

Budget & Finance

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A Protest Against "Political Math"

by M. Peter van der Hoek, Associate Professor of Economics
Erasmus University Rotterdam, Netherlands

My son had already mastered political math when he was still a schoolboy. One day he arrived home and said, "Dad, I saved two dollars today." When I asked him how, he replied, "After school, I decided to walk home instead of taking the city bus." I praised him and to stimulate his thrifty behavior I doubled his savings by giving him two dollars. The next day he said: "Dad, I saved twenty dollars today." Again I asked how and now he explained, "Today after school, I decided to walk home instead of taking a taxi."

This time I did not double his savings, but advised him to seek a career as a politician. He had demonstrated that he had mastered what I would name *political math*, since politicians in many countries, including the U.S.A. and the Netherlands, have adopted this math. Though this may have furthered the career of individual politicians, it has turned out to be bad policy for government financial balances. Realized spending cuts have consistently fallen short of economically necessary cuts.

To understand what politicians really mean when they talk about spending cuts, I propose to make a distinction between two different concepts: *economies* on public expenditure, referring to a decline of current expenditure levels; and *slim-downs* on public expenditure, referring to a decline of projected spending levels. Not only in Washington parlance, but also in other capitals' parlance, the phrase "spending cuts" almost invariably means merely reductions in planned increases. Thus, essentially it means "less more". Politics would gain clarity if these kind of "cuts" would be called *slim-downs*, which are distinct from *economies*.

Ironically, political math is consequent on multi-year estimates, which was one of the innovations in budget policy that many countries introduced during the 1960s and 1970s to improve budget control and the budget-making process. They reflect expenditure projections according to policies that have been agreed on by cabinet officials. Usually, multi-year estimates contain a certain growth. A stylized example is given in the table on the assumption that the current level of public expenditure amounts to \$100 billion. It is also assumed that the multi-year spending program exhibits a growth up to \$115 billion in the year 2000.

A Stylized Example of Multi-Year Estimates
(in billions of dollars)

Year	1996	1997	1998	1999	2000
Spending Estimate	100	105	109	112	115

Apparently, the government does not plan to economize on public expenditure in this example. Only if public spending were cut back to a level lower than \$100 billion, then *economies* would be realized. Whether or not *slim-downs* will be realized, depends on spending decisions for the years 1997-2000. If the government would decide to limit the increase of public expenditure in 1997 to \$3 billion rather than the originally planned growth of \$5 billion, then it would realize a *slim-down* of \$2 billion since this decision results in a spending level in 1997 that is \$2 billion lower than originally planned.

continued on page 2

Political Math...continued

This example makes clear that it is confusing to talk about cuts in the case of *slim-downs*, meaning cuts in projected expenditure ("less more" spending). The confusion is caused by the fact that *slim-downs* can be realized simultaneously with an increase of the actual spending level. Therefore, as soon as politicians start

to talk about spending cuts, their audience should ask what they mean: *slim-downs* or *economies*. Admittedly, it is not always easy to distinguish between *economies* and *slim-downs*. To a certain extent the difference is merely a matter of time. A *slim-down* automatically changes into an *economy* only by postponing the cutback decision long enough.

This, however, only stresses the importance of forcing politicians to give up their obscure language by consistently asking them what they mean. We should force them to make the distinction themselves. If journalists and constituents would consistently ask, "What do you mean by spending cuts, *economies* or *slim-downs*?", then it would make it very diffi-

Some voters like some of the spending programs, whereas others like other programs. Most constituents, however, like lower taxes. Though the wishes of these groups are contradictory, politicians seek to keep friends with all groups.

cult for politicians to stick to their concealing language and perhaps more so, if the public would tend to disregard politicians who appear to talk about *slim-downs* rather than *economies*.

Why is it that politicians prefer to use obscure language? They are trying to reconcile what is irrecon-

cilable. Some voters like some of the spending programs, whereas others like other programs. Most constituents, however, like lower taxes. Though the wishes of these groups are contradictory, politicians seek to keep friends with all groups. Aaron Wildavsky drew attention to this phenomenon by putting forward the Pogo Principle: "We have seen the enemy and they are us." Thus, we should start one step earlier by forcing ourselves to force politicians to be clear, not only about our own conflicting desires, but also about how they respond to that. Replacing the ambiguous term "spending cuts" with the more meaningful concepts of "slim-downs" and "economies" on public expenditure may be helpful in this respect.

