

### Cutting State Government Down to Size

On August 3, 1995, Massachusetts Governor William F. Weld delivered an address to a Pioneer Institute Forum in which he announced a massive downsizing and restructuring review of state government. In the following pages, Pioneer Institute has reproduced an edited transcript of the speech.

My hat is off to Pioneer for sponsoring this delightful event. It's extremely generous of you to even let me in the door. Charlie Baker, Steve Wilson, Jim Peyser -- I make a point of stealing somebody from Pioneer every chance I get.

I am about to do something risky today: that is to regale the Pioneer brain-trust with a detailed speech on cutting government. My staff dared me to try this. They said I would send you snoozing into your soup bowls before I was halfway through.

I kind of like dares, myself. Over the course of history a lot of impressive things have been done on dares. Small boys have climbed trees that were a hundred feet tall; mathematicians have proven theorems that had been considered unprovable; fountains have been swum; goldfish have been swallowed; college students have even eaten the worm at the bottom of the tequila bottle... or so I read somewhere.

When you are first making noises about doing something tough, nothing is more bracing than having somebody in the background saying "let's see you shoot as good as you shout."

That is exactly what my friend Tom Birmingham, the Senator from Chelsea, and the Legislature recently did for the Weld-Cellucci administration. My staff and I came home after an office retreat in May, determined to cut the size of state government.

The Legislature soon spiced up that task by giving us a good, old-fashioned political tweaking. In the fiscal '96 budget, they funded all of our cabinet offices for only six months of the year and put the rest of the money in the bank to be released only after the Lieutenant Governor and I finish our homework and give the Legislature a reorganization plan.

I think they are going to be pleasantly surprised -- or at least surprised -- by what we deliver. We are not just going to solve a couple of arithmetic problems and parse a few sentences and then say, "we did the math, we did the English, we're all done."

The assignment is not just about saving money or cutting taxes. It goes well beyond that. It is not only about restructuring government or making existing bureaucracies more efficient. That is also too superficial.

It is about starting from what you might call a Luddite's utopia -- ground zero for government -- rethinking what the role of state government is. In other words, where we should butt in and where we should bow out.

Up to now the Lieutenant Governor and I have slain some fairly sizable dragons. We have put Massachusetts' fiscal house in order with the help of the Legislature, we eliminated the deficit, we did not borrow and we did cut taxes -- ten times now. We reduced the state work force by about 8,000. We reformed the way that we handle criminals and the way we handle welfare. This state is indisputably a different place than it was in early 1991.

Yet every single year since then, despite our best efforts, the Commonwealth's tax receipts, and therefore its budget, have gone up. That is just not acceptable. I was recently out at the Hoover Institution in California and no less an authority than Milton Friedman explained to me that if tax receipts keep going up, it means the rates are too high. I think he's right, as usual.

In sum, we went as far as we could with the existing structure, and now we think it is time to knock that structure down and rebuild from first principles on up.

### A Day in the Life

If there is any question whether government at all levels has overstepped its bounds, we have only to consider the vise-like grip that most of our citizens feel closing about their heads.

As an illustration, I would like to take a look at the influence of government on just one guy; a day in the life. It is six-thirty a.m., his wife is on the way to work and he already has the kids bundled up in the car and on their way to day care.

His parents never had to do this. His mother was able to stay home with him and his brothers. His father never worked the hours that he and his wife do either, yet his father managed to buy a better house than they ever will and retire to a nicer golf course, too.

Of course, in 1950, the federal government took two percent of his dad's income. Now it is taking twelve times as much from him and his wife, a full quarter of what they earn. If you add state and local taxes, 40 percent of this family's income disappears.

He and his wife are spending more on taxes than they spend on the mortgage. No wonder they are barely scraping by even on two incomes. One of them is basically working to support the government. That irks our guy no end because he would like to stay home with the kids for a while.

It is almost noon and our guy is not working for himself yet. It was May 8th this year before he stopped paying the government's bills and started paying his own.

His life would be easier if he were making a little more money. His boss was actually planning to give him a raise, but his chance at a bigger paycheck disappears at one o'clock that afternoon when a government office shuts the firm down for failing to comply with its registration renewal requirements. This is a true story.

In fact, the business has complied with every rule and law, and has sweated blood trying to explain this over and over for weeks. But the government apparatchik acts like a gangster who would rather kill somebody than admit a mistake.

