

HOW MUCH GOVERNMENT DOES TEXAS NEED?

An Analysis of the Texas State Budget

by Morgan Reynolds

*Sponsored by the
Landrum Society*

NATIONAL CENTER FOR POLICY ANALYSIS

Center for Texas Studies

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PREFACE

by

William Murchison¹

Sometime in the near future, the politicians in Austin will start talking about the need for higher taxes. Some will suggest an income tax. Why? In order to fund more state spending. But are we getting our money's worth from the taxes we already pay? This study, by Texas A&M University economist Morgan Reynolds suggests we are not.

The premise of the study, sponsored by the Landrum Society, is that the burden of proof belongs on our elected representatives -- to demonstrate that our tax dollars are going to their highest valued uses and that those uses provide a bigger payoff than leaving the money in the private sector of the Texas economy. Reynolds argues persuasively that we can cut state spending by more than \$6 billion without sacrificing any important services that Texas voters want the state government to provide.

Even a cursory glance at the Texas state budget raises questions that are deeply troubling. Does Texas really need to spend \$6.1 million every two years on a Natural Fibers and Food Protein Commission? If this agency were to vanish, would consumers even notice? Do we really need a Cancer Council to draw up a "Texas Cancer Plan"? Is cancer in Texas any different from cancer in any other state? Or what about the \$900,000 in biennial spending on the Texas Indian Commission? Since our only two Indian reservations are being transferred to the federal government, isn't it time to close this agency down?

Dig deeper and more questions arise. The state of Texas owns 21,000 automobiles and 40 airplanes. Are all those cars and planes essential to the necessary and proper business of state employees? A lot of very large companies manage to do quite well without owning any airplanes. And how about the 75 state-owned printing shops? Can't private printers do the job for less money?

The mere titles of many agencies suggest that a great deal of state spending is directed by the heavy hand of special interests. Take the Board of Barber Examiners, for example. Does this agency protect the public from unscrupulous barbers? Or does it protect existing barbers from would-be competitors by making entry into the profession costly and expensive? If you didn't even know there was a Board of Barber Examiners, that's an important clue.

In some cases, we don't have to speculate about an agency's purpose. Agencies with titles such as "Agricultural Experiment Station" and "Agricultural Extension Service" spend well over \$100 million a year. Most non-farmers have no idea where the money goes. Be assured that it's spent for the benefit of farmers. Yet, considering that the federal government already operates a \$56 billion-a-year welfare program for farmers, considering that U.S. Department of Agriculture spending exceeds the net income of all U.S. farmers, and considering that the average net worth of a farm is \$250,000, is there any reason why Texas taxpayers should be assessed on top of that?

State regulation of financial institutions is also troublesome. Currently, eight regulatory agencies (in areas such as banking, insurance, securities, etc.) are spending \$134 million every two years in order to ... well, what? Where is all the money going? What do these agencies

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actually do? Have they ever prevented a bank failure? What terrible things would happen if we didn't spend the \$134 million? The evidence strongly suggests that Texas banking regulations have made the banking industry more fragile and less stable than it otherwise would have been. Other financial regulatory agencies also are suspect.

As in the case of the federal government budget, a lot of unnecessary spending in Texas is buried under the sensitive categories of "education," "health" and "welfare." For example, anyone in Austin will tell you that you can't have serious budget cuts unless you cut spending on education. Often this observation is delivered in a no-further-discussion-is-necessary tone -- as a tacit warning that pretended astonishment is about to follow: "Surely, you're not going to suggest ..."

Suggest it? We must insist on it! Education dollars in Texas must be subjected to the same rigorous scrutiny as spending on anything else. Let's grant for the moment that the \$2,000 per student we send each year to the University of Texas at Austin and Texas A&M University at College Station is money well spent. These are two of the state's finest universities. But what are we getting for the \$8,500 per student that the state sends to Texas A&M at Galveston or the \$5,243 per student that we send to the University of Texas at Permian Basin? And what about the junior college system? Does Dallas really need eight junior college campuses? Does anyone know what the students are learning there? Does anyone in Houston, San Antonio or rural Texas care?

Even at the schools where we tend to think we're getting good value, uses of the taxpayers' money are open to question. Does Texas A&M really need to operate its own airport, its own golf course, and its own television station? Does the University of Texas at Austin really need to employ 190 policemen?

As for lower education, it's time to quit focusing on "no pass, no play" and the Teacher Career Ladder. Let's focus instead on the bottom line. Spending by state government is 40 percent above the national average, although local spending is below the national average. Texas has the shortest school year in the nation and one of the highest drop out rates. Of those who do graduate, one-third are functionally illiterate. Are we getting our money's worth? Of course not.

While Texans are distracted by cosmetic changes, other states are making pioneering educational reforms. Freedom of choice of schools for parents. Competition among schools for students. Greater flexibility on the part of schools to innovate, experiment and adapt. That's what other states are doing. It's time for Texas to do the same.

In the area of welfare, we are repeatedly told that Texas is downright stingy. True, when it comes to giving money to welfare mothers, we rank near the bottom. But that's only half the story. When it comes to supporting a welfare bureaucracy, we're right up at the top. The state of Texas employs more public welfare workers than any other state in the nation. Other states are reforming their welfare systems -- turning from welfare to workfare. Texas should follow suit.

In the health care sector we are repeatedly told that Texas doesn't do enough for low-income patients. But before we turn to the taxpayers for more money we should take a close look at where the health care dollars are going right now. At a time when Canadian doctors are willing to immigrate to Texas free of charge, why is the state of Texas sending \$410,417 to Texas A&M every two years for each medical student being trained there? Or, why spend \$195,750 on each medical student at Texas Tech? And, at a time when 40 percent of Texas hospital beds are empty, why are we spending \$31.6 million each biennium just to keep the doors open at San Antonio Chest Hospital in Harlingen?

The Texas judicial system has become a national embarrassment, and the problem is not confined to the quality of some of our judges. Our legal system is probably the most complex and

antiquated in the nation. Needed reforms would not merely save money, they would also greatly improve the quality of justice.

Texas is supposed to be a place where people believe in free enterprise. Yet the state owns 29 percent of all the land. One in six Texans works for government. One in ten receives food stamps. The state tells sellers of alcohol they cannot use the word "pure" in any advertisement. It tells farmers they cannot sell a tomato with a diameter smaller than 1.875 inches. It tells barbers they must place a 12 inch red, white and blue pole outside their shops. It tells truckers what they can haul, where to pick up, where to deliver, and what price to charge. Is this free enterprise?