From The Editor

I'm not sure whether Peter van der Hoeks essay should use "political math" or "popular math." I guess that's the point of the article. As we face the November elections, we are sure to find more examples that would fit his article. I hope you enjoy our lead article. We can certainly find space to print letters from anyone who wants to take issue with his points!

One of the best opportunities to get into the nitty-gritty of the budgeting issues facing our governments at every level and around the world is at the October budgeting conference, October 10-12. As you can see from the schedule on the back, the conference is chock full of challenging issues that are sure to generate lively discussions following top quality presentations. Send in your reservation and reserve your hotel room if you haven't already done so! Please note the corrected reservation line for Marriott in the correction box.

We welcome David Powell to the profession in our new scholars box. Please send us information on someone you know who we should also welcome.

Well, I must be having a lot of fun, because time sure is flying by! It seems like the spring issue just left in the mail, and here we are preparing another issue. I hope you enjoy it.

~ Kurt Thurmaier ~

Charter and Bylaws Changes Under Consideration

ABFM members should reserve time on their schedules at the ABFM meeting in Washington, DC for an important membership meeting on proposed revisions in the association's Charter and Bylaws. The membership meeting will convene on Friday, October 11, at 6:30 pm, at the Washington Marriott. **Karen Stanford** has been spearheading the endeavor to review and revise the charter and bylaws to improve administrative succession of officers and other issues of concern to the executive board. The membership meeting will be followed by a regular executive board meeting. Other business for the board includes the 1997 budget and work plan, and the 1997 conference.

Correction!

The Washington Marriott Hotel

telephone number is
1-800-228-9290

Ask for the ABFM Conference Rate!

New Scholar Highlights!

David Powell is a new assistant professor of political science at Eastern Illinois University. A student of Professor **Mike Pagano**, David recently defended his dissertation, "The Effects of Tax Expenditure Limitations on Local School Districts and Education Finance: Restrictive by Design." The dissertation examines the effects of tax and expenditure limitations (TEs), and particularly studies the impact of Ohio's "revenue rollback provision" on eight local school districts in Ohio. David finds that districts in marginal financial health are more adversely affected than other districts. His new research agenda includes extending his analysis to other states, and probing voter awareness of tax issues in school referenda.

David's teaching assignments include American Government, Introduction to Public Administration, Public Budgeting and Public Personnel Management.

Mikesell

New Editor of *Public Budgeting and Finance*

Professor **John Mikesell** has been named the new editor-in-chief of the section journal, *Public Budgeting and Finance*. Mikesell takes over the position from Professor **Irene Rubin**, who has assumed the post of editor-in-chief of *Public Administration Review*. Mikesell was coeditor of PB&F from 1989-1994. He is looking forward to working on the journal again. **Paula Kearns** is the new book review editor for the journal.

From The Chair

Work continues on developing our Eighth Annual Conference, set for October 10 through 12 at the Washington Marriott Hotel. If you haven't done so already, please complete the conference registration form and send it to Mike Bourgeois, our treasurer. A copy of the form appeared in the spring newsletter and will appear in a separate mailing about the conference.

Be sure to ask for the ABFM conference rate when registering at the Marriott. *Please accept our apologies for the wrong 800 number being listed in the previous newsletter. The correct number is 1-800-228-9290.*

Plan to arrive Thursday, October 10, in time for the 10:00 a.m. session on "Connecting Resources with Results." **Virginia Robinson**, executive director of the Joint Financial Management Improvement Program will be chairing this lively session. Panelists include **Steve App**, deputy chief financial officer at Treasury; **G. Edward DeSeve**, controller, Office of Financial Management at OMB; **Justine F. Rodriguez**, deputy associate director for economic policy at OMB; and **Frank Sullivan**, deputy chief financial officer at Veterans Affairs.

Each year's program committee tries to pick timely topics of broad interest. Last year's conference included a plenary session on welfare reform, and just a few weeks ago Congress and the president agreed to a sweeping reform package. This year's conference will include a plenary session on Social Security. **June O'Neill**, director of the Congressional Budget Office, has agreed to serve on this important panel. The session should provide insights into the financial problems facing Social Security and discuss options for reform. The panelists will undoubtedly discuss the probability of the president and Congress reaching agreement starting in 1997.

