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Routing

Budgeting in Neverland Irrational Policymaking in the U.S. Congress and What Can Be Done about It

by James L. Payne

Executive Summary

Many Americans are disappointed by the huge amounts of money Congress spends, but that's not the real problem. The real problem is the profoundly irrational system Congress uses to decide how much to spend.

The basic requirement for intelligent decision-making is to hear arguments and evidence from both sides of an issue. Congress ignores this requirement in its budget-making process. Instead of hearing both the pros and the cons of spending on particular programs, Congress usually hears from only the self-interested supporters of programs. Those biased advocates of spending typically include federal program administrators, whose careers depend on making their programs look good, and lobbyists paid by program beneficiaries to promote programs.

The avalanche of one-sided propaganda in favor of federal programs creates a false picture

for policymakers. They live in a Neverland where federal spending programs are routinely portrayed as necessary, helpful, and effective. The result is that Congress continues to fund, decade after decade, many programs that are wasteful and harmful.

The corrective is for Congress to adopt measures to balance the decisionmaking process by hearing from opponents of spending programs. The committees that oversee spending should routinely invite critics of programs to participate in the congressional information-gathering process. Another reform idea is to create a federal "office of taxpayer advocacy" charged with voicing the taxpayer interest when Congress considers program funding decisions. Such procedural reforms are needed if Congress is to get spending under control and begin making serious tradeoffs regarding priorities in the federal budget.

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The advocates of higher spending overwhelm all aspects of congressional communications, including formal hearings, private personal contacts, reports and studies, meetings with constituents, phone calls, and letters.

Defective Decisionmaking

What does it take to make wise decisions in government? Decisions about government programs are extraordinarily complex. Those programs take huge sums from the public in taxes, and the expenditures impact millions of citizens, directly and indirectly, intentionally and unintentionally. One could spend years studying the ramifications of just one spending program—a cotton subsidy, say, or grants for small businesses—and still not be able to identify all its effects. And even if one could detail all the costs and benefits of the program, it would still be staggeringly difficult to weigh the effects all together in order to decide whether the program is, on balance, a good idea. Therefore, if decisionmakers are to have any hope of making rational decisions in this highly complex field, they need to employ a sound approach.

The most obvious requirement for rational decisionmaking in a complex realm is that *polymakers need to hear arguments and evidence on both sides of the question*. If they listen to only one person, or to people with the same point of view, they are bound to be partially informed, or even misinformed. The idea of hearing from both sides is enshrined in the judicial system, of course. The question of whether a person has committed a crime such as fraud, robbery, or arson is often complex. Different pieces of evidence point in different directions, different witnesses present varying accounts, different arguments about motives lead to opposite conclusions. To maximize the chances of arriving at a correct decision, people on both sides are given an opportunity to present their evidence and arguments.

Imagine what would happen to the conviction rate in criminal trials if this principle were ignored. Suppose that only prosecutors and police were in the courtroom, and no one, not even the accused, was permitted to rebut them. It is likely that the proportion of defendants convicted would approach 100 percent. Many wrong decisions would be made and many innocent people would be sent to jail.

A number of years ago, I became interested in the way that Congress decides on spending

levels for different programs and agencies of the federal government. Those decisions determine the size and scope of government. If appropriations for an agency are increased, that increases the reach of the agency and the overall size of government—and, of course, the level of taxes. If an agency's spending is cut, that leads to smaller government and, perhaps, lower taxes. How, I wondered, were such decisions being made?

I discovered that Congress was not following a balanced and objective process. I learned that the advocates of higher spending overwhelmed all aspects of congressional communications, including formal hearings, private personal contacts, reports and studies, meetings with constituents, phone calls, and letters. All of those communications stressed the positive side of programs: the need for them and their benefits, advantages, and successes. Members of Congress virtually never heard that particular programs were unsound, unfair, wasteful, or counterproductive. Lawmakers lived in a “culture of spending.”¹

In an interview with Rep. Allan Mollohan (D-WV), the congressman unconsciously revealed how extremely one-sided the environment was. I mentioned to him that as part of my research I would be coming to his appropriations subcommittee to testify against funding for the National Science Foundation. “You don't want to fund the National Science Foundation?” he asked in disbelief. “I've never heard anybody say they didn't think NSF ought to be funded.” There are many arguments against taxpayer funding of scientific research, including the points that it retards science, corrupts scientists, and hinders economic development, not to mention all the more obvious ones about opportunity cost, tax burdens, tax system overhead costs, waste, and perverse income redistribution.² That Representative Mollohan had *never* heard any of these many arguments, despite his presumed expertise as a member of the NSF appropriations subcommittee, showed how complete the insulation of members of Congress had become.

A quantitative measure of the imbalance in communications on spending issues came from a survey I made of 14 committee hearings, which covered a wide variety of legislative areas,

from job training to diplomatic security.³ Each witness was identified as either a supporter of the program under discussion or an opponent. The comprehensive tabulation showed that in those 14 hearings, 1,014 witnesses appeared to argue in favor of programs and only 7 spoke against them, an imbalance of 145 to 1.

In its approach to budget making, Congress was blatantly violating the elementary rule of sound decisionmaking—the need to hear from both sides. As a result, it was bound to be making unsound decisions. Like juries that would always vote “guilty” if they heard only the prosecution’s case, lawmakers were blindly voting “yes” for spending every time.

“We’re the ‘Love Your Neighbor Committee”

Recently, I have taken another look at the decisionmaking process in Congress. I started with the budget hearings of the subcommittees on appropriations. These subcommittees are decisive in the appropriations process, since the full committee and the House and Senate almost always accept their recommendations. Therefore, they play a key role in setting the trend on agency spending, whether up or down.

The first hearing I picked up was a 2001 session of the House Subcommittee on Labor, Health and Human Services. The chairman, Republican Ralph Regula of Ohio, was introducing the witness, HHS Secretary Tommy Thompson. Reading his comments, my heart sank, for I could see the problem of pro-spending indoctrination was even more serious than I feared. Here is what Regula said:

I’ve said this before—the Bible says there’s two great commandments. One is to love the Lord and the second is to love your neighbor. We’re the “Love Your Neighbor Committee,” and you’re the “Love Your Neighbor Secretary” because there isn’t a person in America that’s not touched in some way or another by what you’re doing in that agency.⁴

In his reply, Thompson uncritically embraced this perspective:

It truly is love your neighbor. This Department, as you know, Chairman, actually interacts with every American. Every man, woman and child somehow is affected by the Department of Health and Human Service budget. So it is an awesome responsibility that I have and that you have. Together, with bipartisanship, I think we do a great job and leave a great legacy and help a lot of Americans improve their quality of life.⁵

What is amiss here? To answer, let us suppose that Regula and Thompson had been exposed to a balanced opinion environment, one containing opponents and critics of government programs as well as supporters. Those critics would have been making the following points.

The money that Regula is appropriating and that Thompson is spending is not their own. They are not showing personal generosity in giving these funds to agencies, programs, and beneficiaries. Even if the money came from the sky, Regula and Thompson shouldn’t be taking credit for any “great legacy.” They are just middlemen in a process of distribution. They have not impoverished themselves to help others. In fact, they are well compensated, in money, status, and fame, for being middlemen.

And, of course, the money doesn’t come from the sky. These men are operating a system of cycling money around, taking it away from some people in the form of taxes and passing it along to others. The process of taking the money away inflicts direct harm. It denies taxpayers the ability to purchase needed goods and services.

In a hypothetical, balanced appropriations process, Regula and Thompson would be assailed by hundreds of angry taxpayers protesting against being “ripped off” by them. Witnesses would appear to dramatize the hardships. Parents would explain how, because of taxation, they couldn’t send their children to college. Young adults would explain how, because of taxation, they couldn’t take care of ailing parents. Entrepreneurs would complain that they couldn’t start

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businesses and create jobs because the money to do so had been taken away by taxation. Regula and Thompson would begin to grasp the elementary truth that a government spending program is like a seesaw. The money to “improve the quality of life” for some people is taken away from other people, impairing their quality of life. Regula would discover that he was chairing “the love and *hurt* your neighbor committee.”