Reynolds' study is one that should be read and re-read. Under almost every bureaucratic rock he finds insects of waste and inefficiency. And, were he to look further one suspects he would find much more. In that sense, this study is just the beginning of the continuing task of scrutinizing the behavior of state government. It's a task that requires the participation of all Texas citizens.

The Landrum Society, founded in 1988, is a non-profit, tax-exempt organization of Texans dedicated to limited government, free-market economics, and traditional moral and social values.

It addresses the broad range of issues facing modern Texas -- crime, taxation, the state budget, education, and the judiciary, among many others.

Why this study? Because of the society's conviction that state government has grown in a fit of absence of mind. While Texans wrung their hands over the size of the government in Washington, the government in Austin, almost unobserved, doubled and redoubled in size.

Plainly there are things government should and must do. Equally plainly there are things government does badly or expensively -- or both -- and from which it should withdraw. Dr. Reynolds' study is an attempt to distinguish the useful from the futile, the prudent from the wasteful. We think this is a landmark study from which Texans can learn -- if they will listen.

INTRODUCTION

This study will propose changing or abolishing specific programs, bureaucracies and state policies in order to alleviate the assault on the pocketbooks of long-suffering taxpayers. Special targets are those programs where spending and regulations cannot possibly serve the public interest, and programs which only benefit narrow interest groups at the expense of the general public. Such programs diminish freedom and prosperity in the state. They place restraints on individuals seeking productive employment, and they limit opportunities for businesses to profit and grow.

Texans have suffered three major tax increases in the last four years, including a whopping \$5.7 billion increase in 1987. As a result many Texans have found it more difficult to make ends meet. If we ask, "Have the new taxes done the job?" the answer must be "No." Yet, we are repeatedly told that Texas must "modernize," by mimicking other states -- by expanding the tax base by embracing higher taxes and by adopting an income tax.

But Texans are already overtaxed and overregulated. Higher taxes, we are told, are necessary to fund the "essential" services supplied by state government. But if the services are so indispensable to consumers, why must the state force the public to pay for them? Part of the answer is that much state spending is not essential. In fact, many state activities are a disservice to the public. And, for state services which the public wants and needs, state government bureaucracies usually cannot supply them efficiently.

There is an absence of philosophical introspection in today's politics. Consider the remarks by Texas' own John Nance Garner in 1931, when he was Speaker of the U.S. House of Representatives: "The great trouble today is that we have too many laws. I believe that primarily a government has but two functions -- to protect the lives and property rights of citizens. When it goes further than that it becomes a burden." A year later Garner was drafted to become Franklin Roosevelt's vice president and was virtually never heard from again. "Cactus Jack's" views received little consideration by the Roosevelt administration then or by the state legislature today.

The decline of oil and gas tax revenues means that financing our state government will become more difficult. It is time to look critically at the state's spending and see what *specific cuts* can be recommended. While nearly everyone opposes big government in general, successful restraint requires reasoned opposition to specific programs. This report identifies spending programs and regulations that worsen the taxpayers' plight. It is only a start. By no means are these recommendations comprehensive or exhaustive, especially by John Nance Garner's rule.

But isn't the Texas state government already small and economical? That depends on how we look at it. It is colossal by some standards. The Texas state government is the third biggest spending state government behind California and New York, spending more than \$20 billion annually. Texas is the biggest state spender on highways and the second biggest spender on higher education and capital purchases. Government at all levels employs over 1.1 million people in Texas, one out of six people in the state's nonagricultural labor force.

The Texas state government employs 233,000 full-time and part-time workers, or 205,000 full-time equivalents, easily making it the third largest state government. It employs the second largest number of employees in the nation in higher education, public welfare, and natural resources. It operates over 200 major agencies and controls 29 percent of the land in the state. There are over 1,200 pages of regulations for 28 occupational examining boards alone. In terms of state personnel per 10,000 people, Texas is below average -- employing 87 percent of the U.S. average. But local governments in Texas exceed the U.S. average by 13 percent. As a result, Texas is above average in terms of state and local government employees combined. The state tax

bite per \$100 personal income is almost twice that of New Hampshire, the lowest taxed state, whose motto is "Live free or die."

Fortunately, the legislative majority in Austin, conscious of the impact of state bureaucracy on freedom and growth, has managed to restrain state government in many respects, especially on a per person basis compared to the rest of the nation. For example, state spending is 70 percent of the national average per 10,000 population. State spending is about 75 percent of the national norm per dollar of personal income. The Bond Review Board claims that state debt is \$7 billion, placing it among the lowest in the nation on a per capita basis. Spending on welfare programs is comparatively low, although spending is generous for education, highways and health. Overall, Texas ranks 36th in combined state and local spending per capita at 87 percent of the average spending among all state governments.

Texas is different, but probably not as different from other states as many Texans believe. Vast increases in the state government's activities, revenue and spending seem unable to keep pace with demands. Bigger government breeds more pressures for more spending. In the next biennium, for example, the educational establishment wants a 33 percent spending increase, the mental health bureaucracy wants a 20 percent boost, and most other agencies also are asking for more. Obviously, such increases cannot be funded from anticipated state revenues, so agency chieftains implicitly are demanding new taxes on Texas families.

A major obstacle to reduced state spending and regulatory power is the fact that many people believe that government can accomplish wonderful things if "adequately funded." This is a faith with little rational or evidential basis. Nor does government have a fund of its own. Beneath the rhetoric and camouflage, government mostly is a mechanism by which politicians *take* from one group in order to *give* to another, with an administrative charge in between. The more the state takes, the more it can give.

This study is based on the premise that a certain "ferocity" is needed to defend the income and property of Texas families. Any cut in government spending encounters serious resistance because every program has well organized recipients of the funding. As John Goodman, president of the National Center for Policy Analysis in Dallas, says, "There is a constituency for waste." Increasingly successful raids on the hard-earned incomes of working Texans by bureaucrats, business interests, organized labor, senior citizens, college students, college professors, podiatrists, farmers and a host of others are targets of this report. As Milton Friedman observed, if we want to know why government's power and spending grows, we should look in the mirror.

