

BUDGET BALANCING VIA CONFLICT  
CONTAINMENT

(By Janos Horvath)

There exists a workable option for Congress in 1995 to balance the budget by 2001. It is not to push through some of the plans as they stand. The numbers do not add up. Not only conventional economists hold doubts, but conservatives such as Herbert Stein and William Niskanen who advised Presidents Nixon and Reagan are also skeptical.

The road I propose toward budget balancing has three guide posts. They say: (1) hold expenditures constant in inflation adjusted real terms, (2) hold tax rates constant, (3) allow tax revenues to increase from the growing tax base which is the Gross Domestic Product. In essence, halt the deficits that beget debt accumulation, crowding out of investments, confiscatory taxes, debilitating inflation, debt repudiation, and erosion of the social fabric.

Here are the salient figures. Expressed in current dollars the 1994 level of government spending, \$1,485 billion, will amount to \$1,844 billion in year 2001. The higher number reflects inflation—the two amounts are of equal purchasing power. During the same interval from 1994 to 2001, tax revenues rise from \$1,249 billion to \$1,859 billion. The increase results from 2.5% economic growth plus 3.2% inflation. But if the growth rate becomes 3.0%, a sound estimation, then the deficit reduces to zero in six years.

To implement the proposal, I offer a "conflict containment" model. The GOP Contract With America being the seminal document, it would be naive to assume away stress in the bipartisan arena. Occasionally Republicans in the House and in the Senate may differ. Even though certain groups might lack the majority to reach their declared goals, they could block others from reaching their goals. Here conflict minimizing means maximizing the potentials for compromise: the mother milk of legislation.

On the revenue side, the tax mechanism shows the perspectives: (1) Tax revenues will increase, (2) without increasing tax burden, (3) with constant tax rate, (4) because the tax base grows with the growing economy. A family making \$100,000 taxable income with 20% tax rate does pay \$20,000 tax. As taxable income grows to \$110,000 the tax payment rises to \$22,000. The \$2,000 tax increase comes from income growth. The tax burden has not risen.

The expenditure side is more tangled. The key is to hold the sum total of governmental spendings constant. This means no cut and no rise in the bottom line amount. Undoubtedly such a tall order prompts challenges. On one side is the fiscal restraint movement who wants to prune. On the other side are cynics who accept that entitlements rise and by curbing them the society would crumble. In the middle are solution seekers recalling that the USA has survived and prospered with less government spending and even financed and won the cold war. To intone an aphorism: "whatever exists is possible."

Successful budget balancing being a viable pursuit, it is less agonizing to mutually consent to continue spending allocations the way they are rather than to battle over every detail. Therein lies the rational for the maxim: "no-tax-cut-no-tax-raise-no-spending-cut-no-spending-raise." Suspicions of inequity and the pangs of envy get mollified. Nobody's ox gets gored.

The no-cut-no-raise maxim is a self-discipline apparatus for Congress. While the bottom line is untouchable, there is ample room, actually duty, for efficient and compassionate reallocations between and among existing provisions. On the outlay side are two major items: increases in Social Security and health care. On the saving side are:

government streamlining, welfare reform, peace dividend, privatization, etc. Further savings result if bureaucrats were rewarded for cost cutting innovations and if the deceptive practices were discontinued which label reduction in projected increases as spending cut.

Attempts at creative solutions have been tried before. In March, 1994, Rep. Gerald B. Solomon (R-N.Y.) proposed more than 500 specific spending cuts totaling more than \$700 billion, balancing the budget within five years. His bill did not raise taxes, did not cut Social Security, and even increased defense spending by \$60 billion. Among the spending cuts were: eliminating the Interstate Commerce Commission and the Travel and Tourism Administration, restructuring the Interior Department, downsizing the Bureau of Reclamation, privatizing the Government Printing Office, the Government National Mortgage Association, and the Air Traffic Controllers.