In addition to the witnesses who explained the harm of taxation, there would be others detailing the harmful side effects that come along with all of the government’s massive fiscal and regulatory intrusions. For example, some health care practitioners would appear to explain how the committee’s subsidies to health care were distorting and worsening the quality of care. Others would complain about the burden of reporting that goes along with the subsidies. Others would come to report that by subsidizing competitors Congress is driving them out of business and leaving their patients without service. Others would explain how subsidies undermine creativity and innovation. Others would point out that the administration of the many subsidies was undermining the morale of health care practitioners. Still others would point out how subsidies increase the cost of medical care for the uninsured. Regula and Thompson would no longer naively brag about how they were “loving neighbors.” They would wonder whether they were doing their neighbors more harm than good.

Then there would be yet another wave of witnesses coming to report on waste, fraud, and abuse. It would be pleasant to suppose that all beneficiaries of government programs are needy and deserving, and making full and proper use of benefits. But in the real world, government programs are laden with waste and misallocation. In human services programs, the waste amounts to tens of billions of dollars.⁶ To get a proper perspective on spending, therefore, committee members would learn about equipment bought but never used. They would learn about doctors who defraud Medicare. They would be told about

hospital administrators with villas in Italy, paid for by padded invoices. They would see the home video, made by an angry neighbor, of a disability claimant dancing at a wedding.

With this kind of background, committee members would come to understand that spending programs are like a vast and complicated Tolstoy novel, full of moral ambiguity. They would guffaw at the childish naiveté of a chairman who called an appropriations subcommittee the “love your neighbor committee.”

Well, in the subcommittee on Labor and HUD appropriations on that day in 2001 they obviously didn’t. That tells us how out of touch members of Congress are. Bombarded year after year by the opinions of those seeking more spending, and almost never hearing any serious critiques of government action, members are shockingly indoctrinated. They live in an imaginary world, a Neverland where government only helps people and never harms them.

The Vocabulary of Spending

To get a picture of the pattern of testimony and discussion in appropriations subcommittees, I made a content analysis of the hearings of House appropriations subcommittees. I selected at random 14 volumes of hearings from 2001, 2002, and 2003.⁷ Then, aided by my computer’s word search function, I counted how many times certain pro-spending and anti-spending words appeared.

If the hearings were balanced, with critics of programs represented among the witnesses, we ought to see frequent usage of critical and negative terms, that is, words alluding to weaknesses of programs. For example, opponents of spending would point out that programs were “ineffective,” countering those who said that programs were “effective.” Table 1 shows the relative usage of the terms that critics and proponents would be likely to use. The word “ineffective” was not used once anywhere in the 14 volumes of hearings, whereas “effective” was employed 191 times. Other critical terms were hardly used, including “failure,” “flaw,” “defect,” “inefficient,” and “unfair.” By contrast, terms of praise, such as

Table 1
Pro-Spending Vocabulary (occurrences of pro-spending and anti-spending words in 14 House appropriations subcommittee hearings)

Pro-Spending Words	Occurrences	Anti-Spending Words	Occurrences
Benefit	416	Criticize	2
Effective	191	Decrease	62
Efficient	80	Defect	2
Help	574	Fail	44
Increase	695	Flaw	4
Investment	137	Harm	11
Needs	357	Hurt	17
Progress	142	Ineffective	0
Success	220	Inefficient	5
Support	580	Subsidy	3
		Tax	153
		Unfair	6

Notes: The hearings included in this tabulation are identified in note 7. In arriving at a word count, all forms and variants of words are included. For example, the word count for “tax” also includes “taxes” and “taxpayers,” the count for “fail” includes “failure,” “failed,” and “failing,” and the count for “defect” includes “defects” and “defective.”

“success,” “progress,” “benefit,” “efficient,” and “fair,” dot the pages of the hearings.

With no program critics at the hearings, it is not surprising that “criticize” almost never appears. On the other hand, the word “support” (as in “we seek your support” or “we’re happy to support this program”) was used hundreds of times.

These committees are spending taxpayer money, and one would therefore expect that the terms “tax,” “taxes,” and “taxpayers” would dominate the vocabulary. Policymakers might ask, “How much taxpayer money do you want this year, Mr. Secretary?” and critics would say things like “We shouldn’t spend taxes on this program.” That was not the case in these hearings. In Congress, the fact that the dollars everyone is talking about are taxpayer dollars tends to be evaded, and the word “tax” is used lightly. Instead, members adopt euphemisms to cultivate the idea that dollars float out of nowhere, to be used by generous policymakers to “help” people and meet national “needs.” These terms, more appropriate to the world of private charity, dominate the hearings.

Another semantic clue to the way the fiscal winds are blowing in congressional committees is found in the use of the term “increase.” Occurrences of that word outnumber those of “decrease” by more than ten to one. The terms of the discussion in Congress are clearly being set by program proponents.

Another interesting feature of congressional vocabulary concerns the term “subsidy.” The funds that Congress appropriates are, for the most part, subsidies. That is, they are gifts of money, goods, or services that recipients do not have to earn by contributing something in return. Medicare and Medicaid are subsidies, and so are grants to hospitals, payments to the disabled, funding of mass transit, and loans to students, farmers, and homeowners, and so forth. Thus, we would expect “subsidy” to be a dominant term in committee discussions. But, as Table 1 shows, it is almost never used, appearing only three times.

The word “subsidy” is avoided because it veers too close to an unflattering truth. It reminds everyone that claimants are relying on the effort and sacrifice of others. Those

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seeking taxpayer dollars, and the politicians who support them, likely want to suppress this negative aspect.

To fill the void left in language by avoiding the word “subsidy,” supplicants for funds have invented more pleasant-sounding alternatives. One of these is “investment,” which was used 137 times. An agricultural subsidy is called “an investment in agriculture,” spending on medical care is called “an investment in the health of Americans,” and so on. This is doublespeak. An investment is supposed to generate a net return above cost to the investor, but congressional witnesses never bother to detail when, where, and how their proposed “investments” create a net return to the Treasury. The skeptical observer would wonder why, after all these years of “investing,” federal taxes and debt keep going up.

Another example of fiscal doublespeak employed by witnesses is the declaration that new spending might cost something now, but it will save taxpayers money in the long run. This claim, like the assertions about “investments,” is made hundreds of times in the halls of Congress, usually backed up by nothing more than an airy wave of the hand. Again, thoughtful observers would wonder why, with so much “saving” going on, more and more spending always seems to be required.

The Quality of Arguments

This analysis of vocabulary gives a preliminary picture of the spending culture in appropriations subcommittees, but it does not address the quality or sophistication of congressional discussions. Are members of Congress presented with detailed and meaningful evaluations of programs? Or are programs supported with vague and superficial claims? To answer those questions, I analyzed the testimony given by witnesses at five hearings, including both witness statements and responses to committee questions.⁸ I identified all statements that reflected an evaluation of the programs under discussion. Statements were identified as being in favor of spending programs (“positive”) or against them (“negative”). Then statements were classified accord-

ing to their level of sophistication, in one of the following three categories.

Affective. This is the most elementary level of comment, indicating vague approval of a program, or claiming a general need for a program. In effect, the speaker is saying, “I like it,” or “I want it” without giving any concrete reasons. These statements include expressions of support from others being cited by the speaker, for example, “They like it,” or “they want it.” These comments also include expressions of hopes, intentions, or expectations about the program. Here are examples of (positive) affective comments from the hearings:

- “We have done a Herculean job in terms of being able to manage our budget, given the number of people we serve.”
- “The Hope VI program is one of the great things we do.”
- “It has been a very positive program and has done a tremendous amount of good work.”
- “Let me concur with you that the WISEWOMAN program is terrific.”
- “All of these things will inure to the benefit of people with disabilities.”
- “We will continue to promote home ownership in a very important and positive way.”
- “This program is an investment that is continuing to contribute manifold returns to our industry and the nation’s economy.”
- “I actually talked to some providers and vendors and they love it.”
- “We hope to see great strides in that area.”
- “I think you will see that we are taking very strong action that ensures that consumers are protected.”
- “We strive to bring synergy to problem-solving.”