SUMMARY OF PROPOSED REDUCTIONS IN TAXPAYER BURDEN

(in millions of dollars)

| | | |
|-------------|--|------------------|
| I | Lower Education | \$ 414 |
| II | Higher Education | 3,850 |
| III | Health and Human Services | 144 |
| IV | Transportation | 221 |
| V | Justice | 197 |
| VI | General Government | 623 |
| VII | Agriculture and Natural Resources | 425 |
| VIII | Regulation | 243 |
| IX | Miscellaneous Agencies | <u>15</u> |
| | TOTAL | \$6,132* |

***15.5 percent of 1988/89 biennial state spending**

LOWER EDUCATION

OVERALL RECOMMENDATION: Reduce spending on unproductive programs; introduce merit pay for schools and freedom of choice among schools.

(CALLOUT) *"25 percent of Austin public school teachers send their own children to private schools"*

The state government spends about half of its budget on all levels of schooling -- \$20 billion during the 1988-89 biennium. The state education board has demanded an enormous increase of 33 percent for lower education in the next biennium, a jump of nearly \$4 billion. What has the education bureaucracy done to earn ever-higher spending? Not much. Student achievement scores in Texas, (like those elsewhere in the nation,) have stopped declining, at least temporarily. But since class size has been falling, teachers' productivity (number of students educated per teacher) also continues to fall.

Why is the state's educational bureaucracy so unproductive? Because they do not have to compete vigorously with each other to satisfy customers who can exercise choice in the marketplace. Public school officials are blessed with protected local monopolies, and a captive market backed by compulsory attendance to age 16. As a result, public education has become a bloated bureaucracy, replete with rigidities, and pressured by teachers' associations, unions, and other special interests. Because the bureaucracy is not subjected to the competitive disciplines of the marketplace, it has weak incentives to improve student achievement. If legislators insist on spending and directing huge amounts of money for lower education, they must adopt market-oriented techniques to correct the inherent defects of the current system.

The state government spends 141 percent of the 50-state average per child on schooling, Texas local governments spend 93 percent of the 50-state average, and the combined spending is at the U.S. public school average. Plenty of money is being spent, especially considering that student performance is below the national average. The problem for legislators and bureaucrats is to spend the money in productive ways -- to produce literate and skilled Texans.

As a step toward solving the problem we should begin by taking a close look at the private sector. American business spends about \$80 billion a year on education -- more than the amount spent by all colleges and universities combined.¹ About one-fourth of corporate educational dollars are spent on remedial education -- teaching basic reading and writing skills that employees failed to learn in the public schools.²

We should also take a close look at the nation's 21,000 private secondary schools. Contrary to some people's perceptions, only a handful of these schools are elite schools with high tuitions. The other 95 percent of private schools cost about half as much as the public schools, achieve higher student test scores, and educate students from all walks of life.³

¹Carnegie Foundation for the Advancement of Teaching, *Corporate Classrooms*, (Princeton: Princeton University Press, 1985).

²David T. Kearns and Dennis P. Doyle, *Winning the Brain Race* (San Francisco: Institute for Contemporary Studies, 1988).

³Robert Woodson, "Private Sector Alternatives to the Welfare State; A New Agenda for Black Americans," National Center for Policy Analysis, 1987.

A key characteristic of private schools, of course, is that they must compete for customers. If they don't perform, they lose students and, therefore, revenue. Another characteristic of the private schools is that they avoid the top-heavy bureaucracy so typical of public school systems. For example, Chicago's embattled public school system employs 3,000 administrators. By contrast, the Catholic Archdiocese of Chicago serves one-third as many students with about one percent as many administrators.

The key to reform? Copy the methods that succeed.

PROPOSAL: Freedom of choice for parents.

If we want literate and skilled future citizens, we must introduce the educational bureaucracy to the discipline of competition. The legislature must relax the monopoly privileges enjoyed by the public schools and inject greater rivalry and parent choice. As Bela Karolyi says about gymnastics--"No competition--no progress." Is this a radical proposal? No. In Minnesota, parents can send their child to any public school in the state. In Milwaukee, Wisconsin, parents can now send their children to any of the 147 public schools. Many other decentralized methods could improve schooling too -- magnet schools, school or site-based management, partnerships with local businesses, local college partnerships, and performance-based bonuses.

PROPOSAL: Reward increases in student test scores.

Schools invest major amounts of money and personnel in increasing student attendance because the state formula rewards schools based on average daily attendance (ADA). For improvements in academic performance, however, the state offers no financial reward. Answer? Use 15-20 percent of ADA funds to reward the school districts that produce gains in scores.⁴ In other words, institute merit pay for school districts. The rewards should be structured so that districts with the lowest levels of current performance have the most to gain by improving. Districts with lower socioeconomic students would have the opportunity to fare very well in such an environment because these students are farther below their potential than higher socioeconomic districts, thereby making large increases in test scores possible.⁵

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SELECTED FACTS ON SCHOOLING

- At 175 days per year, Texas has the shortest school year in the nation. Most U.S. students attend 180 days, while Japanese students attend 240 days.
- Between 1976 and 1985 the number of Texas students increased 13 percent, teachers 20 percent, staff and administrators 30 percent.

⁴This idea has been endorsed in principle by the Chairman of the State Board of Education and by Governor Clements.

⁵For a detailed proposal, see Murray Berkowitz, *et. al.*, "The Failure of Our Public Schools: The Causes and A Solution," National Center for Policy Analysis, NCPA Policy Report No. 105, July, 1983.

- About 25 percent of the public school teachers in Austin send their own children to private schools.
- Teacher seniority and length of graduate training increase teacher salaries, yet are unrelated to student achievement.
- Expenditures per student are unrelated to student achievement.
- In Texas the student-teacher ratio is 18:1 -- the average for the United States; in 1940 in the United States it was 29:1 and in Japan it is currently 40:1.
- The National Education Association recommends a 15:1 student-teacher ratio, although statistical studies find little relationship between class size and student achievement.
- The only school variable statistically related to student achievement is teacher verbal ability.
- The high school dropout rate in Texas is 27 percent for Anglos, 34 percent for Blacks and 45 percent for Hispanics. The national dropout rate is 15 percent.
- Opinion polls show that parents believe that choice in education is the key to improving education.

