995	1996	1997	1998
Spending	1,510	1,529	1,543	1,602	1,726	1,843
Revenues	1,173	1,262	1,340	1,413	1,490	1,578
Deficits	336	267	203	189	236	265

Source: Congressional Budget Office, "An Analysis of the President's Budgetary Proposals For Fiscal Year 1993," March 1992.

five years, from $1.088 trillion in fiscal 1992 to $1.49 trillion in fiscal 1997. To most taxpayers this revenue growth, which averages 6.5 percent annually, would seem more than sufficient to fund federal priorities and lower the deficit without tax increases. Yet the chorus in Congress is that tax hikes are needed for deficit reduction.

In addition, to the extent that any lawmakers are seeking to get the deficit under control, the emphasis is on after-the-fact sweeping cuts when deficit targets are missed, rather than prudent cost controls to achieve deficit reduction. This is like a business promising its stockholders that it will slash spending across the board in profitable as well as unprofitable lines to end losses, rather than overhauling its operations to get costs under control.

The deficit reduction plans of two lawmakers, House Budget Committee Chairman Leon Panetta, the California Democrat, and Senator Phil Gramm, the Texas Republican, exemplify this approach. Both plans set targets for future deficits and erect elaborate budget rules to trim a deficit if it exceeds the level established in law. In this sense, each plan borrows the notion of a sequester—that is, automatic deficit reduction measures—that originated with the 1985 Gramm-Rudman-Hollings law. Under Panetta's sequester plan, a mix of spending cuts and tax increases would be used to close the gap between the deficit target and a deficit overrun. Gramm's sequester plan requires across-the-board spending cuts, with certain exceptions for programs such as Social Security, to lower an excessive deficit to the level prescribed in law.

Blunt Instrument. While these plans do take serious action to cut spending with the blunt instrument of a sequester after spending has overrun, neither seeks to introduce prudent cost-cutting measures to make sure the targets are achieved in advance. This is like waiting to lock up an alcoholic after he has been arrested for being drunk and disorderly, rather than getting the alcoholic into a treatment program to help him avoid arrest.

Thus, a sound deficit reduction plan should introduce steps to prevent Washington from hiking spending before overspending exacerbates the deficit. The simplest and most effective way to do this is by placing caps on the growth of future federal spending. This approach avoids the need for complex rules and formulas. It would legally require Congress to make economies before programs are appropriated, rather than slashing spending or hiking taxes after the total spending on programs has pushed up the deficit. The spending caps should be fixed at a level that is effectively the sum of the targeted deficit level plus the expected amount of revenues.

For instance, the spending caps needed to meet Panetta's deficit reduction plan would be as follows:

Table 2
Calculating Federal Spending Limits
(Billions of Current Dollars)

	1993	1994	1995	1996	1997	1998
CBO Projected Revenues	$1,173	$1,262	$1,340	$1,413	$1,490	$1,578
+						
Panetta Deficit Targets	336	232	127	55	38	0
=						
New Spending Limits	1,510	1,494	1,467	1,468	1,528	1,578

Note: The Fiscal 1993 budget is nearing completion in Congress, meaning serious deficit reduction will have to be initiated in fiscal 1994, which begins October 1, 1993.

As is shown in the following table, these new spending levels are considerably lower than the levels currently projected by the Congressional Budget Office. This means that more than $708 billion must be trimmed from this projected rate of spending growth.

Table 3
Calculating the Required Spending Cuts
(Billions of Current Dollars)

	1993	1994	1995	1996	1997	1998
CBO Projected Spending Levels	$1,510	$1,529	$1,543	$1,602	$1,726	$1,843
-						
New Spending Limits	1,510	1,494	1,467	1,468	1,528	1,578
=						
Spending Cuts Needed	—	35	76	134	198	265
				Total Five-Year Cuts = $708		

Note: The fiscal 1993 budget is nearing completion in Congress, meaning serious deficit reduction will have to be initiated in fiscal 1994, which begins October 1, 1993.