Program Effects. These statements point to a specific benefit or advantage, or a cost or disadvantage, of a program. No effort is made to assess the validity of the points. They may be undocumented or vague, or simply a supposition (if the claim is too vague or too casually made, however, it would be classified as an

affective comment). Sometimes a program benefit claim is put in quantitative form. Again, no effort is made to assess the reliability of such figures. The numbers might well be bogus—a point that critics of spending (if they were present) would bring out in the hearings. Here are examples of statements about program effects from the hearings:

- “This program will help an additional 40,000 first-time home buyers.”
- “We think an additional 3,800 homes to disadvantaged Americans could be provided through that particular program.”
- “Whenever possible we place the dredged material on beaches to reduce erosion.”
- “We installed over 80,000 smoke alarms.”
- “The untimeliness issue that we have been facing has been reduced substantially in the entitlement communities.”
- “We have funded a program of training to assist the building industry in complying with Fair Housing Act accessibility requirements.”
- “Through the utilization of peer counselors, we have seen an increase in WIC breast-feeding persons that is greater than in the public population.”

Relational. Any spending program necessarily has some positive effects—if only putting cash in the pockets of beneficiaries. And any program necessarily has many costs and disadvantages—the first of which is the money taken out of the pockets of taxpayers. Therefore, to mention a positive effect, even if it is a concrete and well-documented benefit, is a low grade of argument for a spending program. For example, the claim that “this program put 10,000 people to work” is a weak argument, because (even if true) it does not take account of the costs. This program might have spent \$10 billion, so that each of those jobs cost taxpayers \$1,000,000—an outrageous waste of money. Hence, in a rational budget system, the dominant type of information ought to be claims that relate program benefits to costs, what I call relational statements.

Simple relational claims relate one benefit

to one cost. For example, the claim that a program creates jobs at a cost of \$1,000,000 per job is a simple relational claim. Ideally, one would like to see a comprehensive relational claim, one that makes a comparison between all the benefits and all the costs: a true benefit/cost analysis. Benefit/cost analysis is an extensive field, one that involves many difficult decisions about which costs and benefits to include and how to measure them. Most benefit/cost analyses are not very comprehensive. Worse, benefit/cost analyses of federal programs are typically carried out by government agencies, or consultants hired by government agencies, and almost inevitably contain biases and omissions designed to twist the result in a pro-program direction.⁹ Even a defective benefit/cost analysis deserves some praise, however, for it represents an acknowledgement that one should compare a program’s benefits to its costs. It also provides a starting point for a more valid analysis when the omissions and distortions are corrected.

Table 2 shows the results of categorizing the testimony of witnesses at five randomly chosen committee hearings. The results provide strong evidence that committee hearings are not balanced proceedings. The comments in favor of spending constitute 96 percent of all evaluative remarks about programs. This is a reflection of the fact that *all 42 witnesses in these sessions were program supporters*. The few negative comments that were made were not intentionally critical of programs but incidental asides. For example, when a congressman asked why it was taking so long to set up a program, the administrator said, “Bureaucracies are very intractable.” In another example of a negative comment, the head of the Army Corps of Engineers noted, “We have been surrounded by controversies over the past year” (coded as an affective negative comment) and then went on to say, “Our very capable men and women have soldiered on to provide sound solutions to our nation’s water resources problems” (an affective positive comment). Overall, positive program comments outnumbered negative ones by an enormous margin, 748 to 31, a 24-to-1 ratio.

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Table 2
Classification of Witness Comments in Five House Appropriations Subcommittee Hearings

Hearing	Pro-Spending Comments			Anti-Spending Comments			Total Comments
	Affective	Program Effects	Relational	Affective	Program Effects	Relational	
Agriculture 2003	96	13	0	3	0	0	112
Agriculture 1997	220	21	0	4	0	0	245
Energy and water	62	19	1	4	2	0	88
Labor and health	117	47	1	0	0	0	165
Housing	<u>139</u>	<u>12</u>	<u>0</u>	<u>18</u>	<u>0</u>	<u>0</u>	<u>169</u>
Total	634	112	2	29	2	0	779
Percent of all comments	81.4%	14.4%	0.3%	3.7%	0.3%	0.0%	100%

Note: The hearings included in this tabulation are identified in note 8.

Several generations ago members of Congress on appropriations committees were not so complacent. They demanded rigorous defenses of programs.

Examining the quality of the comments, I found that they are strikingly devoid of meaningful content. More than four-fifths were intellectually empty affective comments that were made by program employees or hired lobbyists. They could be paraphrased thus, “I, who have been hired by this program to say it is good, say it is good.” It says a great deal about the lack of critical thinking on these committees that this empty subjectivity is almost never questioned or challenged. As noted below, several generations ago members of Congress on appropriations committees were not so complacent. They demanded rigorous defenses of programs and would angrily snap at witnesses who made vague claims about spending needs.

The claims about program effects—virtually all the rest of the comments—were in most cases quite vague. Programs were said to “help” homeowners, or “help” the disabled, and so forth only on the basis that money was being appropriated to this end. Very few claims purported to be based on an actual measurement showing that the program did what it was expected to. In congressional hearings, apparently, everyone accepts the assumption that throwing money at problems solves them.

What about relational statements? As noted

above, relational claims are the only rational basis for deciding if a program is worthwhile. Unless one recognizes that a program has costs or disadvantages, one has not even begun a rational discussion of its desirability. In my tabulation, there were only two relational claims out of 779 statements, and both of them were “throwaway” remarks. One was this claim by an administrator of the Centers for Disease Control about a screening program: “For economists present, the program has a minimal marginal cost and a huge marginal benefit.” This statement employs the relational format, but mocks it, since the speaker made no attempt to define and measure either benefits or costs, let alone marginal benefits and costs.

The other relational claim was made by the chief of the Army Corps of Engineers: “The Nation’s investment in the Army Corps of Engineers produces a 26 percent annual rate of return.” Again, the claim was not explained or documented. It should be noted that the Corps of Engineers has made itself notorious for using scandalously twisted cost/benefit analysis to justify its projects, a practice that has drawn criticism from the Government Accountability Office.¹⁰ (I wrote the press officer of the Corps asking for documentation for this 26 percent figure and received no reply.)

In summary, from the point of view of evaluating programs, appropriations committee hearings are a failure. Indeed, most of the discussion in these hearings does not touch on the value or net benefits of programs. Members of Congress spend most of their time complaining about budget constraints and advocating spending increases. They engage in diatribes against the president or the Office of Management and Budget for having “cut” a particular program.¹¹ They urge administrators to begin new programs and to expand pilot programs to include their constituents. They complain that particular programs are not fully funded or not fully utilized. For example, in the hearing on housing programs I examined, one-third of the hearing was consumed by committee members criticizing federal officials for a shortfall in applications for housing vouchers (which meant that not all the money appropriated for vouchers could be spent).¹²

The pattern we see in appropriations hearings is similar to what we would see in one-sided trials where only the prosecution was allowed to present its case. In such a trial, the quality of arguments would deteriorate because there would be no real debate. Prosecutors would employ undocumented and subjective arguments: “The defendant is a bad person, your honor,” or “You can see he’s guilty by looking in his eyes.” Judges would be thoroughly convinced of all defendants’ guilt through years of exposure to the one-sided arguments of prosecutors and accept weak arguments because no one exposed their shallowness. And, with guilt assumed, judges would spend their time criticizing prosecutors for not demanding longer sentences.

Voters who suppose that members of Congress make a careful, rational evaluation of spending programs would be sorely disappointed by what goes on in the appropriations committees. Taxpayers who believe that lawmakers spend their hard-earned tax dollars with care would be furious.

Motives for Bias

How does it happen that the opinion and information that reach federal policymakers

about spending are so overwhelmingly one-sided? In order to answer this question we need to consider what motivates people to contact lawmakers. Why do people come to Congress to give their opinions on how programs are working? The answer in civics books is that in a democracy all citizens should step forward to offer their views. If that ambitious expectation is not realized, then one would hope that those who do make an effort to communicate with Congress would be a representative cross-section of citizens.