Selected References: Jeanne Allen, "Improving Education: Lessons from the States," *Backgrounders*, The Heritage Foundation, Washington, D.C., September, 1988; David Boaz, "Educational Schizophrenia," in David Boaz, editor, *Assessing the Reagan Years*, (Washington: Cato Institute, 1988); Eric Hanushek, "The Economics of Schooling," *Journal of Economic Literature*, Vol. 24, September, 1986, pp. 1141-77; David T. Kearns and Dennis P. Doyle, *Winning the Brain Race*, (San Francisco: Institute for Contemporary Studies, 1988); U.S. Department of Education, *Japanese Education Today*, (Washington: U.S. Government Printing Office, 1987); U.S. Department of Education, *Digest of Education Statistics, 1985-86*, (Washington: U.S. Government Printing Office, 1987); Edwin G. West and Halldor Palsson, "Parental Choice of Schools," *Economic Inquiry*, Vol. 26, October, 1988.

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PROPOSAL: Abolish the teacher career ladder.

SAVING: \$314,000,000

This is an expensive program which rewards teachers for factors unrelated to student achievement.⁶ How well is the program working? Consider the fact that 90 percent of Dallas' 7,000 teachers were ranked in the top two of the five rating categories and less than one percent of teachers were ranked in the bottom two categories. In the 84 schools in which a majority of students failed the Iowa Test of Basic Skills reading standard about half the teachers received one of the top two ratings.

PROPOSAL: Adopt user fees for textbooks.

SAVING: \$50,000,000

The state taxpayers are spending \$230 million this biennium to supply textbooks free of charge to all children, whether from rich or poor families. We should consider reintroducing some

⁶For a critique of the practice of rewarding teachers on the basis of seniority and advanced degrees rather than on the basis of performance see Cherie Clodfelter, *et. al.*, "Why Not the Best? NCPA Task Force on Education: Certification of Texas Teachers," National Center for Policy Analysis, NCPA Policy Report No. 110.

parental responsibility by having the parents pay \$5 per text. Alternatively middle and upper income parents could be billed for the full cost of texts. This also would encourage the much-praised activity of parental involvement in education. Perhaps more parents will examine the books and exert pressure for a higher quality.

PROPOSAL: Reduce spending on bilingual education and pre-kindergarten programs.

SAVING: \$50,000,000

Bilingual programs are a misnomer. They are not designed to teach English to Spanish-speaking children. Instead, they are classes taught in Spanish to Spanish-speaking children. These classes are not helping children become literate and productive citizens in an English-speaking country. Historically, immigrants fared well despite the absence of such programs. Nor will such programs reduce the Hispanic dropout rate of 45 percent in Texas. Thus, it is unnecessary to spend millions of dollars to recruit bilingual teachers. The state and local authorities are spending \$70.7 million on bilingual classes and another \$94.8 million on pre-kindergarten programs for disadvantaged and non-English-speaking children. These are questionable uses of taxpayers' money.

PROPOSAL: Convert state subsidies for remedial education into bonuses for performance.

Let's face it. The Texas Public School System is failing large numbers of students. Even though there has been improvement in some schools, the worst public schools in Texas are as bad as they ever were, according to the Carnegie Foundation for the Advancement of Teaching.

Of course, the teacher lobby tries to shift the blame elsewhere. The National Educational Association (NEA) tells us that it's not the teachers' fault. Teachers can do little, they say, when the primary causes of learning difficulties are due to the students' home and family problems. It's time to take the teacher unions at their word -- they can't solve the problem through the current system no matter how many dollars we throw their way.

Fortunately the situation is not hopeless. Research shows that private schools -- especially private religious schools -- keep more "problem" students in school and have much better success teaching them. Although the national dropout rate for 10th and 11th graders in public schools is 14 percent, in Catholic parochial schools the dropout rate is only 2.4 percent. In other words, among those schools that have to compete for customers, the "problem" students are less of a problem.⁷

State and local government in Texas is spending \$744.5 million for ineffective "remedial" education. Under the current system, the financial incentives are perverse. The worse the school performs, the more tax money it receives. The money would be better spent by creating good incentives. Local schools should have the option of contracting with private schools, private contractors and anyone else who has better ideas and better techniques for solving the problem. State funds to local schools should be based on performance.

TOTAL SAVING: \$414,000,000

⁷James Coleman, "Educational Achievement: What We Can Learn From the Catholic Schools," *Associates Memo*, Manhattan Institute, November 4, 1988.

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CHOICE IN EDUCATION WHAT OTHER STATES ARE DOING

Arizona allows 11th and 12th graders to attend colleges and universities.

California permits parents of elementary students to choose between the school district of their place of residence or place of work, as long as desegregation efforts are not harmed.

Colorado permits Juniors and Seniors to attend colleges and universities.

Florida permits high school students to take courses at community colleges.

Illinois has required Chicago school districts to expand options for all students within the next several years.

Iowa allows families to send students to public schools in their own or adjacent districts if a different academic program is available.

Maine has a Post Secondary Options law modeled after Minnesota's program.

Massachusetts provides funds to help individual districts offer a choice of schools within the public school system, and assists some inter-district programs which link several cities with their suburbs.

Minnesota has an Enrollment Option Program that allows parents to transfer students to public school districts outside their resident district if both districts approve. A Post Secondary Option Program provides funding for any 11th or 12th grade public school student to enroll in non-sectarian courses, if the post secondary institutions meet eligibility requirements. The High School Graduation Incentive Program permits students ages 12-21 who have not done well in one public school district to attend another public school outside their district, providing the receiving school has room and existing desegregation policies are not disrupted.

New York provides funds to help local districts develop public school choice programs.

Vermont has an extensive voucher plan for students who live in districts without a public school. The voucher may be used at private institutions and at institutions outside the state of Vermont.

Source: "How 'Schools of Choice' Can Improve the Public School System," The Commonwealth Foundation, January, 1989; and John McClaughry, *Educational Choice in Vermont* (Concord: Institute for Liberty and Community, 1987).

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HIGHER EDUCATION

OVERALL RECOMMENDATION: Close, merge or privatize some institutions; reduce the bureaucracy in the remaining ones; reduce exorbitantly high state subsidies; and increase student fees.

State higher education cost general taxpayers over \$6 billion in state appropriations in the 1988-89 biennium. Few people will deny that higher education is important, but the relevant economic questions are (1) How much spending is too much?, (2) Who should pay?, and (3) How can educational services be supplied more efficiently?

The answers are:

- (1) We've overextended higher education, causing a waste of taxpayer money.
- (2) The private beneficiaries of higher education (college students and their parents), should pay more of the freight while working taxpayers should pay less.
- (3) More privatization and competition among the state's institutions of higher learning will produce more output at lower cost.

