

# How to reduce government to its core functions

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## The problem

Brian Sonntag, the Washington State Auditor, spoke to Conservative Enthusiasts in September 2011, and in his talk he established the vision of reducing government to its core functions. Mr. Sonntag illustrated this vision by referring to an initiative to divest the state government of its liquor stores, saying that selling liquor is not a core function of government. Mr. Sonntag also said that it is common for candidates to support fiscal reform — fiscal restraint — when they run for office, but that candidates tend to lose their commitment for such reform after taking office.

As a result, the Washington State legislature has not established a vision for reducing government to its core functions but, instead, exhibits an insatiable appetite for adding more programs, complemented by a need to increase revenue to pay for the programs.

Can we solve the problem of realizing Mr. Sonntag's vision of reducing the Washington State government to its core functions? I believe that we can, as I will now explain.

## The solution

Let's consider the problem of interest groups, along with the political dynamics of initiatives, and then see how to reduce government to its core functions.

**Interest groups.** The reason that candidates lose their commitment for fiscal reform after taking office is that interest groups — constituent groups — influence legislators to approve benefits for the groups. Compounding the influence of interest groups directly on legislators is the influence of interest groups on political parties, which, in turn, bring influence to bear on their legislator members. The result is to drive up the cost of government without due restraint. This is why European governments, such as Greece, are on the verge of bankruptcy, and this is why states like California are on the verge of bankruptcy.

**Initiatives.** The initiative process solves the interest-group problem because direct democracy establishes different incentives than representative democracy establishes.

When citizens are asked if they want higher taxes, or if they want to make it easier for the legislature to raise taxes, they normally say *no*. This holds true in both California and Washington, whose citizens tend to put their state government in the hands of fiscal liberals while simultaneously approving initiatives that limit taxes or that make it harder for the legislature to raise taxes.

Why don't the citizens vote for higher taxes as their chosen legislators tend to do? Because citizens foot the bill in paying for higher taxes and because a citizen vote is private, making it impossible for interest groups to hold citizens accountable for how they vote.

**Recap.** Due to the interest-group problem — *due to the harmful fiscal incentives built into representative democracy* — it is politically impossible for a legislature to establish a discipline of reducing government to its core functions. By contrast, *due to the beneficial fiscal incentives built into direct democracy*, it is possible for the citizens, via the initiative process, to establish a discipline of reducing government to its core functions.

Let's see how this can be done.

**Core functions.** If we were given a list of government programs, we could readily identify programs that we feel serve core functions and others that we feel do not. But who is qualified to make a definitive list? After all, there are bound to be gray areas in which it is debatable whether or not a given program serves a core function. So how do we solve the problem of defining the list of core functions?

We don't solve the problem by trying to make a definitive list of core functions. Instead, we solve the problem indirectly and on an ongoing basis, as follows.

**Citizen-controlled ceiling.** Using the current initiative process, the citizens can approve a *ceiling initiative*: the citizens can approve an initiative that establishes a ceiling on government income+debt, with the ceiling expressed as

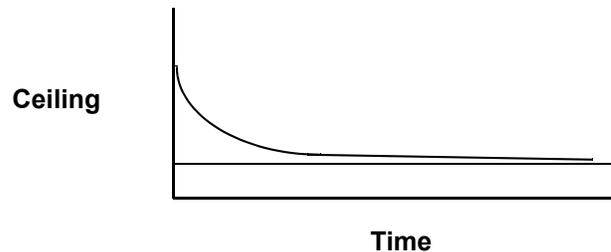
a fraction of the income of the state economy — the state equivalent of GDP:

$$\frac{\text{annual income + total debt}}{\text{state GDP}} < \text{Ceiling}$$

The initial ceiling is the value of the above fraction at the time of initiative approval, so approval of the initiative does not impose cuts to income or debt. Approval merely limits the growth of income+debt to the rate of growth of the state economy.

The ceiling, in turn, can be changed only by the people, either in response to a request by the legislature or through a special initiative process. This citizen control solves the interest-group problem due to the beneficial fiscal incentives of direct democracy, as explained earlier.

Finally, the citizen-controlled ceiling makes it possible to reduce the size of government because the people can lower the ceiling through the special initiative process. The figure illustrates how the ceiling can be reduced over time, motivating government officials to make government operations as efficient as possible and to discontinue programs that are either unnecessary or that can be performed in the private sector, where they will benefit from the incentives of competition.



With the ceiling in place, the citizens will elect legislators according to their priorities for government spending. Under this discipline, operations that remain in government over the long run, as the ceiling approaches an asymptote, will be those that the people consider to be the core functions of government.

**Constitutional amendment.** Two years after an initiative becomes law, the Washington State legislature is allowed, by the state constitution, to modify the law by majority vote. Unlike California and a number of other states, our constitution doesn't allow amending the constitution by initiative.

The solution to this problem is to establish the ceiling initiative as a constitutional amendment. A constitutional amendment must be approved by two-thirds of the membership of each legislature branch, followed by approval by a majority of the citizens who vote on the proposed amendment.

The means for obtaining approval by the legislature is for the people to elect legislators who support such approval. During the first two years that the ceiling initiative is in effect as statute law, we can count on the citizens to take personal interest in the ceiling, identifying it as their own. This will motivate legislators to support the ceiling, and it will motivate the people to elect candidates who support the ceiling. The people can approve the ceiling initiative every two years until they elect enough legislators who support the initiative as a constitutional amendment.

**Conclusion.** Due to the interest-group problem — *due to the harmful fiscal incentives built into representative democracy* — it is politically impossible for a legislature to establish a discipline of reducing government to its core functions. By contrast, *due to the beneficial fiscal incentives built into direct democracy*, it is possible for the citizens, via the initiative process, to establish a discipline of reducing government to its core functions.

Using the current initiative process, the citizens can approve an initiative that establishes a citizen-controlled ceiling on government income+debt, with the ceiling expressed as a fraction of the state GDP. Then, using a special initiative process, the people can gradually lower the ceiling, thereby driving the ceiling down to an asymptotic value over time. This, in turn, will motivate the legislature to gradually reduce government to its core functions.

Since the legislature can modify an initiative-approved law by majority vote two years after approval, the ceiling initiative should be established as a constitutional amendment. The people can achieve this by electing legislators who support the ceiling and by approving the ceiling initiative every two years until they elect enough legislators who support the initiative as a constitutional amendment.