This expectation is unsound because it does not recognize that a great deal of motivation is required to petition Congress. For the average citizen, even an expert or professional, it is not easy to personally contact members or appear at a hearing to testify. I can speak with authority on this point because when I made my study of budgeting 15 years ago, I decided to appear before appropriations subcommittees in order to testify against certain programs. I had no trouble being placed on the list of witnesses. The appropriations subcommittee hearings were open to anyone who wanted to come forward. The hard part was preparing and delivering the testimony. I had to research the programs I was to criticize, which meant doing interviews; collecting documents, reports, and studies; digesting this material; and writing and rewriting my presentation. Then I had to travel to Washington and deliver my message in a highly intimidating setting, with the committee members sitting like kings on high in the hearing room.

Testifying and lobbying are hard work, and for this reason very few disinterested individuals ever do it on their own dime and their own initiative. For all practical purposes, people have to be paid to do it. It would be nice to think that to uphold the cause of good government, foundations, universities, and concerned citizens would donate billions to the cause of bringing flaws in government programs to the attention of Congress. Unfortunately, civic concern does not work that way. There are no significant funds for program critics. Where the billions of dollars are found is . . . in government’s spending pro-

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grams! The programs give money to individuals and organizations, thus resulting in masses of people having a vested financial interest in program expansion. They redirect some of the federal funds they receive back into communicating with Congress.

Biases of Administrators

There are two main groups of persuaders with a vested interest in communicating with lawmakers: (1) government administrators working for programs, discussed here, and (2) lobbyists paid by those who receive benefits from programs, discussed in the next section.

By far the most numerous witnesses in congressional appropriations hearings are the administrators in charge of the programs and agencies. The transcripts I examined indicate that these witnesses—the deputy secretaries, deputy assistant secretaries, acting principal deputy assistant secretaries, and so on—occupy about 80 percent of hearing time. My examination of subcommittee records indicates that, in any given year, the members on an appropriations subcommittee will meet at length with about 50 federal administrators.

Many members seem to assume that administrators are objective and authoritative evaluators of their own programs, and that assumption is widely shared by the press and the public. At first glance that seems plausible. After all, administrators work year in and year out in these programs; they ought to know more about them than anybody. If there is failure or waste, it would seem they are ideally positioned to detect it and bring it to the attention of Congress and the public. Unfortunately, that is not the case.

There are at least four reasons why administrators are profoundly biased in favor of their programs, incapable of discerning their real and major flaws, and strongly inhibited about publicizing shortcomings they do notice.

Personal Financial and Career Interest. Administrators are financially dependent on their programs. If a program is shut down because it is judged to be wasteful or harmful, those responsible for it can be out of their jobs. Furthermore, administrators' careers depend on the perceived success of their programs. If

their programs are viewed as failures, they are viewed as failures. The result is a powerful bias for administrators to make their programs appear needed and successful, and to ignore or cover up any failings.

The Need for Personal Validation. Human beings have a strong psychological need to believe that whatever they do is justified. They want to be able to tell themselves and their friends that they are performing a positive, helpful function. This phenomenon of "task commitment" blinds workers in all walks of life to questioning the validity of their jobs. On this point, one is reminded of the Sherlock Holmes story "Mystery of the Red-headed League." A man was hired to work in an office making a longhand copy of the *Encyclopedia Britannica*. As long as he was being paid, he accepted this absurd activity as a legitimate job—established, he was told, by a philanthropist who wanted to give men with red hair, like him, gainful employment. Only when the job was terminated did he become suspicious and go to Sherlock Holmes. Holmes deduced that it was a ploy by bank robbers to get the man out of his house while they used its basement to dig a tunnel to a nearby bank.

Is my program working? Is it effective? These are questions most administrators are not tempted to ask. Even if they do ask them, they will be biased in digging for and weighing the evidence because they can't bear a negative answer. Who could tell his children, "Daddy works all year doing a perfectly pointless job for the federal government"? Or worse, "Daddy's program does more harm than good."

A few administrators may ask searching questions and come to the conclusion that their programs are unjustified. But in those rare cases, the administrator is likely to disappear. Disenchanted employees see that it is not healthy to put energy into causes they do not believe in. They resign—leaving behind only those workers still willing to promote the agency. Hence, a process of natural selection guarantees that current federal employees hold positive views of the activities of their agencies.

Expectations within the Agency. Administrators act in a social setting, surrounded by

coworkers. They are part of a team, and their coworkers expect them to subscribe to, and further, the mission of the team. This pressure means that administrators cannot be objective about their programs. Imagine that an administrator wakes up one day and realizes that his program is deeply flawed. He goes to Congress and tells the truth as he sees it: "The program I have supervised for the past 10 years is wasteful and destructive, and the country would be better off without it." What are his coworkers going to think of him? He is making them look bad and is endangering their employment and careers by giving ammunition to budget cutters. He is likely to be shunned and repudiated.

A recent example of this pressure occurred at the Corporation for Public Broadcasting. The chairman, Kenneth Y. Tomlinson, tried to look at one flawed aspect of public broadcasting—the bias in political programs—and the agency and its backers lashed out at him. Public television station managers, led by Bill Reed of KCPT-TV in Kansas City, mounted a vigorous campaign against Tomlinson, criticizing him (in an open letter to the media) for looking for shortcomings "at a time when we should be standing together to make sure that public broadcasting is funded adequately."¹³ Tomlinson was eventually forced out, ostensibly because he had allegedly committed violations of federal procurement regulations. His real crime was endangering the flow of tax dollars on which everyone in the agency depended.

The bias in favor of protecting programs is so strong that it is often written into administrative regulations. Some years ago, while studying the nation's welfare programs, I repeatedly found my way blocked by public *information* officers who denied administrators permission to be interviewed by me. When I questioned this practice (most unseemly for a public information officer), they claimed that they could not permit an interview where agency staff might make a critical observation about a program. When I challenged a press officer at the Department of Health and Human Services for the statutory basis for this outrageous restriction, he did indeed come up with a departmental regulation. It read, "When

a Department program is based on law, Executive Order or regulation, every employee has a positive obligation to make it function as efficiently and economically as possible *and to support it as long as it is a part of recognized public policy* [italics added]."¹⁴ Notice the vicious circle this regulation creates. Administrators are required to fake support for a program they may know to be harmful because it is "recognized public policy." Then, on the basis of their (coerced) endorsement at hearings and elsewhere, Congress reauthorizes the program and continues to make it "recognized public policy," which forces the administrators to continue to fake their endorsement of it, and so on, in infinite regression.

Weaknesses in Training and Perspectives.

Many administrators lack the ability and analytical background to make searching critiques of their programs, even if they wanted to. Very few of them understand the importance of control groups in evaluating programs, for example. They might point to a jobs program that gets 1,000 of its graduates into paid employment and consider that a success. But it could well represent failure. A controlled study might show that in a matched group, not exposed to any government program, 1,200 individuals found work. Hence, the program is, if anything, impairing the ability of its graduates to find work.

Another issue too little understood in the bureaucracy is the concept of opportunity cost. This is the idea that funds being spent have been taken away from other good uses. Therefore, that some good comes from a spending program is never enough to justify it. Taxpayers spending the same money on their own could well have produced a greater social benefit. For example, taxpayer dollars might be used to build a government housing project. But the same dollars left in the hands of philanthropists, investors, and consumers, where they would have been more efficiently used, might well have resulted in the construction of two housing projects. Unaware of this opportunity cost issue, an administrator may believe that the government contributed one housing project to the world when, in fact, the

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net effect of government action was to eliminate one.

Another issue typically ignored in Washington is the overhead cost of taxation. Tax dollars do not float effortlessly into the Treasury. The tax system imposes an enormous cost on taxpayers and the economy, which one can think of as the “fundraising cost” of federal dollars. Economists have made estimates of the different types of overhead costs of the tax system. Depending on the tax, these estimates range from 29 cents to \$1.65 for each dollar of tax collected.¹⁵ A useful overall figure, which combines all the different tax system costs, is 65 cents for every dollar collected.¹⁶ This cost should be taken into account in any cost/benefit analysis of government action. To my knowledge, no administrator or Washington policy analyst has ever included full tax system overhead costs in a program evaluation or cost/benefit analysis.