Higher education is in marginally better condition than lower education because there has been more competition, both within the state and across state boundaries, and because there is no compulsory attendance. Yet there is abundant fat to trim. Here is a start:

PROPOSAL: Cut 13,000 support and administrative jobs in the higher education bureaucracy.

SAVING: \$600,500,000

(CALLOUT) *"Does Texas A&M really need its own airport, its own golf course and its own television station?"*

Census bureau statistics⁸ show that in 1986 the state government employed 73,462 full time equivalents in higher education, second only to California's 97,743. Michigan was a distant third with 55,846. Texas' 19,938 state instructional employees are significantly below the U.S. average per 10,000 population (11.9 v. 15.6) while the remaining 53,524 non-instructional employees in public higher education were above the U.S. average per 10,000 population (32.1 v. 31.8). If each Texas instructional employee received the national complement of two non-instructional employees instead of the present 2.7, 13,648 fewer people would be employed in Texas universities and junior colleges. At the current average salary and fringe benefit cost for state employees of \$22,000 per year, such a trimming would reduce university outlays in this biennium by \$600.5 million.⁹ A comparable calculation can be derived from the Legislative Budget Board's own data.

Why do Texas colleges need 2.7 non-teachers for every teacher? The answer seems to be that today's universities aren't just in the teaching business. Many are operating small cities. Take Texas A&M, for example, which employs four non-teachers for every teacher. Texas A&M operates its own airport (\$1.8 million every year), its own golf course (\$405,000), its own television station (\$450,000), a gigantic food service (\$19.4 million), a postal service (\$1.7 million), and a health center (\$3.1 million).

⁸U.S. Bureau of the Census, *Public Employment in 1986* GE-86-1, (Washington D.C.: U.S. Government Printing Office, 1988).

⁹These show 10 public instructional employees and 25 other employees per 10,000 population in Texas, while the national norms are 10 and 18 respectively. At an annual turnover rate of 10 percent, attrition could achieve the 19,938 employment reduction within three years. See Legislative Budget Board, *Fiscal Size Up, 1988-1989 Biennium*, (Austin: House of Representatives Reproductive Service, 1988), p. 47.

Naturally, you can't spend that kind of money without employing a lot of people. Texas A&M employs three pilots and two co-pilots, 19 people to run the university's golf course, 324 maintenance and repair people, 315 janitors, and 50 policemen.

Texas A&M is not unique. The University of Texas at Austin employs 490 janitors and 190 policemen.

PROPOSAL: Eliminate taxpayer support for health-related institutions.
SAVING: \$272,000,000

Medical and dental institutions consume a staggering 25 percent of the state appropriations to higher education. Most medical care is a purely private good, which the price system can supply effectively on its own. Yet government has interfered extensively. The predictable consequences have been skyrocketing costs, excess capacity, irresponsible waste, and voluminous paperwork. As heart surgeon Michael DeBakey says, "It takes two doctors to take care of a patient now--one to take care of the paperwork."

State tax dollars go to seven medical schools and two dental schools. In an age when doctors and dentists verge on becoming surplus commodities, taxpayers spend over \$52,000 per medical student per year and more than \$44,000 per dental student.. As a result, low- and middle-income taxpayers pay to put privileged students into the top one-tenth of one percent of the income distribution. This is not only unfair, but inefficient. There is no economic case for forcing taxpayers to subsidize medical and dental schooling.

SAVING: \$29,400,000 plus sales price
University of Texas Health Science Center at Tyler: Close. A former tuberculosis hospital, this institution entered the general hospital business when it could not fill its beds with tuberculosis patients. As *Texas Monthly's* Paul Burka says, if the state does not support hospitals at University of Texas medical schools in Dallas and Houston, why should Tyler be privileged?¹⁰

SAVING: \$31,600,000 plus sales price
San Antonio Chest Hospital in Harlingen: Privatize. Also a former tuberculosis hospital, this institution became a general hospital when it needed new reasons to justify its existence. If the state government wants to keep the Harlingen hospital for the indigent, then privatize it to reduce costs.

SAVING: \$84,900,000
Baylor College of Dentistry and College of Medicine: Eliminate the state subsidy. We should discontinue aiding private professional schools. If Texas lawmakers insist on big spending, subsidize medical and dental school customers rather than the producers. That is, offer grants and loans to enable selected medical and dental students to attend the school of their choice. Of course, this form of subsidy to the students is already available.

SAVING: \$19,700,000
Texas A&M University Medical School: Eliminate the state subsidy. The medical school is a bureaucratic plum for the institution. But it's extremely small and expensive, and represents a net loss for taxpayers. The state subsidy amounts to \$410,417 per medical student every two years. If Texas A&M administrators want it, let them fund it some other way, including much higher student fees.

SAVING: \$78,300,000 plus sales price

¹⁰Paul Burka, "The Bloody Billion," *Texas Monthly*, March, 1985, p. 120.

Texas Tech University Health Sciences Center: Close. Former Governor Preston Smith wanted a medical school in Lubbock, even though it made even less economic sense than the usual medical school boondoggle. As in the case of Texas A&M, medical school expenses per student are huge -- \$195,750 per medical student each biennium.

SAVING: \$171,875

Rural Medical Education Board: Terminate. Rural Texas allegedly needs more doctors, but local citizens could attract more physicians if they paid less in taxes and more in direct fees for doctors. Allowing nurses and physician's assistants to provide primary care also would help. Rural practice is unattractive to most doctors trained in today's system. Has the board solved the problem? Will it? No.

SAVING: \$28,300,000

University of Texas Medical Branch at Galveston: Cut the Appropriation. This organization receives the biggest state appropriation of the group, \$328.3 million every two years. There's huge waste, so let's "round down" to \$300 million and let the administrators find out where to economize or to replace the income from other sources.

PROPOSAL: Restrict subsidies at general academic teaching institutions to \$4,000 per student.

SAVING: \$800,000,000

The 1988-89 general revenue subsidy per student at 34 general academic institutions varied by more than a factor of four. The subsidy is \$4,000 per student at the comparatively efficient institutions: University of Texas-Austin, Texas A&M University-College Station, University of Houston-Downtown, Stephen F. Austin, Angelo State, and Southwest Texas State. The subsidy is nearly \$17,000 at the least efficient: Texas A&M University-Galveston. Suggestion? Hold the subsidy to \$4,000 per student for all 34 institutions and let them compete for students.