Another highlight of the conference will be an appearance by **Richard F. Fenno, Jr.**, who will be accepting the Wildavsky Award. Dr. Fenno has had a long career in our field and is noted for his extensive analytical writings on budgeting. Dr. Fenno is Kenan Professor of Political Science and Distinguished University Professor at the University of Rochester.

One other item about the conference...Saturday, October 12, is hereby declared to be casual dress day. Most of us wear professional attire during the week so why should we dress formally on the weekend? Relax and enjoy the conference.

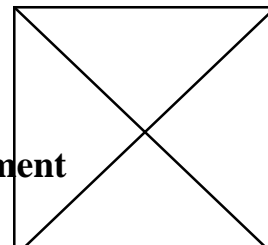
Our annual election of officers is complete, and I'm pleased to report that **Karen Stanford** was chosen chair. Karen, who received her Ph.D. at Florida State University, is executive director of the Florida Commission on Government Accountability to the People. Before accepting this important post, she was on the faculty at the University of Wyoming. The following people were elected to the executive committee: **Doug Adams**, County Finance Manager, Washington County, Oregon; **Paul Posner**, Director, US General Accounting Office (GAO); and **Kurt Thurmaier**, Assistant Professor, Public Administration Department, University of Kansas. Congratulations and best wishes are extended to all of these folks.

Do take a look at the ABFM homepage on the Internet. The address is <http://mailer.fsu.edu/~dls2632/abfm/intro.html>. (*An extraneous letter appeared in the address as listed in the summer issue of the newsletter.*)

In closing I want to remind you that our October conference will be just prior to the November elections. This is an ideal time for taking stock about our system of government and its budgeting and financial operations. See you in D.C.

~ Bob Lee ~

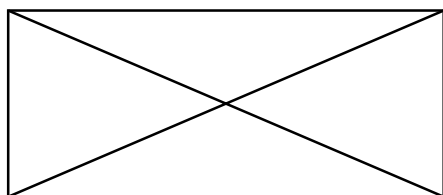
Eighth Annual Meeting
ASPA Association for Budgeting & Financial Management
 October 10-12, 1996, Washington, D.C.



<p><u>Thursday, October 10</u></p> <p>10:00 am Connecting Resources with Results</p> <p>1:00 pm <i>Opening Plenary Session:</i> Financing Social Security</p> <p>3:15 pm <i>Concurrent Sessions:</i></p> <ul style="list-style-type: none"> • Evaluating Changing Fiscal Conditions in State and Local Governments • Activity Based Management • Financing Prison Systems <p>5:00 pm Reception sponsored by Coopers and Lybrand</p> <p><u>Friday, October 11</u></p> <p>7:30 am Continental Breakfast</p> <p>8:30 am <i>Concurrent Sessions:</i></p> <ul style="list-style-type: none"> • Performance Measurement and Budgeting: Perspective at the National Level • Budgeting for Economic Development: The Case of Sports Facilities • Government as a Business: An International Perspective <p>10:15 am <i>Concurrent Sessions:</i></p> <ul style="list-style-type: none"> • Performance Measurement and Budgeting: Perspective at the State and Local Levels 	<ul style="list-style-type: none"> • Budget Theory • Financing/Budgeting/Management in Eastern Europe <p>12:00 noon Awards Luncheon</p> <p>2:00 pm <i>Plenary Session:</i> Budgeting under Stalemate</p> <p>3:45 pm <i>Concurrent Sessions:</i></p> <ul style="list-style-type: none"> • Revenue Forecasting and Estimation • Commentaries from State Budget Directors • The Line-Item Veto <p>5:15 pm Reception</p> <p>6:30 pm ABFM Business Meeting</p> <p><u>Saturday, October 12</u></p> <p>8:00 am Continental Breakfast</p> <p>8:15 am <i>Concurrent Sessions:</i></p> <ul style="list-style-type: none"> • Internet and the World Wide Web • Innovative Funding of Environmental Protection and Remediation <p>10:00 am <i>Concurrent Sessions:</i></p> <ul style="list-style-type: none"> • Doctoral Student Research • The Impact of Federal Funding on State and Local Government
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