For all these reasons, then, administrators tend to be uncritical, automatic advocates of the spending programs they supervise. They are predisposed to say that their programs are necessary, that they are working well, or, if there are problems, it only requires patience—and, usually, more money—to improve them. Anyone concerned about establishing a rational, objective decisionmaking process would never allow these biased voices to dominate hearings the way they do today.

Who Pays the Lobbyists?

In addition to federal employees, Washington has a second built-in cheering section for spending programs. That section is made up of lobbyists, trade associations, and non-profit groups. While the public tends to see these groups as “outside” experts, in most cases they are actually insiders, dependent on federal funds. The government has a multitude of grant programs distributing hundreds of billions of dollars to state and local governments, universities, think tanks, charities, unions, and advocacy groups. These grants create an army of spending advocates who contact members of Congress, provide testimony at hearings, and feed the press “expert” opinion and comment.

Tax-supported lobbies are of different kinds. Some groups get most of their funds from the government. Catholic Charities is an example. It gets about 65 percent of its income—more than \$1 billion—from government sources to carry out welfare services.¹⁷ The Urban Institute, which provides extensive opinion and analysis on federal programs, is 58 percent government funded.¹⁸ Statements that spokespersons for such groups make about the value of government programs are likely to reflect the same pro-spending biases—personal self-interest, the need for personal validation, and so on—as do administrators’ statements.

Other groups are “tax-laundering lobbies,” created to get around the legal restrictions against using tax money for lobbying and propaganda purposes. Entities that receive tax money are not supposed to lobby, because the use of tax money for lobbying is a corruption of democratic principles. According to democratic theory, citizens are supposed to decide what programs are desirable and tell legislators their desires, and then legislators create, or abolish, agencies. The programs and agencies are supposed to be the servants of citizens. It is a mockery of this ideal to allow tax monies to fund propaganda, persuasion, or representation in favor of programs.

Alas, in Washington, mockeries of democratic principles are second nature, so it is not surprising to find that the strictures against tax-funded lobbying are routinely ignored. The tax-laundering lobby group is one technique of evasion. This is a group that looks like a private organization, but whose membership consists mainly of government agencies. These government agencies contribute taxpayer money to the free-standing organization—which lobbies for them. For example, state arts commissions get federal tax dollars from the National Endowment for the Arts.¹⁹ Instead of lobbying directly for more federal dollars, which would be illegal, the state arts commissions send some of their tax money to Washington to an entity called Americans for the Arts, whose function is to lobby for more federal dollars for the National Endowment for the Arts. Other tax-laundering groups include the American Public

Human Services Association, supported by state and local welfare agencies, and the Association of American Universities, supported by state universities and private universities that depend on federal funding.

A third type of organization is supported mainly by dues and contributions from members and supporters but also gets some funds from government agencies to carry out specific projects, such as a public information campaign or training program. These groups include the AFL-CIO, the Natural Resources Defense Council, the National Audubon Society, the League of Women Voters, La Raza, AARP, the American Psychological Association, and scores of others.²⁰

One of the transcripts analyzed in this study was of a hearing of the agriculture subcommittee of the House Appropriations Committee.²¹ The witness list for the hearing shows 167 names. All of those 167 people urged more, or sustained, spending. As far as I could determine, every one was paid either by the program being supported or by beneficiaries of the program to lobby for it. Among the witnesses were

- the president of the Rocky Mountain Farmers Union, a nonprofit group that receives taxpayer funding from the Department of Agriculture, purportedly to assist western ranchers;
- the president of the American Society for Nutritional Sciences, an organization of university nutrition professors, who wanted the committee to increase government grants given to nutrition professors;
- the dean of the College of Agriculture of New Mexico State University, representing the National Association of State Universities, who wanted to “thank the committee for the investment you’ve made in agriculture research, extension and education in the past”—and to ask for more;
- the owner of a 400-acre fish farm in Mississippi who wanted to double the appropriation for the government’s

Southern Regional Aquaculture Center, which provides tax-funded technical support for fish farmers;

- a spokesman from the American Forest and Paper Association, an organization of forest landowners who want taxpayers to subsidize research for their benefit; and
- three honey producers, and representatives of the American Honey Producers Association, who came “to ask you for some appropriations to go to honey bee research.”

The thousands of lobbyists who swarm around Congress advising it about spending programs are, for the most part, singing for their supper. Over the decades, the self-reinforcing system of spending and lobbying has grown more entrenched. Federal agencies advertise their programs through their own press offices, and they buy favorable commentary and advocacy from outside groups that receive federal grants and contracts. In turn, the positive spin convinces members of Congress to increase program funding, which buys more lobbying, and so on.

Eventually, exposure to continual lobbying converts many lawmakers into unabashed advocates of spending. The official biographies on congressional websites reveal that many members consider themselves program advocates, not neutral referees who judge program merits against their costs. Many members boast of the awards they have won for supporting special interest spending. The Senate’s top recipient of special interest awards is Patty Murray (D-WA).²² Her website lists 81 pro-spending awards including Friend of the Farm Bureau, the Golden Spike Award for her support of Amtrak, and a Lifetime Leadership for Quality Childcare Award. Special interest groups are skilled at stroking congressional egos, and such awards no doubt have gone to the heads of many legislators.

The vicious circle of spending-buying-lobbying-buying more spending means that many programs of highly questionable value

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are sustained decade after decade. Consider farm subsidies, which cost taxpayers more than \$30 billion annually. Farm subsidies promote environmental degradation, damage the economy, and unfairly redistribute wealth from taxpayers and consumers to wealthy farm businesses. Liberal and conservative economists as well as environmental experts favor cutting farm subsidies. But when it comes to agriculture appropriations, members of Congress rarely hear from those voices. Instead, they are wrapped in a cocoon of pro-spending persuasion woven by farm lobbyists and program administrators.

The Spender’s World View

The propaganda in favor of spending that dominates the Washington policy community does more than shape opinions about specific spending programs. It fosters a fallacious economic worldview that I call the “philanthropic fallacy.” Members of Congress come to see themselves as philanthropists spending funds that seem to come from the sky. By making appropriations, they believe they are simply doing good, helping people. This is a fallacy of course. The money that government spends is taken from people, necessarily imposing hardship on them.

The philanthropic fallacy is a common one. Fiscal affairs are an abstract and distant subject, and the untutored mind will usually fail to connect government spending to its source. Children almost always succumb to the philanthropic fallacy when they first learn about government and its spending programs. Years ago, when my daughter Ellen was five and just beginning to grasp the meaning of the word money, I asked her, “Ellen, should the government give money to poor people who don’t have any?”

She thought very hard about this as she tried to fit novel concepts together. Finally her eyes lit up as the answer clicked into place.

“Yes,” she exclaimed, “because he has a thousand dollars!”

To her way of thinking, government was a

fabulously wealthy person (a thousand dollars was the largest sum she could imagine), and “he” should therefore share his excess wealth with the less fortunate.

My daughter outgrew this primitive perspective, as do most thoughtful adults. But most members of Congress, under the influence of a massive pro-spending indoctrination, are wedded to it. The supplicants who surround them urge them to look at government as if it were the philanthropist who lives on the hill. Did a windstorm blow down some houses? A delegation from the town goes up to the mansion, hat in hand, to ask for funds to rebuild their houses. The philanthropist agrees to supply the funds. “Thank you,” say the supplicants. “My pleasure,” says the philanthropist. “I am the Good Neighbor. I want to leave a great legacy and help a lot of Americans improve their quality of life” (to paraphrase Representative Regula and Secretary Thompson from above). The politician doesn’t stop to think that the only way he, the “philanthropist,” can get the money is to extract it in the form of taxes *from the same suffering townspeople*—thus preventing them from doing constructive things like rebuilding their own houses!