The managers at each institution should be given wider latitude to price their services, including differential pricing by programs. Some institutions clearly could not survive the market test in their present form while others would prosper in the new environment. Taxpayers and the general public would be much better served. The \$800 million estimate of potential savings includes no allowance for additional student fees.

PROPOSAL: Abolish the Higher Education Coordinating Board

SAVING: \$117,400,000

In a more competitive and privatized regime, with greater autonomy for each institution, the market will do the coordinating not the central bureaucracies. The Board is a good example of extensive bureaucracies in higher education which spend much of their time and energy politicking and coordinating turf issues. In April, 1988, the Board awarded \$60 million in grants to 345 university researchers and projects, ranging from new vaccines and space robotics to investigating potentially endangered turtles.

PROPOSAL: Close, merge or sell eight inefficient schools.

Some institutions clearly are not economically feasible, whether or not equalization of general revenue subsidies per student and greater competition is adopted. The following are listed in order of estimated degree of wasteful spending.

SAVING: \$12,700,000 plus sales price

University of Texas-Permian Basin: Close and sell. State Representative Ace Pickens wanted the school but not many students do, despite aggressive recruiting. It has fewer than 1,300 full-time-equivalent students, and is uncompetitive and uneconomical. Each biennium the school consumes more than \$10,000 of taxpayer money per student.

SAVING: \$9,000,000 plus sales price

Texas A&M University-Galveston: Close and sell. This is a merchant marine school which costs more than \$18,000 per student per year. About half the cost is subsidized by the state of Texas. Do the taxpayers really need to pay \$17,000 per student for 550 full-time-equivalent students, most of whom are learning how to pilot ships? There are other merchant marine schools, not to mention the U.S. Navy. Will TAMU-Galveston become an efficient general institution of higher learning? Not likely. And it certainly should not be attempted at taxpayers' expense.

SAVING: \$35,900,000 plus sales price

East Texas State University: Close and sell. Enrollments have headed straight downhill for more than a decade and the school's academic reputation is modest, to put it mildly. Junior colleges, the University of Texas-Tyler and many other alternatives have eroded its market by supplying superior value for the money.

SAVING: \$10,000,000

Texas Women's University: Merge with University of North Texas. The justification for a separate taxpayer-funded university for women disappeared long ago. Moreover, its cost per student is very high. Consolidation with the University of North Texas in Denton is an obvious solution.

SAVING: \$23,300,000

Other Universities: Merge or Close. Other institutions with small enrollments, high expenses and questionable quality are East Texas State-Texarkana, University of Houston-Victoria, Pan American at Brownsville, and Laredo State. Full-time-equivalent students total 2,683 and general revenue appropriations \$23.3 million, resulting in an expenditure of \$10,000 per student each biennium.

[NOTE TO COPYEDITOR: Create Sidebar]

**ANNUAL STATE SUBSIDY PER STUDENT
AT SELECTED UNIVERSITIES**

| | |
|--|----------------|
| Texas A&M University, Galveston | \$8,500 |
| University of Texas, Permian Basin | \$5,243 |
| University of Houston, Victoria | \$4,998 |
| Laredo State University | \$4,919 |
| Texas Women's University | \$4,656 |
| East Texas State, Texarkana | \$4,009 |
| University of Texas, Austin | \$2,000 |
| Texas A&M University, College Station | \$2,000 |

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PROPOSAL: Give universities greater managerial autonomy and increase student fees to an average of at least 40 percent of instructional cost.

SAVING: \$1,500,000,000

Most of the benefits of higher education are captured by students in the form of higher subsequent earnings, and other benefits during and after college. College-educated people capture most of the benefits of higher education, not "society" or the taxpayers. In the current scheme, the average taxpayer is forced to subsidize heavily the children of overwhelmingly middle- and upper-income families for an education that will enable them to earn more than the average taxpayer. In addition, it is quite common for students to get Ph.D.'s in enjoyable fields, such as English, and then work in an unrelated occupation, such as executive secretary, because university fees are so inexpensive.

PROPOSAL: Reduce state subsidies for community colleges and junior colleges by one-third.

SAVING: \$310,000,000

The 49 institutions with 66 campuses suggest that the legislative majority believes it's the right of every Texan to be within walking distance of a junior college. These schools have virtually no academic admission standards and give away their product almost for free. Many of the "students" are functionally illiterate or marginally literate, are incapable of college-level work, and their presence diminishes the productive opportunities for those seriously interested in learning. The answer is to shift more of the expense to lower levels of government and private contributors, charge students reasonable fees, and close weak and expensive campuses. If local representatives want to tax their constituents more heavily to subsidize these institutions, that is their right. The most expensive junior colleges in terms of state subsidies per student are Bee County College, Clarendon, Hill Junior College, Howard County Junior College District, and Ranger Junior College. Why must taxpayers support eight junior college campuses in Dallas alone?

PROPOSAL: Close four Texas technical institutes.

SAVING: \$85,900,000

State government spends \$10,000 per student in general appropriations at four residential campuses at Waco, Harlingen, Amarillo and Sweet Water, with extension centers in Abilene and McAllen. Meanwhile, the classified ads in any major city newspaper reveal affordable, economical and widely available vocational training in the private sector for auto service technicians, A/C refrigeration and heating workers, travel agents, tractor trailer drivers, bartenders and many others.

PROPOSAL: Equalize Tuition Equalization Grants.

SAVING: \$36,800,000

Wouldn't it be nice if the state government helped Texas new car buyers move upscale by subsidizing the price difference between a Cadillac and a Chevrolet, all at taxpayers' expense? We do not have such a program yet, but the state does subsidize the difference between "Cadillac" private colleges and "Chevrolet" state colleges for qualified students.

PROPOSAL: Abolish tuition on the installment plan.

SAVING: \$4,000,000

Tuition on the installment plan allows students to attend now and pay later. Since the program was started in 1985 millions of dollars in delinquencies have occurred. At Prairie View A&M alone, uncollected debts top \$2 million. Higher education should discontinue this activity because the bureaucracy is hopelessly incompetent at it. We already have the Texas Guaranteed Student Loan Corporation with over \$2 billion in student loans, and many other private and public loan programs. We should terminate this program and turn the tuition installment delinquencies over to private sector bill collectors.