WHY TAX HIKES DON'T CUT DEFICITS

The typical lawmaker, like the typical business owner, at first is likely to blanch at the prospect of trimming substantial amounts of spending from the budget—even if the cuts are merely reductions of a projected rate of spending growth, as is the case with the federal budget. The temptation, of course, is to try to increase income to avoid painful cuts in spending. Yet as business owners well know, raising prices to improve the bottom line is risky. Price hikes often drive customers away, thereby lowering, rather than raising, future earnings.

This lesson has yet to be learned by Washington. Over the past thirty years, Washington has raised taxes 54 times in an effort to achieve deficit reduction, yet it has balanced the federal budget only once, in fiscal 1969.[1] The most recent major tax rate increase, the 1990 budget agreement, "raised" taxes by some $175 billion during fiscal years 1991 through 1995. The problem is that the projected new revenues have not materialized. In July 1990, the Office of Management and Budget estimated that Washington would collect a total of $6.4 trillion in revenues between fiscal 1991 and 1995. Two years later, in July 1992, OMB estimated $5.87 trillion will be collected during this period—$529 billion below the earlier projection. When this loss of revenues is combined with the budget agreement's putative $175 billion tax hike, the total error is over $700 billion.

The reason: Tax increases rarely bring in the amount of revenues projected by the tax estimators at the Congressional Budget Office or the Office of Management and Budget. Like the short-sighted business owner who imagines every price increase means more earnings, these tax experts mistakenly assume that increasing taxes will have no effect on taxpayer behavior. In the dynamic business economy, customers easily can substitute goods of better value for higher-priced items. Increases in taxes also encourage taxpayers to put their money into lower-taxed activities, meaning the government rarely collects as much revenue as tax-raisers project.

A BUSINESS-LIKE APPROACH TO CUTTING SPENDING

Faced with bankruptcy, the smart business owner must scour every aspect of his operation in a no-nonsense manner. There are many steps business owners routinely take to reduce costs. Congressional lawmakers should adopt at least ten cost-cutting practices from the business world.

1) Cut overhead, travel, and personnel costs.

The first step taken by many struggling businesses is to cut overhead expenses and travel budgets, and perhaps even freeze new hiring and employee salaries. These are cuts in "fixed" costs of doing business. Overhead expenses include such things as rent,

1 Senator Robert W. Kasten, Jr., "A Balanced Budget Amendment That Won't Tax America," *Heritage Lecture* No. 386, June 2, 1992.

utilities, equipment purchases, and physical plant improvements. A dollar spent needlessly on these items is a dollar taken directly from the bottom line.

Since the recession began in 1990, most U.S. companies have taken steps to trim fixed costs and to freeze or reduce employment. Yet the federal government has increased funding in these areas in recent years. Nearly 24 cents of every tax dollar spent on domestic programs (excluding the Postal Service), or some $208 billion, currently pays for the overhead expenses of federal civilian agencies. The government also has done little to hold down hiring levels. More than $100 billion per year is spent on civilian employee wages and benefits, again excluding the semi-independent Postal Service. And since 1989, the number of federal employees actually has grown by over 63,000, from 1.107 million to 1.17 million. Cutting overhead costs will save billions without lowering the quality of services.

> **Example:** Freezing federal civilian agency overhead expenses for two years, and capping the future growth of these costs at the inflation rate, could save some $137 billion over five years.
>
> **Example:** Freezing for one year the total level of federal civilian employee compensation, excluding benefits, could save $24 billion over five years.

2) Bypass the middleman.

When costs must be cut, businesses often avoid buying their supplies from distributors, preferring to purchase them directly from the manufacturer. Successful companies such as the Wal-Mart Corporation, for instance, bypass the traditional middlemen or distributors and buy directly from the manufacturers. This policy improves the management of inventory in addition to reducing costs to the customer. Yet in every federal program there is an army of middlemen between the Treasury door and the intended beneficiaries of the program.

> **Example:** The federal government spends about $18 billion each year on housing for the poor. But most of this money ends up in the pockets of middlemen, including high-priced and well-connected contractors, social service groups, and officials of local public housing authorities. The public housing program is grossly mismanaged and wasteful, and fails to meet the needs of the poor. And although about 100,000 of the nation's 1.4 million public housing units currently are vacant, the federal government still disburses operating subsidies for these vacant units to local housing authorities.