The grip of the philanthropic fallacy first struck me when I was perusing the *Congressional Record* some years ago and noticed Democratic Rep. Robert Young of Missouri paying tribute to a deceased lawmaker:

William Barrett was a man who always served the people, and his long record in this body indicates clearly the contribution he made for people in the fields of social welfare, housing, and urban development. He worked hard and successfully to use the vast resources of the Federal Government to serve the most in need and to correct injustice.²³

Here is a policymaker laboring under an illusion. The federal government doesn’t have “vast resources.” What it has are vast powers of *coercion*, in the form of the tax system, to take resources away from the American people. But it would not be much of a eulogy to recognize this elementary truth and say that

the deceased congressman worked “hard and successfully to take money away from taxpayers and give it to others.”

We see the same illusion on the websites of lawmakers. They brag about securing “federal dollars,” as if the dollars came from the sky:

- “As a member of the powerful House Appropriations Committee, Rodney [Alexander] will be even more effective in delivering federal dollars to meet our critical transportation needs as well as directly address our local agricultural industry.”²⁴
- “Congressman [Brian] Baird used his position on the influential House Transportation Committee to secure \$684,000 for the Port of Olympia’s Intermodal Infrastructure Enhancement Project.”²⁵
- “Congressman [Xavier] Becerra secured close to \$200,000 in federal funds to expand the Junior Aztec Fire Fuels Crew gang prevention program into Cypress Park. At-risk youth will receive training in basic firefighting and school work tutoring.”²⁶
- “Congresswoman Mary Bono (CA-45) was pleased to secure funding for local priorities in the Fiscal Year 2006 Interior appropriations package.”²⁷

Two of the most commonly heard arguments in Congress in support of spending programs are outgrowths of the philanthropic fallacy. These are that the spending “puts money in circulation” and that it “creates jobs.” Both are fallacious because they assume a source of wealth outside the economy. Money the government “puts in circulation” by spending on goods and services it, at the same time, takes out of circulation through taxation. So there is no net increase of demand. The same point applies to job creation. If the government creates jobs by hiring people, it can do so only by taking money away from investors and consumers, who also would have created jobs through their investment and consumption spending. So there is no net increase in employment. In

fact, there is likely to be a net loss of employment when government tries to create jobs because politically directed programs contain waste and inefficiency.

The War of All against All

In thrall to the philanthropic fallacy, members of Congress have a falsely benevolent view of the system they operate. We see this distortion in a point made by Rep. Henry Bonilla of Texas, in one of the hearings on agricultural appropriations I examined, explaining why he supported the highest possible level of spending for agricultural research:

My point is that we have been sent here to work on the problems that our constituents bring to our attention, and not to put too much of a fine point on it, if we do not work on these problems, Dr. Jen, they are not going to send us back every two years. That is what makes our system better than a centrally-planned economy, because we are able to look after the particular issues in our area.²⁸

Bonilla is proud of his role as a “bringer of bacon” to his constituents, and he assumes that a system in which every member of Congress does the same is a praiseworthy one. That would be true only if the philanthropic assumption about government funds were valid. If the money Bonilla spends floats into the Treasury by some harmless, natural process, then his action is beneficent. He is a gleaner, gathering up fallen fruit that would otherwise go to waste and using it to benefit his constituents. The harder he works to “secure” these federal dollars, the more good he does for humanity. And if all members of Congress do the same thing, Bonilla apparently believes, everyone is better off!

The positive vision evaporates when we recognize that the money being spent is not “free”; it is extracted from Americans by the tax system, directly inflicting harm on them. Once this reality is made clear, we see that the congressman is part of a rather ugly system

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The idea of setting up opposing units to create intellectual balance needs to be extended to legislative bodies that decide spending policies.

of mutual rip-off. Bonilla takes money away from taxpayers to fund free research for his farmer-constituents, and then another member takes tax money from those farmers to fund, let us say, housing for another group of constituents, who in turn are taxed to provide college loans for someone else, and so on. Ultimately, the system amounts to an economic war of all against all, an arrangement indefensible from any point of view.

Morally, this system of mutual rip-off strains the bonds of community. It divides the country into a multitude of special interest groups, each of which tries to use the force of the state to extract benefits for its members at the expense of everyone else. Socially, the system invites whining and agitating, and it penalizes self-reliance and creativity. It is a system under which those who make the most noise get the most money, while those who produce and don't complain are forced to pay the bills.

Economically, the system of mutual rip-off is destructive because of the overhead costs and waste it involves. These costs mean that the goods and services supplied through government cost at least twice what they would cost if allocated through market and other voluntary processes.²⁹ The agricultural research provided through the tax-and-spend system costs over two times what it would cost if provided privately; housing costs over twice as much, medical care costs twice as much, and so on. Extend the system of tax-and-spend and you end up with what commentator Jonathan Rauch calls "subsidy madness." He notes:

Today it is painfully clear that Americans have no handle on the cannibalistic forces unleashed by the revolution of groups and claims and activists and lobbyists and lawyers. In our desire to solve problems, we created a government with vast power to reassign resources. . . . What we did not create—still don't know how to create—was a way to control the chain reaction set off when activist government and proliferating groups began interacting with each other.³⁰

This system of political extraction and political payoff is not unique to the United States, of course. It is at the bottom of the economic malaise that afflicts places all around the world, from Zaire to France, from Argentina to Detroit. In each case, politicians are treating government as a philanthropic entity, a benevolent source of funds to satisfy needs and wants of constituents. The philanthropic fallacy enables politicians to obscure the harsh reality that the funds have to be taken from the public in the first place, through a system that imposes hardship and economic waste.

Toward Rational Decisionmaking

The overall shape of what must be done to create a rational budget-making system is obvious: *balance must be created by introducing capable, energetic critics of spending programs into the decisionmaking process.*

The general principle of creating an adversarial arrangement in order to get at the truth is well established. In criminal trials, this idea began with the practice of allowing defendants to hire counsel; then it was expanded to include public defenders in criminal trials (first instituted in Los Angeles in 1914). It was recognized that the public, not just the defendant, had a positive interest in seeing that the defense side of the case was adequately presented so that a more accurate determination of guilt could be made.

More recently, federal and state lawmakers have created units within agencies to represent the "other side" in conflicts between agencies and individuals. These units include ombudsmen in social service agencies and review boards for police departments. In 1998 a federal Taxpayer Advocate was created as an independent voice inside the Internal Revenue Service, to represent taxpayers and taxpayer interests in the collection of taxes.

This idea of setting up opposing units to create intellectual balance needs to be extended to legislative bodies that decide spending

policies. Given the enormously complex policy issues being decided, the principle of “equal time” is especially important. Congress needs to take an active role in shaping its information gathering. If the pro-spending side, which has a powerful motivation for being heard and enormous resources to make its voice effective, is being overrepresented, then Congress needs to take positive action to balance the process.

It is true that units that evaluate spending programs already exist in the form of the Government Accountability Office, the Office of Management and Budget, and the inspectors general of agencies and departments. Those units often uncover information that would be useful in making the case for shrinking or terminating a program. But it is not the mission of officials in those units to assemble their findings into fundamental critiques of programs, nor is it their responsibility to make sure their findings reach lawmakers and the public. They generally do not go on talk shows, or write letters to the editor or op-eds, or take the initiative in contacting members of Congress. Typically, the negative findings of the current government watchdogs—even about extreme failures or preposterous waste—are presented in technical-sounding reports that the world often ignores.

Furthermore, GAO officials and inspectors general are working *for* programs. At bottom, they are committed advocates of government action. They look for fixable flaws in order to make programs work better, or at least to make them more appealing so they can be expanded. It is outside their mission to campaign for eliminating programs and agencies.³¹

Another possible source of anti-spending commentary might, in theory, be the oversight hearings of regular and specially established committees. Unfortunately, congressional oversight is not structured to produce meaningful critiques of federal programs for at least two reasons.

First, oversight hearings occur on only a few dozen topics each year, and usually only in response to some type of political scandal. The federal government has thousands of pro-

grams, and the overwhelming majority of them go decade after decade without significant scrutiny.