Unfortunately, high-handedness is pretty much what our friend expects from government. He is never going to forgive us for the way that we treated him a few years ago when his two-year-old tested with an elevated lead level. We sent him a court order in the mail demanding that he get a signed contract for lead paint abatement, a \$15,000 job, within 60 days. We made him and his wife so desperate that she actually wept in front of the bank loan officer. He thought it was great that we were protecting his kids, but he found our methods a bit un-American.

Before the sun sets on this day in the life, our friend is going to have a couple more brushes with the all-too-visible hand of regulation. He and his wife are hoping to send one of their kids to a good school in Jamaica Plain, but the school calls him to say that since it is forced to match the racial make-up of the City of Boston, it cannot take any more kids the color of his, even though there are seats there that are going empty.

Then he gets a call from the Department of Social Services (DSS) about another of his children, a seven-year-old that he and his wife have been trying to adopt for almost two years. There's good news. After 18 months, DSS has located the boy's biological father. Of course there's bad news, too. The man refuses to terminate his parental rights, so they are looking at a court case and another 18 months in limbo -- minimum.

By now, he is pretty sure we can't do anything right. The facts here are so clear -- the boy's father never once lifted a finger for him. There are thousands of kids who need a family, yet the state makes the child wait four years to get one. Four years is a long time for a seven-year-old. The woman on the other end of the line apologizes, helplessly, profusely. It is just Massachusetts state law.

It has been a lousy day, thanks to us and our city and federal partners. Our poor working stiff decides to have a beer to wash it down. Of course, it costs him 75 cents more per six-pack here in Massachusetts than it would if he lived in a lot of other states. There are a number of factors in that extra 75 cents, but one of them is our Alcoholic Beverage Control Commission. The ABCC forces wholesalers to advertise their prices and then calls in the artillery if they lower them within 30 days.

Who benefits from all this assiduousness? Certainly not the poor sap that we've been talking about.

Consider a more fundamental question: why is government making this guy's life so difficult? For years, we have heard the answers from the left: he has to sacrifice so government can help the needy. But take a look at our inner city neighborhoods. We are failing those people, too monumentally.

Government tells this guy he has to sacrifice so it can protect the environment. Of course we are doing it with rules that are not just senseless, they are often counterproductive. The EPA wants us to cover up all of our lake reservoirs in Massachusetts with cement because sea gulls may defecate in them. Never mind that there is a low-tech solution -- scaring the gulls off. Never mind it works just as well and it costs several hundred million dollars less.

Government tells our guy he has to sacrifice so it can do things for him, but it does not deliver what he needs -- safer neighborhoods, more high-paying jobs and good schools for his kids.

This guy knows that government is lying to him when it picks his pocket, that it is a pathological liar, that it impoverishes him without doing enough good for anybody. For all the steroids, American government is basically a weakling. And if you asked our friend what kind of government he would like, he'd probably say one that leaves him alone and lets him live.

## Putting State Government in its Proper Place

Since we are trying to define the proper role of government, we could do worse than to take a cue from our founding fathers, one pretty smart bunch of farmers and pamphleteers. The Declaration of Independence spells out why we need government, and its reasons are refreshingly modest: to secure men's inalienable rights to life, liberty and the pursuit of happiness.

Compare that with our current expectations. Government should boost self-esteem, teach parenting skills, construct and manage ice-skating rinks, insure crops against early drought, support sagging industries, etc.

Here in Massachusetts, we just filed legislation to finally get rid of a bunch of boards that regulate barbers, cosmetologists, landscape architects and the like. These all came into being because somebody thought government ought to save both people and shrubs from the trauma of a bad haircut. We are really choking on an excess of benevolence. Some argue that since America is so good at waging war -- it can neutralize Saddam Hussein in a matter of weeks -- then it should be able to solve all the problems we have here at home.

But look what happens when it tries. It props up segments of industry that ought to die a noble death in the marketplace. It creates social distortions like welfare that destroy the people that they are supposed to help. You get housing programs like the 707 vouchers that allowed people on public assistance to outbid working people for apartments on block after block after block. Just ask the City of Lynn.

In our cities, we have people living in places where government interference has completely driven out all the economic and social vitality of the community. These places are nothing short of public sector hells. No government can bring purpose to meaningless lives or light to benighted souls. The pursuit of happiness is essentially an individual business. By trying to spoon-feed happiness to those unwilling or unable to secure it for themselves, government has constrained the liberty of all the rest of us.