A more compassionate, and cost effective, method of housing the poor would be to cut out the middlemen and give poor families a housing voucher, letting them use it to help pay the rent in an existing apartment of their choice. Since using vouchers can house the same number families for half the cost of new construction, the government could save billions of dollars while giving poor people the freedom and mobility enjoyed by other Americans.

3) Cease unprofitable activities.

When facing economic difficulties, many companies take prompt action to close down unprofitable product lines, especially if that line shows little promise of ever breaking even. For instance, General Motors Corporation currently is giving serious thought to ceasing production of the Chevrolet Caprice automobile, after spending several years trying to improve slumping sales.[2] General Motors cannot afford to let nostalgia for the model name cloud its judgment.

The federal government, by contrast, almost never cuts money-losing programs, regardless of how much money has been poured into them or how badly they have failed to meet their goals.

> **Example:** Intended to encourage farmers to protect themselves from financial losses due to natural disasters, the Federal Crop Insurance Corporation (FCIC) has not been actuarially sound for many years. The government has spent hundreds of millions trying to prop it up. The reason the program is failing is that farmers actually have no reason to purchase crop insurance because they know from experience they can count on Congress for emergency disaster assistance if there is a crop failure. According to the Congressional Budget Office, "between crop years 1981 and 1989, the federal government paid $6.0 billion for *ad hoc* disaster assistance...." The program should be terminated with the understanding that Congress is vested with the authority to fund disaster assistance when it is necessary. This measure could save taxpayers some $2.8 billion over five years.

4) Close outmoded departments.

Businesses routinely eliminate outmoded offices, divisions, or equipment that no longer serve their needs. For instance, few delivery companies would continue to pay for the maintenance and high upkeep costs of a 1960s delivery truck in the 1990s. And no prudent cash-strapped company would continue funding for departments and projects long after their purpose had been accomplished. Yet the federal government currently administers dozens of obsolete programs that are the legacy of public needs from before World War II.

> **Example:** The Rural Electrification Administration (REA), was established in 1931 to finance the electrification of rural America. Nearly 100 percent of rural America has electric service and nearly 98 percent has telephone service, and so the program is no longer needed. Yet it still exists and continues to drain money from taxpayers' pockets today.

> **Example:** The National Helium Reserves and the Excell helium processing plant were created in 1929 to insure a constant supply of helium for the blimps then deemed to be important for America's national defense. Today, of course, blimps do not play a part in the Pentagon's high technology defense system, and there is a strong private sector

2 Warren Brown and Frank Swoboda, "GM Misses Mark with Bulky Caprice," *The Washington Post*, July 6, 1992.

helium industry. Still, the program continues to exist, consuming over $120 million in taxpayer funds each year.

Example: The National Fertilizer Development Center grew out of a munitions plant at the end of World War I. Later the fertilizer factory was turned over to the Tennessee Valley Authority. For some sixty years the government-owned plant has produced fertilizer and conducted fertilizer research for the benefit of private companies. It currently costs taxpayers over $35 million per year to operate the facility.

5) Streamline departments.

An efficient company uses the minimum number of employees and departments to accomplish the maximum amount of work. Except in very critical areas, duplication and redundant capacity is considered wasteful and costly. Yet the government maintains overlapping programs and agencies on a huge scale.

Example: The federal government manages over 75 different poverty programs. The annual cost of these programs to all levels of government totals some $250 billion—nearly two and one-half times the cash needed to lift every poor American above the poverty threshold.

Example: There are over sixty federal environmental programs. Some $6 billion could be saved over five years simply by merging these programs into a single block grant to the states.

Example: The Department of Agriculture manages 11,000 field offices in 94 percent of the counties in America, even though only 13 percent of the nation's counties are considered agricultural.

Example: There are at least 37 programs, located in at least three agencies, designed to manage fishery issues.

6) Eliminate waste.

When the economy is strong and business is booming, many firms are willing to spend money on activities or expenses not directly related to the mission of the company. These might include executive perks such as company cars and country club memberships. But during hard times, owners usually act quickly to cut back perks and costs not directly related to the central business of the firm.