Second, like the reviews made by the GAO and inspectors general, oversight hearings accept the premise that government action is necessary and desirable. A good example is the select bipartisan committee on the federal response to Hurricane Katrina.³² This committee was established to find out what went wrong and to determine how the federal government might do a better job. It was not set up to decide if the federal government should be involved in disaster relief at all, and it ignored voices making the case against federal involvement. No one on the staff of the committee represented taxpayers or expressed the taxpayer point of view. Indeed, the word “taxpayers” appears only once in the entire 364-page final report.

Reform 1: Recognizing the Problem

One cannot depend on existing governmental units to do the job of representing the anti-spending position. That mission needs to be explicitly given to new participants, spokesperson who have not hitherto appeared in the congressional decisionmaking process. A first necessary step is to recognize the principle of representing both sides on spending questions. A resolution to this effect might be adopted by each house of Congress, or by their appropriations committees, or by any of their subcommittees. The wording might run as follows:

WHEREAS sound policy requires open inquiry based on full information, and those endorsing programs are greatly overrepresented in congressional deliberations, while opponents of spending and representatives of the taxpayer are virtually absent;

Now, therefore, be it

Resolved that committee members and staff should invite program critics to committee hearings in order to achieve a balanced presentation.

If the pro-spending side, which has a powerful motivation for being heard and enormous resources to make its voice effective, is being overrepresented, then Congress needs to take positive action to balance the process.

Congress has to make a deliberate effort to see that taxpayers are equally represented in the congressional—and national—debate on spending programs.

This resolution is put in voluntary form (“should”) because the reform will not be meaningful unless at least a few members support it. Today most members have succumbed to the big-spending, “bring-home-the-bacon” mentality. They don’t want to hear criticisms of programs and would be upset by the points that frank, hard-hitting taxpayer representatives would present. So a resolution that requires that committees give time to critics of spending would simply not be passed. Or, if it did pass, members would stay away in droves from the committee sessions at which program critics were present.

Rather than turn the issue of balance into a major battle, it might be wiser to introduce it quietly, without even attempting to pass a formal resolution about it. Possibly on one subcommittee there might be a few members of Congress who are aware of the problem and who are disposed to endorse modest steps to correct it. (I know from my interviews with appropriations committee staff members that they are keenly aware of—and to some extent, exasperated by—the one-sidedness of the hearing process.) This one subcommittee might start the “balancing” process simply by inviting a few spending critics to appear. Later, the practice could be expanded and formalized. Some committee funds could be used to defray the expenses of the spending opponents, or perhaps a philanthropic foundation might be found to support them.

Reform 2: Creating a Taxpayer Voice

As I have noted, administrators, interest groups, and individuals who receive federal funds have a powerful incentive to engage in propaganda and lobbying for the spending programs from which they benefit. There is not a corresponding incentive for average citizens who pay taxes to support those programs to get involved. The problem is that any one program represents too small a fraction of an average person’s federal tax bill. A farmer who gets a \$50,000 cotton subsidy might pay a lobbyist \$500 to go to Washington to persuade members of Congress that the subsidy is a wise and necessary program. The citizen who

pays perhaps \$5 in taxes to fund the cotton subsidy has little incentive to pay a lobbyist to tell policymakers what a destructive, unfair program the subsidy is. Indeed, this taxpayer probably isn’t even aware of the program. The result of this imbalance in representation is a mockery of rational decisionmaking, as described in this paper.

Therefore, Congress has to make a deliberate effort to see that taxpayers are equally represented in the congressional—and national—debate on spending programs. One way to begin to create balance is for Congress to create an “office of taxpayer advocacy.” This would be an independent body given the explicit mission of “representing the taxpayer interest in opposing unwise or unnecessary spending before Congress and the public.”

Creation of such an institution would be an eminently logical step. After all, in funding all the departments, agencies, and non-profit interest groups, Congress has funneled billions of dollars into the generation of pro-spending propaganda, propaganda that blankets Congress and the nation. It ought to shift some of these resources toward redressing the imbalance in the public debate. In practice, a small fraction of the billions spent for an office of taxpayer advocacy would dramatically change the terms of the debate on spending. This office would support teams of expert anti-spending spokesperson to communicate with the media and to participate in congressional hearings. Ideally, these spending critics should be present in the same hearings as administrators and special interest lobbyists. In this way, they could challenge those advocating spending, and the result would be a genuine debate on the value of spending programs.

Guardians of the Treasury—Again!

There are two explanations for why the nation has slid into the destructive system of massive and ever-growing subsidies. One is the cynical view that assumes that members of Congress are aware of the selfishness and destructiveness of the system, but they participate in it in order to further their careers.

Though widely believed, this view is contradicted by the evidence. Members don't advance their careers by big spending; in fact, some of the most popular and electable lawmakers have been notorious "skinflints."³³ The main explanation for subsidy growth is the bias in the public debate over spending. Most people do not have the training and mental discipline to grasp the complex, out-of-sight connections in fiscal affairs. It is easy for them to accept fuzzy arguments, superficial impressions, and illusions. They fall victim to the philanthropic fallacy, they miss the concept of opportunity cost, they don't think about the overhead costs of taxation, and so forth.

Combine this natural naiveté about fiscal policy with the one-sided propaganda and lobbying of beneficiaries, and the result is a body of lawmakers convinced of the value of spending programs. Members of Congress are intellectually and emotionally overwhelmed by the specious arguments being pounded into them day after day by the pro-spending lobbyists. They end up really believing they are advancing the arts, helping science, fostering education, saving the family farm, spreading freedom abroad, and so forth by their spending programs.

Imagine what would happen if the decisionmaking process were balanced, if arguments against spending were brought into the process. Let each fallacy be pointed out. Let each neglected cost of spending be brought to mind. Let each unseen harmful side effect of spending be delineated. I believe the result would be a sea change in Congress—and in the nation. Let lawmakers understand, clearly and squarely, that spending programs do serious injury to the public they are supposed to serve, and the subsidy system will begin to wither.

Once they get over the shock of learning the truth about spending programs, members of Congress will see how far they have strayed from statesmanship in becoming unthinking tools of the self-interested lobbyists. They will adjust their role and begin to uphold the cause of fiscal soundness. This is not a fanciful prediction. We know that it is possible for lawmakers to be tight-fisted

defenders of the taxpayers because, once upon a time, they were. Almost everyone has forgotten it, but prior to the 1950s, Congress was known for its fiscal restraint, and the shining congressional beacon in defending taxpayers was, believe it or not, the House Appropriations Committee. Yes, the same committee that is today populated by spending advocates who supinely accept special interest advocacy as if it described reality. In prior decades, many committee members were clear-minded analysts who took pride in debunking the pro-spending puffery of administrators. They described it as their mission (in the 1941 edition of the committee's official history) to "constantly and courageously protect the Federal Treasury against thousands of appeals and imperative demands for unnecessary, unwise, and excessive expenditures."³⁴

What happened? How did these statesmanlike "Guardians of the Treasury" morph into gullible tools of self-serving lobbyists? The answer is the vicious circle of spending and lobbying I have described. The spending programs provided money to purchase lobbying for more spending. Since no one has had a financial interest in countering this propaganda, it has dominated the congressional environment and, indeed, Washington and the nation. It persuaded many members of Congress that spending programs were beneficial. The growing pro-spending orientation of the appropriations committees, in turn, drove away the remaining fiscal conservatives who found their opinions were unwelcome.

The first step in reversing this process is to let members of appropriations and other committees begin to hear about the other side of the spending equation. In a balanced environment, they can become responsible legislators once again. Instead of committee chairpersons naively gushing about "loving your neighbor," we will see them with a mature perspective dealing with witnesses, perhaps with words like these:

Mr. Secretary, we know you have been working hard to put a good face on your programs. These programs

Let lawmakers understand, clearly and squarely, that spending programs do serious injury to the public they are supposed to serve, and the subsidy system will begin to wither.

may do some good, but they certainly do harm as well, because they take money away from all Americans, including the poorest of the poor. It is our responsibility to make sure that the value of these programs more than outweighs the sacrifices they entail.

Therefore, we have invited a team of independent analysts and spending critics to join this hearing in order to evaluate your claims about these programs.

