

BOLD POLICY REFORMS FOR THE 2016 ELECTION

by Merrill Matthews, Ph.D.

Speaker of the U.S. House of Representatives Paul Ryan says he and other Republicans are looking for bold policy reforms. But what makes a reform “bold”? Our answer: policies that reduce the size and scope of government, empower people and states to make their own decisions, and keep more money in the private sector rather than the public sector. We think the following short list of reforms would help achieve those goals.

PRIVATIZE THE VETERANS ADMINISTRATION'S HEALTH CARE SYSTEM

Two years into the VA health care scandal and we still see stories of long waiting times, rationing, deceit, fraud, mismanagement—and no one held accountable.

After congressional grandstanding and denunciations, Congress overwhelmingly passed legislation essentially rewarding the VA with an extra \$16 billion—apparently oblivious to the fact that you don't reward mismanagement and corruption with even more money.

While the legislation did allow vets to go outside the VA system if they couldn't see a doctor in a timely fashion or lived too far away, those limited changes haven't worked well.

A better solution is to give vets access to subsidized private health insurance so they can go where and to which doctors they choose—just like other Americans with health insurance.

There are several workable options. Vets could be allowed to join the federal employees' health insurance program, which is available in every state, or the government could provide them with subsidized coverage through the exchanges or a Medicare Advantage plan.

The Government Accountability Office says there are 150 VA health care facilities, 130 nursing homes and 850 outpatient clinics. While the VA might still provide long-term care in nursing homes—at least for the time being—or other specialized services, most of the hospitals and clinics should be closed as vets receive the right to go to any doctor they wanted.

Needed Reforms:

- Privatize the Veterans Administration's Health Care System
- Pass Education Savings Accounts
- Allow State Opt-Out of Federal Grants
- End Federal Government Unions
- Balance the Federal Budget

Many politicians would fight such a proposal because they want the VA hospitals, which produce jobs and photo ops, in their districts. This proposal isn't about ensuring political careers but ensuring that vets have quick and easy access to the best care available.

PASS EDUCATION SAVINGS ACCOUNTS

Congress just passed the Every Student Succeeds Act, an education reform law meant to replace the 2001 No Child Left Behind Act. Republicans boasted the law returned power to the states, but teachers' unions liked it because it made them less accountable.

Nevada has a better idea. The state recently passed legislation to provide every participating student with an Education Savings Account (ESA). The state currently contributes \$5,100 to the students' ESA, and a little more for low-income kids. Parents can take that money and apply it to private schools, homeschooling, distance education or other options. Money not spent grows and can be used to fund college expenses.

Nevada's ESAs are the most pro-school choice option in the country. They give every child the opportunity to customize their education if the family makes that choice. And they could make it possible to shutter the Department of Education, as Ronald Reagan once proposed.

ALLOW STATE OPT-OUT OF FEDERAL GRANTS

The Congressional Budget Office says that in 2011 the federal government provided state and local governments with \$607 billion in grants and aid. According to the CBO:

- \$293 billion was spent on health care;
- \$114 billion went toward income security;
- \$89 billion paid for education;
- \$61 billion was spent on transportation; and
- \$50 billion was spent on other projects.

In 1960 grants amounted to 7.6 percent of federal spending and 1.4 percent of GDP. In 2011 they had more than doubled, to 16.8 percent of federal spending and 4.1 percent of GDP. The Medicaid program was the primary catalyst for the rapid expansion.

The federal government often uses the lure of federal funds to get the states to submit to Washington's will: "You want highway money? You have to set your speed limits at a level we in Washington think is right."

And while many states would like to end the extortion, they would lose much of the money their citizens paid in federal taxes—a taunt regularly used by those pushing for even more state dependence on the federal government.

The solution is to allow states to opt out of Washington's grants and aid but allow citizens of those states to keep that portion of their federal income tax that otherwise would have gone to the grants program.

For example, the federal government took in about \$1 trillion in individual income tax revenue in 2011. About 60 percent of that (\$607 billion) was returned to the states. So if a state were to opt out of federal grants and aid, its citizens should be allowed to reduce their federal income tax obligation by a similar amount.

Of course, states might have to raise taxes to offset some of that money they would lose in federal grants, but an individual's total tax bill would likely go down.

It makes no sense for Americans to send \$1 trillion every year to Washington only to have the federal government return most of that money—less Washington's onerous handling fee, and only if states do what Washington demands. Give states the option of opting out, and let that income tax money stay in the state—and with the people.

END FEDERAL GOVERNMENT UNIONS

The Bureau of Labor Statistics says that 27.5 percent of the 3.4 million federal government employees are union members. These aren't firefighters or police putting their lives on the line; the vast majority have white-collar desk jobs. They are more educated than the average American and they make more money—78 percent more, according to one study.

And unions have instituted provisions that make it almost impossible to punish or fire a federal employee, even if employees spend their whole day looking at pornography (SEC), illegally targeting Americans (IRS), committing massive fraud (VA), and wasting billions of dollars (Pentagon).

While Franklin D. Roosevelt was a big supporter of unions, he opposed allowing government workers to unionize. If we want the government to be accountable to the public, that means workers should be punished or fired for wrongdoing, something that seldom happens to federal workers, regardless of their crimes and actions.

Ending federal union participation would not affect police or fire fighters or teachers, many of whom belong to state or local unions. Federal unions have successfully padded their members' pockets and swollen their numbers, driving up the cost of government at taxpayer expense. A bold proposal would end them. That's what FDR would have done.

BALANCE THE FEDERAL BUDGET

Balancing the federal budget has become a mantra among conservative political candidates, but very few have proposed a way to do it. Indeed, most of the Republican presidential candidates, by calling for increased defense spending, would make balancing the budget even more difficult.

Candidates could identify specific cuts they would make, such as eliminating certain departments and agencies, but very few have done that, perhaps because it would make them an easy political target. So instead of targeting specific budget items, make spending cuts broad-based.

Economist Jason Fichtner of the Mercatus Center has proposed a "1 percent solution." In his 2011 paper, Fichtner argued that if federal spending were cut by just 1 percent, the federal budget would balance in about a decade. The reason is that increased revenue from economic growth would eventually overtake spending. And the lower the federal spending increase, the sooner the federal books would balance.

All of the Republican presidential candidates are talking about tax cuts, but tax cuts are not enough if we want to balance the budget. The government doesn't just take too much money, it also spends too much.

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