The federal government, on the other hand, spends tens, if not hundreds, of billions of dollars on programs and activities that do not benefit the country as a whole and are not related to the central purposes of government. More often than not, this spending helps no one, save perhaps the bureaucrats who collect or spend the money and the special interests who receive the government largesse. There are thousands of these special projects, often called pork barrel projects, laced throughout the federal budget. Table 4 lists just a few such projects slated for funding in the fiscal 1993 appropriations bills recently passed by the House of Representatives.

Wasteful spending, however, often extends beyond the traditional "pork" projects:

Example: The government has established dozens of commissions of questionable national purpose. Among them: The American Battle Monuments Commission; the Commission for the Preservation of America's Heritage Abroad; the Christopher Columbus Quincentenary Jubilee Commission; the Delaware River Basin Commission; and the Franklin Delano Roosevelt Memorial Commission. Terminating most of these commissions could save taxpayers some $645 million over the next five years.

Example: The honey, wool, and mohair subsidy programs have been called the "dinosaurs" of federal programs by the General Accounting Office because they should have been terminated years ago. These programs are federal perks that benefit only a very small group of individuals, yet cost taxpayers some $200 million annually.

Table 4
Should We Be Paying For This?
Pork Barrel Items in the Federal Budget

- **$2,000,000** for the Center For Suburban Mobility in Northern Virginia to continue "intelligent vehicle highway systems" research.
- **$1,900,000** for a railroad-highway crossing "demonstration" project in Augusta, Georgia.
- **$100,000** for railroad metallurgical and welding studies at the Oregon Graduate Institute.
- **$925,000** for the relocation of a road at Jackson National Fish Hatchery in Wyoming.
- **$32,800,000** for magnetohydrodynamics research.
- **$700,000** to pave a new road and parking lot, and to install a boat dock, a composting toilet, and a concrete boat launching ramp at the Tennessee-Tombigbee Waterway in Alabama and Mississippi.
- **$500,000** for acoustics research.
- **$5,500,000** for apple research.
- **$4,959,000** for bee research.
- **$200,000** for Locoweed research.
- **$11,048,000** for potato research.
- **$510,000** for soybean-based ink research.
- **$7,000,000** for African elephant conservation.
- **$300,000** for an urban forest climate study in Syracuse, New York.

7) Sell surplus assets.

Even the most efficient businesses, burdened by heavy debt or expenses, may find it necessary to turn some assets into cash. For instance, airlines sell routes, conglomerates sell divisions, real estate companies sell land, and publicly held companies sell more stock.

The federal government, however, is prohibited by its own arcane budget laws from reducing the deficit by selling assets. The 1990 budget agreement, for instance, instituted rules that prevent Congress and the Administration from using funds raised from the sale of government assets for deficit reduction. This is like a bank telling a family it must foreclose on their farm because the bank cannot count as a mortgage payment the money the family has just deposited from a stock sale.

In an era when governments from Moscow to Mexico City are transferring their assets to the private sector, it is ironic that the U.S. Congress discourages or prohibits the federal government from selling assets to reduce the deficit.

There many assets that the federal government could sell to reduce the deficit:

> **Example:** The government currently holds some $205 billion worth of outstanding direct loans. These loans should be sold to the secondary loan market in much the same manner that a mortgage company resells its loans. The Farmers Home Administration (FmHA) raised nearly $4 billion for the Treasury in 1987, the last year in which the agency was legally allowed to sell its loans to the private sector.
>
> **Example:** The government currently manages enterprises worth billions of dollars that should be sold to the private sector. These include the Naval Petroleum Reserves, the Power Marketing Administrations, the Tennessee Valley Authority, and millions of acres of public lands.

8) Give managers flexibility to cut wasteful spending.

Line staff and managers often are better able than their superiors to identify cost-reduction measures in a firm. Thus wise business owners encourage junior managers to look for ways to save the company money.

