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ESTABLISH A SPENDING REDUCTION COMMISSION

INTRODUCTION

A workable solution to the political problems of cutting the federal budget has been proposed in the United States Congress. The Spending Reduction Act (S. 202 and H.R. 822) should be considered seriously as the most politically feasible tool to achieve the necessary cuts for a balanced budget by the end of the century. The bill, first introduced by Senator Connie Mack (R-FL) and then by Representatives Dan Miller (R-FL) and David Minge (D-MN), would create a Spending Reduction Commission, modeled on the successful military base closing commission, that would provide the President and Congress each year with an impartial, bipartisan list of spending-reduction priorities. Congress could adopt or reject the Commission's proposals, but only by an up-or-down vote without amendments.

The Congress faced a problem very similar to today's at the end of the Cold War, when reductions in the military budget were called for. Almost every congressional district had a military base, some dating back to the War of 1812. Even the Pentagon wanted to close some military bases, but few in Congress felt able to support legislation to close a base that brought jobs and income to the voters back home. Nobody wanted to go first. But dozens of low-priority military facilities had to be selected. Congress established an independent commission, which has been used successfully in the past six years to close low-priority military bases.

THE CHALLENGE OF LEADERSHIP

As House Speaker Newt Gingrich (R-GA) reminded news reporters recently, when President John F. Kennedy in 1961 called for America to land on the moon by the end of the decade, he did not know how it would be done or how much it would cost. Not even the most brilliant rocket scientists in 1961 knew for certain whether it could be done at all. But Congress took up the President's challenge. Determined leadership first set the goal and then concentrated on solving the tough details of getting there.

Balancing the budget requires the same leadership and the same hard-headed vision of how to get there. Opponents of a balanced budget amendment already are trying to derail the effort by making what seems a reasonable request: "Show us exactly what you would cut to achieve a balanced budget." But it is a trap.¹ Putting someone's pet program on a "hit list" is guaranteed to make an enemy: it is the technique of divide and conquer. Everyone may support a balanced budget in general but oppose cutting a specific program. Because different groups in society place high values on programs that affect them, there is no way to make a single priority list. No one believes his or her own favorite program has such a low priority that it should be cut, even under an "across-the-board" rule that cuts all programs equally. Any listing of specific program cuts only fosters disagreement and erodes support for the general public-interest goal of fiscal control.

Opponents of a balanced budget amendment also know that new budget rules would change the "politics as usual" game. A balanced budget forces trade-offs—an unbalanced budget does not. Every fine-sounding program can be justified in an unbalanced budget, including special-interest legislation and pork spending; then lawmakers and the public complain about their own inability to make hard choices. But with a rule requiring balanced budgets, the most important programs occupy the top-priority slots, and the lowest priority programs are crowded out. A balanced budget is a judgment that some low-priority program at the bottom of the list is not worth taxing one more dollar of revenue or borrowing from private savings. What S. 202 and H.R. 822 do is provide a political tool to reconcile the decision-forcing requirements of a balanced budget amendment with the reluctance of lawmakers to cut individual programs.

HOW THE COMMISSION WOULD WORK

The Spending Reduction Act would establish a seven-member Spending Reduction Commission. Members of the Commission would serve only for one year, and each January new members would be nominated by congressional leaders and appointed by the President. Each year the Commission would propose ways to cut the federal budget deficit by \$45 billion, until finally the government is operating on an annually balanced budget. With the current annual federal deficit rate at about \$200 billion, it would take roughly five years to reach a balanced budget.

The Spending Reduction Commission would be able to look at the overall priorities of the federal government and consider the national interest rather than be subject to the local, regional, and special-interest pressures that every Senator and Representative has to face. Since members of the Commission would serve for only one year, they would be truly independent of the career considerations facing elected

1 Professor Kenneth J. Arrow of Stanford University, who received the Nobel Prize in Economics in 1972, demonstrated mathematically that a group of people, by voting, could collectively decide they prefer A over B, and B over C, and still prefer C over A because different coalitions of preferences could arrive at each choice. In public choice theory, this is known as a "circular majority." In the same manner, Congress is unable to achieve a majority of votes for a list of low-priority budget cuts proposed by individual lawmakers.

politicians. Current or former registered lobbyists, executive branch employees, or Members of Congress would not be eligible to serve. When the federal government stopped forecasting annual budget deficits, the annual appointment of a Commission would cease.

In general, the Office of Management and Budget (OMB) would develop a list of proposed spending cuts at the beginning of each year and submit its proposals by April 1 to the Spending Reduction Commission and to the congressional budget and appropriation committees. Under the base closing procedure that has been used successfully by Congress to overcome political opposition, the Department of Defense initially submits a list of military bases to its commission. Congress would be involved at the start of the exercise, as OMB would publish a set of criteria in January by which budget cuts would be judged, and Congress would have an opportunity to reject the criteria.

The Spending Reduction Commission would hold hearings and examine the OMB proposals, as well as additional proposals that might come from Congress or the public. The Congressional Budget Office (CBO) would prepare a report for the Commission by June 1 evaluating the OMB recommendations. By August 15 of each year, the Spending Reduction Commission would submit its report to the President, who could reject it or recommend changes, in which case the Commission would prepare a revised report. The President would have the option not to send the Commission's report to Congress, just as he does under the Defense Base Closure and Realignment Act—but he would have to explain his decision in a message to Congress. Still, no further action would be taken if the President refused to transmit “an approval and certification” of the Commission's report by September 10 along with legislative language for a joint resolution of Congress to implement the spending cuts.