Notes

1. James L. Payne, *The Culture of Spending: Why Congress Lives beyond Our Means* (San Francisco: ICS Press, 1991).
2. See, for example, Terence Kealey, *The Economic Laws of Scientific Research* (London: Macmillan, 1996).
3. Payne, *The Culture of Spending*, p. 13.
4. *Departments of Labor, Health and Human Services, Education, and Related Agencies Appropriations for 2002*, Part 2, May 2, 2001, 107th Cong., 1st sess. p. 1.
5. *Ibid.*, p. 2.
6. Chris Edwards, *Downsizing the Federal Government* (Washington: Cato Institute, 2005), pp. 170–76.
7. The 14 hearings (available at www.gpoaccess.gov/chearings/index.html) were *Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations for 2003*, Part 4, February 28, 2002, 107th Cong., 2d sess.; *Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations for 2003*, Part 6, March 13, 2002, 107th Cong., 2d sess.; *Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations for 2004*, Part 4, March 13, 2003, 108th Cong., 1st sess.; *Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations for 2004*, Part 8, March 27, 2003, 108th Cong., 1st sess.; *District of Columbia Appropriations for 2004*, Part 1, April 9, 2003, 108th Cong., 1st sess.; *Energy and Water Development Appropriations for 2002*, Part 1, April 25, 2001, 107th Cong., 1st sess.; *Energy and Water Development Appropriations for 2002*, Part 6, May 3, 2001, 107th Cong., 1st sess.; *Energy and Water Development Appropriations for 2004*, Part 6, March 20, 2003, 108th Cong., 1st sess.; *Department of Interior and Related Agencies Appropriations for 2003*, Part 6, February 27, 2002, 107th Cong., 2d sess.; *Department of Interior and Related Agencies Appropriations for 2003*, Part 7, March 13, 2002, 107th Cong., 2d sess.; *Departments of Labor, Health and Human Services, Education, and Related Agencies Appropriations for 2002*, Part 1, May 22, 2001, 107th Cong., 1st sess.; *Departments of Labor, Health and Human Services, Education, and Related Agencies Appropriations for 2002*, Part 2, May 2, 2001, 107th Cong., 1st sess.; *Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations for 2003*, Part 5, March 5, 2002, 107th Cong., 2d sess.; and *Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations for 2003*, Part 6, March 19, 2002, 107th Cong., 2d sess.
8. The five hearings were *Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations for 2004*, Part 8, March 20, 2003, 108th Cong., 1st sess.; *Energy and Water Development Appropriations for 2002*, Part 1, April 25, 2001, 107th Cong., 1st sess.; *Departments of Labor, Health and Human Services, Education, and Related Agencies Appropriations for 2002*, Part 3, May 3, 2001, 107th Cong., 1st sess.; *Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations for 2003*, Part 6, March 19, 2002, 107th Cong., 2d sess.; and *Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations for 1998*, Part 7, March 4, 1997, and March 11, 1997, 105th Cong., 1st sess.
9. Payne, *The Culture of Spending*, pp. 185–88. For example, benefit/cost analyses by pro-government researchers never include the full overhead cost of raising the tax money used in the program. Since tax system overhead costs add 65 percent, or more, to the cost of government funds, leaving out these costs results in inflated benefit/cost ratios.
10. For a review of this issue, see Chris Edwards, “Privatize the Army Corps of Engineers,” *Cato Institute Tax and Budget Bulletin* no. 27, October 2005.
11. In discussing spending programs, the word “cut” must be put in quotations because in Washington the word often refers to budget increases that are less than expected *increases* or less than increases being proposed.
12. *Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations for 2003*, Part 6, March 19, 2002, 107th Cong., 2d sess.
13. As quoted in Paul Farhi, “A Different

Reception for Public Broadcasting,” *Washington Post*, May 20, 2005, p. A8.

14. This regulation is found in U.S. Department of Health and Human Services, “Standards of Conduct,” Personnel Pamphlet Series no. 6, March 30, 1989, p. 3. For a fuller discussion of this problem of muzzling administrators, see James L. Payne, *Overcoming Welfare: Expecting More from the Poor—And from Ourselves* (New York: Basic Books, 1998), pp. 75–78.

15. For estimates, see Jerry Hausman, “Labor Supply,” in *How Taxes Affect Economic Behavior*, ed. Henry J. Aaron and Joseph A. Pechman (Washington: Brookings Institution, 1981), p. 61; Martin Feldstein, “How Big Should Government Be?” *National Tax Journal* 50, no. 2 (June 1997): 211; and Charles L. Ballard, John B. Shoven, and John Whalley, “General Equilibrium Computations of the Marginal Welfare Costs of Taxes in the United States,” *American Economic Review* 75 (March 1985): 135.

16. See James L. Payne, *Costly Returns: The Burdens of the U.S. Tax System* (San Francisco: ICS Press, 1993), pp. 149–62.

17. Brian C. Anderson, “How Catholic Charities Lost Its Soul,” *City Journal* 10, no. 1 (Winter 2000).

18. Christopher Morris, *Guide to Nonprofit Advocacy* (Washington: Capitol Research Center, 2004), p. 79.

19. See James L. Payne, “A Philanthropist Goes to Washington,” *Ideas on Liberty* 53, no. 5 (May 2003): 6–7. In its mission statement, Americans for the Arts openly declares that one of its goals is to “generate more public- and private-sector resources for the arts and arts education.” See http://www.americansforthearts.org/about_us/.

20. See Morris, pp. 5, 50, 58, 61, 67, 68.

21. *Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations for 1998*, Part 7, March 4, 1997, and March 11, 1997, 105th Cong., 1st sess. This was the most recent appropriations subcommittee hearing involving large numbers of outside witnesses that had full testimony online at the Government Printing Office website, www.gpoaccess.gov/congress/house/appropriations/index.html. The witness count of 167 includes individuals who appeared physically and those who submitted written statements.

22. Chris Edwards, “Potomac Fever,” *National Review Online*, December 12, 2005.

23. *Congressional Record*, April 2, 1984, p. H7283.

24. Rodney Alexander, “Biography,” www.house.gov/alexander/bio.html.

25. Brian Baird, news release, November 18, 2005, www.house.gov/baird/news/current.shtml.

26. Xavier Becerra, constituent newsletter, January 2005.

27. Mary Bono, news release, July 28, 2005, www.house.gov/bono/news_current.shtml.

28. *Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations for 2003*, Part 4, 108th Cong., 1st sess., p. 72. Readers will notice Bonilla’s striking misunderstanding of a “centrally-planned economy.” That system is an arrangement where political officials in a nation’s capital ignore voluntary market systems and use the force of the state to allocate resources—which is exactly what Bonilla proposes to do. Another mistake Bonilla makes in this passage is claiming that members are compelled by electoral necessity to deliver spending benefits to their constituents. If this were true, then Bonilla might be excused for implementing a selfish, grasping approach to the federal budget. However, many different kinds of evidence demonstrate that voters do not punish frugal policymakers. See Payne, *The Culture of Spending*, pp. 113–33.

29. See James T. Bennett and Manuel H. Johnson, *Better Government at Half the Price: Private Production of Public Services* (Ottawa, IL: Caroline House, 1981); John Hilke, *Cost Savings from Privatization: A Compilation of Study Findings* (Los Angeles: Reason Foundation, 1993); and Government Accountability Office, “DOD Competitive Sourcing: Savings Are Occurring, but Actions Are Needed to Improve Accuracy of Savings Estimates,” GAO/NSIAD-00-107, August 8, 2000.

30. Jonathan Rauch, *Demosclerosis: The Silent Killer of American Government* (New York: Random House, 1994), p. 120.

31. For a discussion of the failings of the GAO as an anti-spending participant, see Payne, *The Culture of Spending*, pp. 68–69.

32. U.S. House of Representatives, *A Failure of Initiative: Final Report of the Select Bipartisan Committee to Investigate the Preparation for and Response to Hurricane Katrina*, 109th Cong., 2d sess., February 15, 2006. The one mention of “taxpayers” appears on p. 334.

33. See Payne, *The Culture of Spending*, chaps. 5–8.

34. Richard F. Fenno, “The House Appropriations Committee as a Political System,” *American Political Science Review* 56 (June 1962): 311.

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