It is hard to imagine any company being so foolish as to institute company rules to stop their managers from saving money. Yet Congress does exactly that. For instance, Congress regularly sets lower limits on the number of employees that must staff certain agencies. These "employment floors," as they are known, prevent agency managers from making the most effective use of the employees they supervise, such as by shifting workers from one department to another. Other rules similarly prevent managers from saving money.

> **Example:** The U.S. Park Service is prohibited from covering its costs by raising the entrance fees it charges to visitors. Because of this rule, the Park Service now charges tourists less than one-fourth of the real costs associated with admitting each visitor. The Service spends $220 million per year on visitor services, but receives only $60 million back through fees.
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> **Example:** The Davis-Bacon Act of 1931 increases the costs of government construction contracts by over $1 billion annually. It does so by forcing contractors to pay union scale wages on all federally funded construction contracts, even though less expensive labor often is available. This legislation originally was enacted to keep black workers off federal construction sites. That is precisely what it has done during the last sixty years. A similar law, the Service Contract Act, serves the same function for federally funded service contracts. The extra costs imposed by these laws: some $2.0 billion per year.

9) Crack down on "deadbeats."

No automobile company with a financing department would survive long if it allowed customers to miss payments without penalties or to default on their loans without facing foreclosure. Yet the federal government loses billions each year on its loan programs and yet does little to deal with defaults.

Example: The Farmers Home Administration (FmHA) wrote off some $8.5 billion in loan losses in the past three years. One reason it did so is that Congress prohibits the FmHA from cracking down on bad debtors or from hiring private collection firms to collect on delinquent loans. In many cases, new loans are given to known poor credit risks.

Example: The government spends about $3 billion per year subsidizing Stafford Student Loans. Of this amount, roughly 30 percent, or some $1 billion, is dedicated to guaranteeing payments to lenders on defaulted loans. Measures that would reduce these defaults include: Eliminating all federal interest rate subsidies extended to students after they leave school; reducing interest rate subsidies to banks by one percentage point; and requiring educational institutions to share in the risk associated with their students defaulting on federal loans.

10) Contract out functions.

Few businesses use in-house staff to perform every support function required to keep a business running. Most find it more efficient to contract with other firms to perform at least some specialized functions such as accounting services, automated data processing (ADP) services, garbage collection, legal work, and office cleaning. A business facing bankruptcy is especially vigilant in searching to see if any of its overhead activities can be carried out less expensively by an outside firm.

Yet Congress has made it illegal in some cases for government agencies to contract out or "privatize" certain activities. There are currently over 75 laws on the books preventing government agencies from privatizing various functions now being done by higher-cost government employees. Some laws prevent agencies from even studying the possibility of contracting out. But turning many government functions over to the private sector could save taxpayers billions of dollars each year.

Example: The National Oceanic and Atmospheric Administration (NOAA) currently operates its own fleet of research vessels. The General Accounting Office has recommended that the fleet be privatized over a five-year period. GAO has criticized the government-run fleet for being too expensive to maintain and operate. As much as $50 million per year could be saved if NOAA could contract with private firms.

CONCLUSION

Unlike American businesses and households, Washington lawmakers and officials do not risk an appearance in bankruptcy court if they fail to balance their books. In fact, they face few if any penalties for running up huge losses, and can always turn to American businesses and households to foot the bill. But taxpayers are growing tired of Washington's failure to institute sensible cost-cutting measures.

If Washington will not place itself under the restraint of a balanced budget amendment, the least lawmakers can do is to approach the deficit problem like a business owner trying to save his company from Chapter 11 bankruptcy. The smart business owner, realizing that increasing prices is not a way to increase receipts, knows that what he must do is find ways to hold spending well below anticipated future income.

Smart Business Strategy. In order to bring down spending, the desperate business owner knows he must eliminate any spending that does not directly advance the primary goals of the company. Among other things, this means trimming overhead costs, cutting wasteful and unnecessary expenses, closing obsolete product lines, and finding cheaper ways of getting a better product to the consumer.

Newly elected lawmakers coming to Washington after the November election will be like new managers taking over a failing business and facing angry stockholders. Business as usual will mean out-of-control spending and huge deficits. As householders and business owners, these men and women know what the private sector does to get costs under control. They should take the same approach to federal spending once they are sworn into office.

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