Our founding fathers were painfully aware of the dangers of benevolence. They routinely refused to spend public money for the relief of one group or another, because the Constitution did not enumerate such a power. Shades of the Tenth Amendment!

Jefferson actually lost sleep over the clause in the Constitution allowing Congress to promote the general welfare of the United States. He insisted in later years that the clause referred only to those powers specifically enumerated. His uneasiness, of course, was right on the money. In this century, the "general welfare" clause has been used over and over to promote the welfare of myriad tiny groups at the expense of the common good. Under the cover of benevolence, it has turned our tax dollars into a field day for special interests. That is exactly how government got to be so big and so ugly.

Where did the U.S. Department of Education bureaucracy come from? The common wisdom says it was a token of appreciation by President Carter to the National Education Association for endorsing him during his 1976 campaign.

I have not been entirely without sin myself. In 1991, I helped to create the Secretariat of Education in Massachusetts to go along with the Board of Education and the Department of Education, as a symbol of our commitment to education. It is time to rethink the idea that having state bureaucracies, particularly more than one of them, proves a commitment to anything.

Once one of these bureaucracies or programs comes into existence, it has more lives than Freddy Kruger. You can never kill it off without political cost. Right now, some members of the Legislature are gloating about handing me my head on a plate, restoring cuts that we had made in the Legislative budget with dozens of veto overrides. Even in Washington, in a Republican Congress, John Kasich, the House Budget Chair, cannot kill the subsidies that he calls "corporate welfare."

If a program fails, government historically has not gotten rid of it, it has slapped another program on top of it. It's like adding a story of Lincoln logs to a house of cards. We wind up with this hideous, cobbled-together contraption that costs a fortune and works, as you would expect, as well as any machine held together with rubber bands, baling wire and chewing gum.

That is how Massachusetts wound up with 23 separate agencies serving the disabled and 41 job-training programs.

In the Massachusetts Department of Education, we have four hundred people, a number of whom do little more than stack up money in piles and pass it out in the form of grants, each one of which has a grant administrator, a separate application process, etc. And each one has its own special interest defenders. We love education, but do we really need all this?

To diminish the influence of special interests, people call for reforms like term limits, cracking down on lobbyists and changing the way campaigns are financed. I wonder. If you cut off the blood supply to an

organic growth, it contracts. Stop the flow of taxpayer funds into every corner of the universe and I suggest the influence of special interests will shrink.

The problem is not just the size of government, but its impact as well. The Code of Massachusetts Regulations (CMR) has grown so vast that bookshelves buckle under it, not to mention businesses and lives -- all in the name of protecting us from risks.

The first compilation of Massachusetts laws was called "The Body of Liberties." Now, 350 years of progress later, we have truly created a "body of chains."

Our experience with regulatory reform is instructive. The Lieutenant Governor and I embarked on reg reform in 1991, when we had a full head of steam up. We did the sequel, reg reform II, in 1993. Yet the CMR is still 25,000 pages long.

I think we were asking the wrong question -- "what regulations can we cut?" Instead of "what regulations are absolutely necessary?" It is time to flip the presumption and say the whole CMR will sunset in a year and let the agencies come back and prove to us which rules we cannot live without.

Between now and November, we are going to take a skeptical look at everything that state government does. Lieutenant Governor Cellucci is going out on the road to ask both the citizens and the employees of the Commonwealth, "if it didn't exist, would we have to invent it?" This is not about shaving and planing, this is about carving a whole new totem from the ground up.

And we're going to start this investigation with certain basic precepts.

First, government should do only what the private sector cannot. And we have ample evidence that the private sector does almost everything better. The two great programs for returning World War II veterans offer the classic example. I borrowed this from David Osborne. The GI Bill, possibly the most successful domestic policy program ever, was a voucher system. It simply said to veterans, "go out, choose a school, we'll pay for it." That took care of their education needs.

For veterans' health care needs however, the government made the opposite choice, the bureaucratic model. It built big, red brick VA hospitals and veterans had to travel to these places no matter where they lived or what kind of specialized care they required. Hardly anybody would argue today that the standard of medical care in those hospitals is as good as in private hospitals.

We saw the same contrast of models here in Massachusetts. Before we privatized mental health services, patients were warehoused in state institutions -- more big, red brick buildings, often with bars on the windows. Now we save \$60 million a year on direct costs, we avoid over a \$100 million in capital costs, and the patients live in community settings that almost everybody agrees are much more humane and less intrusive.

