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Two articles today give us an idea of how hard it is for governments to cut back. The first one, in the Los Angeles Times, reports that the city's Mayor, Antonio Villaraigosa, is recommending that the city "[Slash city services](#)." In the second article, Dan Walters [discusses](#) the politics of California's Governor's proposal to cut per-student K-12 spending by a \$1,000 over three years.

There is a long history of these types of stories. When faced with budget cuts, governments usually seem to react by cutting services. So, you see libraries closing, police forces cut back, road maintenance deferred and the like. I used to suspect that this was a way of threatening citizens, in order to get them to approve higher taxes, and that could be true in some situations, I don't think it explains the frequency of service cutbacks that we observe.

I think of governments as having three options: They could reduce transfers. They could cut public employee salaries. They could cut services.

There are a few problems with reducing transfers. One is that demand for transfer payments actually go up at the very time that governments are most likely to be financially challenged. It is also easy to believe that people working in government, elected or not, may be particularly altruistic and believe deeply that government has a responsibility to reduce inequality. Even if we take the cynical view that people in government are in it only for power, that power would be threatened by, say, videos of someone's grandmother eating cat food, because some transfer was reduced or eliminated. All this makes it unlikely that transfer payments will be cut, or if they are cut, they are cut from programs that impact non-voters and don't generate videos, something like mental healthcare for children.

There has been a bit of press lately about how well paid government employees are relative to private workers. It seems to be true that—even after adjustment for education, experience, and the like—public employees earn more in both salaries and benefits than comparable private-sector workers, although individual workers I meet vehemently deny this. If it is true that government employees earn more than their private-sector counterparts, it would seem easy to cut the salary, but we don't see this. That seems to be because public unions are well funded and they use that funding for political power. No elected official is anxious to take on the public workers' unions.

So, we're left with cutting government services. This is unfortunate because it is very difficult to imagine an economic model that would give us the result that any optimizing entity, when faced with a contracting budget constraint, would move to a corner solution, or cut only one of the three options. Most optimizing models would result in cutting each, probably by different amounts.

It is also unfortunate that they are cutting K-12 education. Our system is already a failure, and cutting funds will make it worse. There is strong evidence that differences in education explain much of the recent increase in income inequality. Reducing the quality of K-12 education will increase income inequality. It seems unfair to add this burden to a generation that we are leaving so financially burdened.