PROPOSAL: Close or merge separate but equal black colleges.

SAVING: \$32,200,000

These heirlooms from the past are apparently untouchable. Do Texas Southern and Prairie View A&M really serve the interests of black students? Or merely the black educational bureaucracy? For example, less than one out of four Texas Southern University law school graduates passes the state bar exam. Would these students fare worse at the University of Houston? One answer is to merge Texas Southern University with the University of Houston and turn Prairie View into a junior college, reducing the tax burden by half and accelerating the upward mobility of more black students in the process.

TOTAL SAVING: \$4,121,071,875

HEALTH AND HUMAN SERVICES

OVERALL RECOMMENDATION: Eliminate unnecessary programs, privatize others, and seek changes in federal policies.

(CALLOUT) *"The purpose of MHMR is to 'conserve and restore the mental health of Texans.' A lot of non-Texans believe it is failing in that mission."*

Nearly 50,000 people are employed in state health and human service bureaucracies. Spending has risen to \$9 billion for this biennium, 23 percent of all state spending. More than half of this is reimbursed from Washington, D.C., which, in turn, obtains its money from taxpayers and lenders in Texas and the rest of the nation.

The health care bureaucracy is reinforced by state-funded institutions such as the University of Texas System Cancer Center, employing 6,500 people. To a large degree the state government is simply a cog in the federal welfare machine, administering AFDC (Aid for Families with Dependent Children), food stamps, Medicaid, and other federal programs. The national health care system, for instance, consumes \$1 million per minute, or \$525 billion per year. The biggest player is Medicare, which spends a skyrocketing \$80 billion per year, or 15 percent of all medical spending. As third party payments and the federal bureaucracy have come to dominate, a mountain of paperwork has descended on everyone in the system. But does the population's health improve?¹¹

¹¹See H. E. Frech III, editor, *Health Care in America*, (San Francisco: Pacific Institute for Public Policy, 1988). Glenn Ruffanach, "How One Bid to Trim Medicare Expense Has Doctor Battling Doctor," *The Wall Street Journal*, October 31, 1988.

PROPOSAL: Reform the state welfare system.

Surprisingly, Texas has the largest number of state public welfare workers in the nation -- 13,591 -- partly because most states place a heavier burden on counties. The department is spending \$6 billion, up 16.5 percent from the previous biennium, with partial federal reimbursement for many programs. The department's control over child day-care, family planning and many other family responsibilities is growing rapidly. Between 1987 and 1989 the AFDC caseload will increase from 468,000 to 620,000, a jump from 2.8 percent to 3.7 percent of all Texas households. One in 10 Texans now receives food stamps at a cost of \$1 billion per year. Until the federal government welfare state is restrained, the system will remain unchanged.

In terms of spending per AFDC recipient, Texas ranks in the bottom 10 among the states. This may not be all bad, however. Evidence shows that states that are the most generous in terms of welfare spending have had the least success in combatting poverty, while those that are the least generous have experienced the greatest reductions in poverty. During the decade of the 1970s, the 10 states with the lowest welfare spending experienced an average reduction of 24.8 percent in the poverty rate. In Texas, the poverty rate fell by 21.8 percent. By contrast, the 10 states with the highest welfare spending experienced a 2.4 percent increase in their poverty rates.¹²

Changes in child poverty appear to be even more sensitive to welfare spending. During the decade of the 1970s, the child poverty rate fell by 17.4 percent, on the average, in the 10 states with the lowest AFDC payments. In Texas the child poverty rate fell by 13.8 percent. By contrast, in the 10 states with the highest AFDC payments, the child poverty rate rose by 27.9 percent.¹³

PROPOSAL: Abolish the Commission on Alcohol and Drug Abuse.
SAVING: \$43,600,000

How successful has this commission been in "solving" the chemical dependence problems of individuals? Not very. The self-described activities of the 82 commission employees are to "coordinate" (a familiar government claim) state and local abuse services, to license and regulate all abuse programs in the state, to certify Driving While Intoxicated educational programs, and to dispense grants (i.e., spend taxpayers' money). Treatment, of course, is dispensed by others in local communities. Dedicated Commission members can find plenty of opportunities to help in decentralized local community efforts.

PROPOSAL: Close or privatize some Department of Mental Health and Mental Retardation facilities.
SAVING: \$100,000,000

One of the primary purposes of the Department of Mental Health and Mental Retardation is to "conserve and restore the mental health of Texans." A lot of non-Texans believe it's failing in that mission. The Department employs 26,435 people and spends \$1.5 billion per biennium, up 15 percent from the previous biennium. It operates eight state mental hospitals. Even though the

¹²Lowell Gallaway and Richard Vedder, "Paying People to be Poor," National Center for Policy Analysis, NCPA Policy Report No. 121, February, 1986.

¹³*Ibid.*

patient population of these hospitals declined 30 percent over the last six years, no facility has been closed. We should sell two or three hospitals and privatize the remainder. The state also operates 13 state schools for the mentally retarded. Since the school population has declined by 15 percent, we should sell the least two efficient facilities and privatize the rest. Texas also operates seven state centers for "less restrictive," nonresidential care at a cost of \$57 million, serving 5700 clients at \$10,000 apiece. Through privatization we should be able to cut costs by at least 10 percent and improve the quality of patient care at the same time. The department operates another 34 community mental health and mental retardation centers at a cost of \$8 million each, or a total cost of \$272 million. The potential efficiency gains from privatization are substantial. The 250-bed Harris County Psychiatric Center should also be privatized. In addition, we should set more realistic fee structures for families able to pay because of personal wealth or insurance, shifting more of the burden to the direct beneficiaries and away from taxpayers. Families should be allowed to supplement regular care.

A reduction of six to seven percent in the department's budget would not endanger a fundamental state role such as care of the indigent insane.

TOTAL SAVING: \$143,600,000

TRANSPORTATION

OVERALL RECOMMENDATION: Repeal prevailing wage law, deregulate, privatize, and improve management practices.

(CALLOUT) *"Texas tells private truckers what they can haul, where they can pick up, where they can deliver, and what they can charge."*

Texas spends more on highways than any other state. The State Department of Highways and Public Transportation operates like a Texas equivalent of the Pentagon. The Department employs nearly 16,000 full-time personnel and is spending almost \$5.2 billion this biennium, the third largest state expenditure. It has \$4.4 billion outstanding in contracts involving 21 percent of the state highway system. It plans to spend \$25.5 billion over the next 10 years. Texas has the largest cement industry, and highway construction reportedly accounts for 40 percent of all construction in Texas, supporting a massive and powerful road building industry.