A coherent farm policy review is the work of Senator Richard Lugar (R-Ind). Now chairman of the Senate Agriculture Committee, he is determined to substantially reduce the agricultural programs that cost about \$60 billion a year. Nothing escapes scrutiny: bloated bureaucracy, food stamps, subsidies to producers of corn, wheat, cotton, rice, sugar, tobacco. Lugar's two year review has already led to closing of 1,070 underused field offices nationwide.

As the 1995 legislative agenda evolves, the "Lugar Initiative" and the "Solomon Bill" are emulated. Recently President Clinton has joined the thrifty moderates proposing expenditure cuts. Among the targets are: inventory liquidation (petroleum, metals) could recover around \$100 billion and the privatization of assets (power plants, grazing lands, mineral rights) about \$200 billion. Pruning outdated programs and cutting deadwood are on everybody's agenda. However, while bipartisan bargaining promises results, there are ideological and operational aspirations which becloud the horizon.

There is gathering a momentum of conflicts as Congress debates the GOP Contract With America. It is labeled "fairy-tale economics \* \* \* not \* \* \* specific," by Senator Tom Daschle (D-S.D.) and Rep. Richard Gephardt (D-Mo), leading Democrats. House Majority Leader Dick Armey (R-Texas) wants "discipline which comes from the balanced budget amendment \* \* \* [so] once members of Congress know exactly, chapter and verse, the pain that the government must live with in order to get a balanced budget, their knees will buckle." Such early signs divine that the budget debate brings fervent struggles. When the political stratagem—patriotic devotion, party discipline, arm twisting, log rolling, and deal making—does succeed to enact a hard fought budget, the battles might inflict grievous injuries that handicap subsequent legislation.

Hence the need for conflict containment. Less conflicts allow more time for creative work. The crux of the matter is how to shape the budget to everybody's heart's desire. It is beyond the realm of possibilities to pursue four rival goals simultaneously: to cut tax, to raise tax, to cut expenditure, to raise expenditure. Even if the arithmetics worked, still distrust about burden sharing would deadlock the process. It would be like opening a Pandora's box.

Successful conflict containment is logical human behavior. Legislators, representing various constituencies, will be less unwilling to support reform (1) if the cure is believable, and (2) if burden sharing makes no exception. This is the venerable idea of fairness. People who resent special deals may embrace fair deals. Thus people make sacrifices when moved by patriotic, religious,

emergency, or community appeals. Nowadays the threat of a national bankruptcy arouse people.

In conclusion, budget balancing via conflict containment is an operational blueprint ready to use. It saves time, reduces pain, and guarantees cure. Congress, authorized by the Constitution, has all the power to do the job. Efforts to pass a constitutional amendment to balance the budget could be directed to balancing the budget. Anyway, after the symbolic process of constitutional amendment the reallocations in spendings still must come. Congress may choose a symbol before, even though it is a detour. In a dry spell some gardeners do a rain dance before fetching buckets to carry water from the pond.

Finally, let's peek into the future. After following the conflict containment framework through six or seven years, the trend lines of government spending and tax revenue will converge. Thus, 2001 becomes the year of bliss when the deficits reduce to zero and surpluses begin to accumulate. Then we shall have options. How much of the budget surplus should be directed where: tax cut, human capital, competitiveness, social insurance, governmental debt. First, of course, we ought to get there. For which the prospects exist.

C. WAYNE HAWKINS

**HON. G.V. (SONNY) MONTGOMERY**

OF MISSISSIPPI

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, January 31, 1995*

Mr. MONTGOMERY. Mr. Speaker, today a very good friend of veterans, Mr. C. Wayne Hawkins, retired from the Department of Veterans Affairs after 37 years of dedicated Federal service. I had planned to attend a reception in his honor yesterday; however, votes in the House prevented me from doing so. I regret I could not join his many friends and colleagues to thank him for his outstanding service to our Nation's veterans. I came to know Wayne through his many appearances before our committee. He established a reputation among our members as both an outstanding administrator and a straight shooter whose commitment to the veteran and the VA system were unshakeable.

Wayne Hawkins' distinguished career as a health care administrator, educator, and veterans' advocate is evidenced by the positive impact he has had on the provision of compassionate, quality health care both within the Department of Veterans Affairs and the health care community.

