

## THE PROGRESS REPORT

# Let's Have No More Budget Crunches

By Fred E. Foldvary

At the end of a fiscal year, government officials often indulge themselves in a budget crunch. The law requires them to have adopted a new budget at the beginning of the new year. But there are disputes about the revenues and spending, and as they approach the year-end deadline, one of two things happens.

- First, in their haste to adopt a budget, many spending bills get thrown in at the last minute, without much scrutiny.
- The second possibility is that there is no budget agreement and no legal budget. The government then shuts down "non-essential" operations, although the workers end up getting paid anyway once the budget is adopted.

This happens repeatedly with state governments, and with the US federal government at the beginning of its fiscal year in October. It was recently reported in the news that Mexican legislators faced a deadlock for the 1999 budget of Mexico and avoided a crisis with a compromise just 36 hours before the deadline. The report says that Mexican officials did not know if they would be able to keep the government operating without a legal budget.

So the budget-crunch problem seems to be widespread. Yet the solution seems rather simple and obvious. When a new fiscal year starts, if a new budget has not been enacted, then the previous year's budget would be used as a temporary budget, adjusted for inflation and population growth. All sections of the budget would be the same as the prior year, with that adjustment. For example, if there were a hundred million dollar item in the previous year, and the population grew by one percent and inflation was three percent, then the item would be increased by four percent to a hundred and four million.

When a new budget is adopted, that replaces the temporary budget. The government does not shut down, and the fact that there is a temporary budget as a default would prevent the hasty adoption of last-minute special-interest spending. There would no longer be an urgent rush to adopt a budget if there were not yet an agreement.

The best way to implement such an automatic budget extension is as a constitutional provision. The question then is, why have governments not adopted such budget extensions? The evident reason is that legislators don't want to have an automatic temporary budget. They want the budget crunch as an excuse and opportunity to put in special-interest privileges. **The budget crunch is a deliberate tool of special-interest subsidies and privileges!** The public is too ignorant to see through this trick.

**To test this proposition, contact your State or provincial legislator or Congressional representative. Ask them if they would be willing to propose a bill or constitutional**

**amendment to have a temporary budget extension. See if they seriously follow through with the proposal.**

**Personally I doubt if all the legislators will slap their foreheads and exclaim, "what a great idea! Why didn't I think of it?" What will likely happen is that the legislator or representative will say they will consider it, and it will stay under "consideration" indefinitely. This will confirm my suspicion that legislators deliberately use budget crunches as a tool for catering to their special-interest financial contributors.**