

Aunt Wilma In Washington

By John T. Correll, EDITOR IN CHIEF

WASHINGTON, D. C., needs a statue of Aunt Wilma Hudson. It could stand in the middle of Pennsylvania Avenue, halfway between the Capitol and the White House. On such a perch, Aunt Wilma would be a symbol of the federal city, which conducts its affairs much as she did hers, unintimidated by common logic.

In James Thurber's short story "The Figgerin' of Aunt Wilma," Mrs. Hudson is baffled by numbers. She compensates for her confusion with a contempt for the computational arts and a distrust of those who dabble in them. She also triumphs in the end, proving that reality isn't always that important.

She drags a hapless grocer through eight other-worldly recalculations of her bill. In desperation, he settles for less than she actually owes him. Aunt Wilma quits the field eventually, but she remains dissatisfied, convinced that she had more money coming.

Aunt Wilma would have fit well among the nation's leaders this year as they staggered through the federal budget process, leading up to October 16 when accounts were sequestered for automatic reduction. But that gets ahead of our story.

In theory, the government set out last January to develop a budget that held the federal deficit within a ten percent margin of \$100 billion. That is the ceiling prescribed for 1990 by the Gramm-Rudman-Hollings deficit reduction act. If the process fails, the President must "sequester" (set aside) departmental budget authority and make up the difference with across-the-board reductions. By law, half the reduction comes from defense, although it expends less than thirty percent of the outlays.

Instead of work on the budget or the deficit, though, the ensuing ten months saw a struggle over numbers that everyone *pretends* are the budget and the deficit. The October 16 sequester order illustrates. Exempt from sequestration was \$765.8 billion, or sixty-four percent of the outlays proposed for 1990.

The annual "budget" debate ignores entitlements and other mandatory spending. A huge share of federal spending is untouched by human control. Funds will be dispensed by preset procedures, no matter what the deficit is. There is—no joke—an *on-budget* budget and an *off-budget* budget.

The "deficit" isn't really the deficit, either. We have two estimates, \$116.1 billion (from the Office of Management and Budget) and \$141.3 (from the Congressional Budget Office). OMB was overly optimistic by \$15 billion last year. CBO's number is regarded as the better of the two, but it does not count. The Supreme Court says that CBO, as an arm of the legislative branch, cannot steer the executive function of sequestration.

Both estimates are fudged. Alas, there is an *on-budget* deficit and an *off-budget* deficit. CBO, like OMB, credits the balance with a \$65 billion "surplus" (in fact, the reserve against obligations coming due in the next century) from the Social Security trust fund. CBO pegs the on-budget deficit at \$206 billion.

Naturally enough, it's the contrived estimate, not the actual deficit, that matters. If the projection is later found to be wrong, that's written off as history. All manner of accounting games can be played in this loophole. For example, the government "reduced" the 1990 "deficit" by shifting the October 1 military payday to September 29, thus allocating outlays of \$2.1 billion to FY 1989.

The Administration and Congress also agreed to treat a large portion of the savings and loan bailout as off-budget. Otherwise, the argument went, it would swell the deficit and undermine the crusade for a balanced budget.

Gramm-Rudman was invoked when the "budget" process came a cropper. The law is mindless by design, distributing cuts evenly over the "discretionary" thirty-six percent of the spending. It does not notice that some reductions are particularly stupid. IRS tax collectors, for example, must absorb their fair share of the personnel layoffs, even if the revenue consequently not collected causes the deficit to rise.

OMB's \$116.1 billion "deficit" projection that triggered sequestration is expressed in outlays. The reduction process, however, cancels budget authority. That makes a big difference in accounts that pay out slowly. To get its assigned share—\$8.1 billion—of the \$16.1 billion cut mandated in outlays, the Department of Defense will have to scrub \$13.1 billion in budget authority.

October 16 came and went in relative calm. Congress passed a continuing resolution to keep the government operating. The unfortunate agencies caught in the sequester did not know what their budget authority would be for the fiscal year already begun, but they have been through this before.

Hardly anyone took the threat of automatic reductions seriously. Sooner or later, it was assumed, we would hit upon a different solution. But what is certain when all is unreal? It might be better, some said, to let the automatic "budget" reductions proceed and take the savings where you can get them. Under Gramm-Rudman, the 1991 "deficit" ceiling is \$64 billion, and that's going to be tough.

Aunt Wilma may have been addled, but her transaction wound up within ten percent of the correct number. Who can say whether the government will do as well? ■