In Congress, the joint resolution to make spending cuts would be governed by special rules that limit debate, allow no amendments, and require an up-or-down vote within a specified number of days. But either the Senate or House of Representatives could reject the Commission's spending cut proposals with a majority vote. If either the Senate or House rejected the joint resolution, no further action would be taken.

TO RESOLVE A DISAGREEMENT, CHOOSE A MEDIATOR

The natural difficulty of voting groups in agreeing on a common list of priorities and the kind of legislative gridlock that follows from such a disagreement require some kind of system to arbitrate or mediate among rival priorities. The legislative process is vulnerable to regional and special-interest group pressures that tend to eclipse the long-run national interest. The decision of America's Founding Fathers to create the office of President was based on a similar insight.

It was Representative Dick Armey (R-TX), now Majority Leader, who in 1987 first proposed a solution to the recurrent problem of selecting military bases to be closed. It triggered a dramatic change in the politics of base closures. Between 1977 and 1989, not a single base was closed. Yet in 1989 Congress closed 86 military bases and partially closed five. The Armey proposal was so successful and politically painless that the next year Congress went further and established the Defense Base

Closure and Realignment Commission,² which continued the process in 1991, 1993, and 1995.

Senator Connie Mack's Spending Reduction Act, S. 202 and H.R. 822, applies the base closing commission idea to the problem of setting priorities for reaching a balanced budget.³ The proposed legislation would provide a recourse for Congress if the regular legislative process failed to meet the goal of gradual spending reduction by the end of the century.

The Spending Reduction Act requires the Commission to develop \$45 billion in annual budget cuts. This target is based on the goal of eliminating an annual deficit in excess of \$200 billion by the end of the century. The legislation describes in general terms the spending cuts the Commission would look for, such as

- ✂ **Redundant and outdated programs**, as well as those that can be done better in the private sector;
- ✂ **Programs with excessive administrative costs** or that can be consolidated with other programs;
- ✂ **Programs that provide subsidies that benefit narrow special-interest groups**; and
- ✂ **Programs that have a low priority** in meeting the national interest.

The work of the Spending Reduction Commission to examine programs and find the lowest spending priorities each year would not preempt the authority of Congress to determine the budget. The congressional budget process and the appropriations each year would follow the same legislative calendar as under current law. The Senate and House of Representatives would debate and examine ways to cut the budget, or raise taxes, as they do today. Even as the Commission developed its draft report, Congress could influence the outcome by acting to reduce the deficit. Adopting the Commission's report would be an admission that Congress could not agree on its own list of priorities, but it also would be a commitment to getting the job done. Still, the provision continuing the normal budget deliberations of lawmakers gives Congress a strong incentive to act prior to any recommendations of the Commission, and so take the political credit for tough entitlement reforms, privatizations, and the devolution of programs to state governments.

If Congress does make genuine cuts on its own, that figure is subtracted from the Commission's \$45 billion annual target for spending cuts. The Commission's role if Congress acts partially would be to "top up" the cuts to meet the target. The possible criticism that if Congress did make a large cut in one year, further spending cut proposals by the Commission might lead to an economic contraction therefore is beside the point.

2 P.L. 101-510.

3 The House bill also provides for a spending sequester if the Commission's report is not enacted. Representatives Miller and Minge have also introduced H.R. 823 without the sequester provision, and Senator Mack has introduced a companion measure, S. 206, identical to the House bill.

The Spending Reduction Act could be strengthened, in fact, by providing an incentive to make larger cuts earlier in the five-year plan. For example, the subsequent years' \$45 billion annual targets could be reduced proportionately for any cuts in one year greater than \$45 billion. Cutting earlier rather than later makes good sense: there would be cumulative savings of interest payments on the national debt from making earlier, larger cuts. This change in the targets also would reinforce the incentive for Congress to do its own work instead of simply passing the buck to the Spending Reduction Commission.

CONCLUSION

The proposal for a Spending Reduction Commission is a politically practical and efficient solution for systematically cutting the federal budget over the next five years. Just as the military base closing commission fundamentally changed the politics of base closures, an annual Spending Reduction Commission will create an entirely new political environment for achieving a balanced budget.

Those who reject the Commission idea and demand that lawmakers must propose their own cuts want to continue the environment in which significant program cuts are virtually impossible—just as closing a base was before the Base Closure and Realignment Commission.

The Spending Reduction Act, S. 202 and H.R. 822, would provide the President and Congress each year with a fair, non-political list of spending-reduction priorities. The President and Congress would participate actively in setting the criteria for the Commission's work, nominating the members of the Commission and even taking actions prior to the Commission's final report to modify its impact. But if there is a lack of will on the part of Congress to do its job, perhaps because of pressure from powerful interest groups, gridlock could be avoided. The President and Congress would have a tool to enact the spending reduction proposals determined by a non-political and impartial body of experts whose only assignment is to consider the national interest and find the optimal path to a balanced budget by the end of the century.

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