



## Government Efficiency Prospects

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Republicans say they favor small government. Democrats unabashedly like big government. Presumably, however, neither party wants a government so inefficient that more than half of the time it is not even "moderately effective" and 25 percent of the time receives a failing grade of "D" or "F" for low performance.

But we now have that kind of incompetence, according to the government's own data from applying its Performance Rating Assessment Tool (PART) to federal spending, both mandatory and discretionary, when disaggregated into 977 program classifications set up by the Office of Management and Budget.

PART is the result of an unprecedented effort begun several years ago by former OMB Director Mitch Daniels. Without questioning whether the goal of any federal expenditure program is worthwhile, OMB simply sought to determine the extent to which the money appropriated by Congress is effectively applied toward achieving the goal. Out of 971 discretionary spending programs, 511 lower-rated programs were found to be on average falling about 50 percent short of their goals. Even the 460 higher-rated discretionary programs were not operating with complete efficiency. On average, they were falling 20 percent short.

Nearly all mandatory spending programs — Social Security and the five other big entitlements — were rated effective. Sadly, Medicaid was the prominent exception. It fell into a default category and received a failing grade of "F."

Dispensing money instead of performing tasks is the primary function of many federal programs. But, even so, after matching dollars spent with performance ratings, we were able to conclude from PART that if the government performed efficiently, it could deliver to the public the same "services" as at present, but for at least \$250 billion less per year.

An "efficiency dividend" from the government to the American people of \$250 billion or more per year would pay for a lot of good things. It would, for example, pay for simplifying the tax code and lowering personal income tax rates by a quarter to a third or (in the alternative) abolishing the Alternative Minimum Tax, eliminating the double tax on savings and investment and making permanent the tax cuts enacted in 2001-2003. Tax reforms of that magnitude would stimulate

more jobs, higher wages and approximately \$2.5 trillion of additional gross domestic product over 10 years.

Another option would be to use the efficiency dividend to preserve Social Security, (including for younger workers) — and then to expand it into a universal savings plan that would, through matching grants, help all young Americans who work, pay taxes and save, to become investors and, therefore, to benefit from all aspects of globalization.

There are many options for doing massive good with \$250 billion, especially if supplemented by another \$25 billion per year from eliminating congressional earmarks and another \$50 billion per year from outright doing away with nearly all discretionary spending programs that receive a failing grade of "D" or "F" under PART.

PART is the first time in the history of our country (and perhaps of any country) that a government has had applied to it a performance rating evaluation of the kind routinely used by private businesses. Governments simply do not do that — because they typically do not value efficiency. And because of that failing, even governments in the liberal democracies of the West (including our own) are moving ever closer to being net negatives that make their citizens financially worse off.

To avoid falling off that precipice, Washington must quickly learn to do "more with less." PART is helpful in identifying where efficiencies can be achieved.

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