I am not arguing here that government ought to do more with less, I am saying government ought to do less with less.

With all due respect to President Clinton, a real middle-class bill of rights should read this way: "The citizen has a right to have only the government that is absolutely necessary." If we want it to be really extreme, we could say, "the powers not delegated to the government by the Constitution are reserved to the people."

Government is raiding the citizens' paycheck to pay for its excess, and I put it to you that we have a moral obligation to take as little as possible.

Here's the beef. I see only a few things that we really need state government to do for us:

- First, it should protect people from being injured by other people or by physical disasters.
- Second, it ought to protect those who are otherwise helpless -- not those who do not want to work, but those who can't. That is the driving principle behind welfare reform and block-granting Medicaid.
- Third, because of economies of scale, certain physical assets need to be held in common. State government ought to take care of those assets. Everything from parks and rivers and open space, to roads and bridges.

As we look at the functions currently performed by state government, our first question ought to be, "should government do this in the first place?" And our follow-up question should be, "should state government do this?"

Some things, such as defense, have to be national. But everything else ought to be as local as it can be; as close to the people as possible.

The state's role in education, for example, should probably be limited to ensuring each school district a foundation budget for the sake of equity. We ought to get out of the intermeddling role and allow communities to make the best schools possible, according to their own model.

And we should not be forcing our cities and towns to consult the entire alphabet -- the MDC and the MHD and the DEP -- every time they want to put up a stop sign or a curb cut, as we now do.

In early November, when we diagram a new state government, we are going to take the byzantine and make it simple. Then we are going to stand back, put our fingers in our ears and wait for the uproar, because somebody is attached to every lump or bump that we will try to streamline away. And I know the special interests will make sure we feel plenty of heat.

We have already seen some ugly behavior from the status quo adherents with education reform. The woman who is organizing the Marblehead charter school had to pull her son out of public school because his classmates constantly called his mother a "charter school whore." I wonder who taught them that? A special education reform hearing recently held at the State House was a terrible scene. Lieutenant Governor Cellucci and I simply want to clarify the law so that every kid who acts out a little bit in class is not immediately dumped into special ed. Yet the advocates wheeled in -- literally wheeled in -- severely disabled kids, many of them in tears because they had been told by the advocates that we were going to take them out of their schools. That was shameful. None of those kids would have been even remotely affected by our bill.

You cannot peel the lid back and take a look at how we are accomplishing the worthy goal of creating a good educational system without advocates accusing you of apostasy and suggesting that you're attacking education itself. They operate on the principle that he who gets the most hysterical gets the most pork, and they have held politicians hostage with this technique, not only in the education area but many others, for years and years.

We are really going to have to be tough if we want to shrink government. But I find it easy to be brave, since I am putting Cellucci in the line of fire. If Paul survives, he may or may not be grateful for the experience.

Being tough about cutting government clearly means we will not stymie local government efforts to cut waste by pushing mandates down on them. By now, everybody is clear on the evils of unfunded mandates.

But I think honor demands something more. People have been giving me a hard time recently about not taking the tin cup to Washington and rattling it now that we have a Congress that is serious about cutting federal spending.

I see it a little differently. I think it is the responsibility of the 30 Republican governors to support efforts to cut government at the national level by not scrambling over each other to bring home pork and bacon -- after subtracting the 30 percent Washington surcharge that we pay as the money moves to Washington and then comes back. The taxpayers do not need the greasy bacon from us. They need tax breaks from all levels of government so they can start cooking up something more to their own taste at home.

The Lieutenant Governor and I are engaging in our downsizing exercise in this state, not because we hate government, but because we want to create the conditions of prosperity. Look at the State of Washington, for example. Their income tax is a little lower than ours -- it's zero. They don't have an income tax, but they do have Microsoft!

Our immediate goals are to find ways to spend less, tax less and sprout some Microsofts of our own. But I would like to see something even more fundamental come out of this effort.

Right now, the poor working stiff we were looking at thinks of the state as his enemy. We are the people who rob him. I am not going to be happy until we are the people who help him prosper because we have the good sense to get out of his way.

Right now, we tie him up in knots. Instead, we should only secure one thing -- his freedom to pursue life, liberty and happiness.

I would like to see a state government modest enough to admit that doing this well is a worthy end indeed. I intend to see that government soon.

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