Prior to his retirement, Wayne was the Deputy Under Secretary for Health for Administration and Operations, the highest position ever held by a nonclinician within the Veterans Health Administration [VHA], the health care arm of the Department of Veterans Affairs. In this position, Wayne served as the chief operating officer for one of the largest corporate health care systems in the country which plays an integral part in educating physicians, nurses, dentists, and allied health care practitioners; providing quality medical care to our Nation's veterans; conducting medical research, and serving as medical backup to the Department of Defense during a time of war or national disaster. He was responsible for the operational management of 171 medical centers, 353 outpatient clinics, 128 nursing

homes, and 37 domiciliaries, which employ more than 200,000 personnel with a \$16.7 billion annual budget.

Mr. Speaker, Wayne was born in Rogersville, TN on August 21, 1935. He received a B.S. degree from East Tennessee State University in 1957 and an M.S. in health care administration from the University of Minnesota in 1971. He completed graduate work in health systems management at Harvard University, and is a graduate of the U.S. Army Command and General Staff College.

Wayne began his VA career in 1957 as a rehabilitation therapist at the Mountain Home VA Medical Center in Johnson City, TN. During his VA career, Mr. Hawkins also served as a personnel manager and later as an associate director at VA facilities in Asheville, NC, Biloxi, MS, Atlanta, GA, Waco, TX, Spokane, WA, Portland, OR, Nashville, TN, and Dallas, TX. Prior to his January 1991 appointment as the Deputy Under Secretary for Health for Administration and Operations in Washington, DC, Wayne served as director of the VA Medical Center in Dallas, TX for 15 years.

Wayne has an equally distinguished military career, retiring after 33 years in the active and Army Reserve with the rank of Colonel. He served as the chief of staff of the 807th Medical Brigade in Seagoville, TX, from 1979 to 1985, then as executive officer of the 94th General Hospital in Mesquite, TX, until his retirement in 1987.

Mr. Speaker, Wayne Hawkins' contributions extend beyond his role as a Federal health care executive. He served in major leadership roles in the Texas Hospital Association and the American Hospital Association, as president of VA's chapter of the Senior Executive Association, and holds faculty and preceptorship appointments at a number of prestigious universities. He is a member of the American College of Health Care Executives and was inducted as a fellow in 1991.

Wayne has received many awards during his career, including the Department of Veterans Affairs' Distinguished Career Award, the Presidential Rank Award for Distinguished Executive and the Presidential Rank Award for Meritorious Executive, the Ray E. Brown Award for Outstanding Accomplishment in Health Care Management, and the Outstanding Federal Services Health Administrator Award from the Association of Military Surgeons of the United States, and the Army's Legion of Merit and Exceptional Leadership Award. Other honors include induction as an honorary member of the Sigma Theta Tau International Honor Society of Nursing, and honorary lifetime member of the American Academy of Medical Administrators.

It would be difficult for me to list all of Wayne's many accomplishments during his 37-year career with the VA, but I would like to highlight just a few. He chaired the Chief Medical Director's Advisory Committee on Construction over a 10 year period which led to the reorganization of the construction program to VHA. This reorganization decentralized the decisionmaking process to local directors and provided an opportunity to explore different methods of design. He was a leader in developing the model for satellite outpatient clinics in VA, and served as the project manager for the construction and activation of one of the first satellite clinics in Chattanooga, TN, in 1974.

Over a 15-year period he developed the Dallas VA Medical Center into one of VA's flagship hospitals, taking a leadership role in patient care, education, and research. He has always been a strong advocate for including employees, veteran service organizations, and the community in the decisionmaking process. He was an early advocate for the homeless veterans program and established the first comprehensive treatment center for chronically ill veterans at the Dallas VA Medical Center. He was instrumental in restructuring the role of canteen service as a major contributor in meeting the customer's needs and opened the VA's first food court in the early 1980's.

During his tenure in VA Central Office, Wayne was recognized as a strong advocate for the decentralization and empowerment of medical center directors. Throughout his career, Wayne Hawkins has consistently held the respect of his superiors, his peers, and subordinates due to his integrity, honesty, and decisiveness. He has frequently been credited with his visionary capability and his ability to manage many complex issues at any one time. However, his No. 1 priority never changed—doing what was right for America's veterans.

The VA health care system has certainly undergone many far-reaching changes over the course of Wayne's long, distinguished career. Over those years, the demands on, and expectations of, VA medical facilities have mushroomed. Although VA has successfully met many of those challenges, I believe many of those successes are in no small measure a tribute to the kind of leadership and example set by Wayne Hawkins.

Upon his retirement, Wayne can take pride in the knowledge that he is among a distinguished few who will be remembered as individuals whose careers as VA clinicians, administrators, and key advisers to top leadership have left a lasting imprint—both on the VA system and on the many veterans who depend on it.

Mr. Speaker, Wayne Hawkins exemplifies the very best in public service—responsibility and accountability to self, fellow employees, those he serves, and the community. His vision and requisite knowledge to project future trends, zeal for excellence, and determination to see initiatives through to their successful conclusion are some of the qualities which have ensured his continued success for almost four decades. The honors and awards that the VA, veterans service organizations, and the health care community have bestowed upon him are testament to both the depth of his service commitment and the impact of his efforts.

Although Wayne is retiring from Government service, he is not leaving the health care community. We wish him the very best in his new career and know that he will continue to be an advocate for veterans and a friend to the VA.

REVENUE SHARING  
REESTABLISHMENT ACT OF 1995

**HON. JAMES A. TRAFICANT, JR.**

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, January 31, 1995*

Mr. TRAFICANT. Mr. Speaker, today I introduced the Revenue Sharing Reestablishment

Act of 1995. The bill, which will keep \$5 billion in taxpayer money here at home, can help alleviate the budget constraints of our State and local governments. I urge my colleagues to cosponsor this important measure.

Mr. Speaker, many of my colleagues will remember the General Revenue Sharing program created by the State and Local Fiscal Assistance Act of 1972. The program was relatively simple: State and local governments received automatic payments from the Federal Government based on a formula. The money could be spent at the discretion of the governments and the payments were guaranteed for as long as Congress authorized them.

As Congress works to lessen the overwhelming burdens it places on State and local governments, the Revenue Sharing Reestablishment Act of 1995 provides a channel through which Congress can directly assist these struggling entities. Under my legislation, \$5 billion will be made available annually for direct payment to State and local governments. Unlike the previous Revenue Sharing Program, however, the program will not add to the enormous Federal budget deficit. Instead, the program will be paid for entirely with cuts in foreign aid.

The U.S. Government has been authorized by Congress to spend \$14.8 billion in foreign aid during fiscal year 1995. Over 30 percent of the money is earmarked for two countries—Israel, which will receive \$3 billion, and Egypt, which will receive \$2.1 billion. There is no question, Mr. Speaker, that there are pressing needs throughout the world. We all know that famine, disease and suppression transcend all borders.

We also know, Mr. Speaker, that America is experiencing horrors of its own: 14.3 million children live in poverty, 2.5 million Americans are addicted to crack, our infant mortality rate ranks 24th in the world, behind Singapore and Hong Kong, and, since 1960, violent crime has risen 500 percent and teen suicides have more than tripled.

We are desperate, Mr. Speaker, and diverting a third of our foreign aid budget to American governments will allow these entities to address the most pressing needs and the most destructive forces in their communities. Where are our priorities?

As the former Secretary of the Treasury John B. Connally stated in testimony before the House Ways and Means Committee in 1971:

General revenue sharing seeks to redress some basic imbalances in our Federal system of government—imbalances between needs and resources, between power and responsibilities, between conception and execution.

Let's redress these imbalances, Mr. Speaker. And let's pay for it with money we already have. I urge my colleagues to keep our taxpayer's money not only in America, but in their State or community. I urge colleagues to cosponsor the Revenue Sharing Reestablishment Act of 1995.