The Department is organized into 17 districts, sometimes called "fiefdoms." An overhaul is necessary. Texas had no such department until the federal government compelled its creation in 1917. Currently, we suffer through lengthy delays in project completion, unnecessary destruction of sound pavement, a bias toward rural projects, massive cross-subsidies among highway users, and a failure to use economically defensible calculations of costs and benefits. In general, the Department will spend all the funds that user taxes will generate, but not always in an efficient way. A Price Waterhouse study has criticized the department's planning process and management systems.¹⁴ Highway spending continues to grow regardless of need -- the state's highway system has been rated good to excellent by virtually everyone. Because the federal government reimburses 75 to 90 percent of state construction costs but does not subsidize maintenance, the department spends too much on construction, and too little on maintenance. In general, the

¹⁴Price Waterhouse, *Texas State Department of Highways and Public Transportation, Final Report on A Management Audit of Department Operations Pursuant to House Bill 89*, Second Called Session, 68th Texas Legislature, January, 1985.

department would rather rebuild a road rather than maintain it. Private builders build far less extravagantly than the state, partly because they do not receive these incentive-distorting federal subsidies.

PROPOSAL: Switch from 10-day to 30-day vendor payments.
SAVING: \$6,600,000

The Department pays its road builders within 10 days, while other state suppliers wait at least 30 days. Why the difference? If the department waited 20 more days to pay its bills, it would have \$82.5 million more in the bank, earning interest. At an 8.0 percent rate of interest, the savings from this proposal would be \$6.6 million.

PROPOSAL: Privatization through more maintenance subcontracting.
SAVING: \$50,000,000

While virtually all new construction is performed by private contractors, little maintenance is. The Department should move much more aggressively to take advantage of private sector efficiency and productivity in maintaining roads, especially as maintenance becomes more important relative to construction. Out-of-state bidders should be solicited for maintenance and construction contracts.

PROPOSAL: Adopt capital-conserving strategies.
SAVING: \$50,000,000

The Department specializes in pouring cement and asphalt rather than finding more efficient ways to use current roads. For example, the department should explore methods to deregulate taxicabs and legalize jitneys (commercial minibuses) in the cities. Even today taxicabs carry more passengers than all buses and railroads combined.¹⁵ System management methods, peak load pricing schemes and the creation of toll roads receive virtually no attention because the favored approach is always to tear up roadway, disrupt business for years and widen lanes. Further, the Department consumes all road-user taxes (taxes on tires, gasoline and motor fuel) despite the fact that in a city like Houston, half of travel is on non-highways. That means that non-highways in Houston must be financed by property taxes imposed on people who may not even be using the roads.

New incentives are necessary within the bureau to reward cost-effective rather than capital-consuming programs. The Highway Department is a concrete-oriented empire, bent on building rather than finding cost-effective methods of managing traffic flows. Although it uses present value methods to perform cost-benefit studies, its methods are defective and fail to include important external costs, such as the loss of 125 drivers killed on roads that were under construction within the last 12 months.

PROPOSAL: Repeal the Prevailing Wage Law statutes.
SAVING: \$100,000,000

"Prevailing Wage" is a euphemism for union scale. The state law follows the federal Davis-Bacon Act, which requires that workers on federally financed construction be paid wages at

¹⁵Gabriel Roth, "Private Sector Alternatives in Urban Transportation," National Center for Policy Analysis, NCPA Policy Report No. 125, January, 1987.

"local prevailing rates" for comparable construction work. The U.S. Department of Labor generally has set minimum construction wage rates at union wage rates, thereby costing federal taxpayers billions of dollars in excessive labor costs.¹⁶

The state government spends \$2 billion on construction projects, including \$1.5 billion in highway contracting. The state's prevailing wage law raises the taxpayers' costs for these projects at least five percent, or \$100 million. Why does the state build so expensively? Politics and bureaucratic inefficiency. The state should seek value for money in all its purchases rather than doling out unearned wage premiums at the taxpayers' expense. In the last decade nine states have repealed their own prevailing wage laws, thereby reducing the burden on their taxpayers for conducting the government's business. Texas should do the same.

A related statute which should be repealed in Texas is the female- and minority-owned business enterprise set-asides for subcontracts. We should direct state agencies to find the lowest-cost method of producing goods and services, and no set-asides will be necessary.

PROPOSAL: End the general revenue subsidy to the Aeronautics Commission.
SAVING: \$2,100,000

This commission is mandated to "protect, promote, and develop aeronautics and to assist in developing a statewide system of airports." While these may be admirable goals, there is no reason for the general taxpayers to underwrite the commission's work. Whether this commission has ever done anything to warrant its tax dollars is questionable, but the general taxpayers should not be forced to bear the expense. Aviation users should pay for the cost of the commission, assuming it provides services worth buying.

PROPOSAL: End the Railroad Commission's regulation of transportation.
SAVING: \$9,000,000

The Railroad Commission's most damaging activity is its regulation of transportation. Despite its name, the Commission's activities are far more important to trucking than to railroads. Despite the fact that the trucking industry is inherently competitive, the Commission tightly regulates who can haul goods on Texas roads. It tells truckers what they can haul, where they can pick up, where they can deliver and what price they can charge. Shamelessly anti-consumer, the Commission forbids customer discounts and refunds.

The Commission's regulations probably increase freight rates 20 percent or more and reduce the quality of service available -- thereby dramatically retarding economic growth, jobs and prosperity in Texas. The commission might as well post a notice above its entrance, "Competition Need Not Apply Here." Its own language is almost as revealing because the commission "provides for controlled entry of motor carriers coupled with the prescription of reasonable and compensatory freight rates to be charged by them." The commission is silent about the fate of those kept out of the industry and their potential customers.¹⁷

¹⁶Morgan O. Reynolds, "Understanding Political Pricing of Labor Services: The Davis-Bacon Act," *Journal of Labor Research*, Summer 1982, pp. 295-309; and Morgan O. Reynolds, *Power and Privilege: Labor Unions in America*, (New York: Universe, 1984), pp. 134-39.

¹⁷See: Robert W. Crandall, "Economic Rents as a Barrier to Deregulation," *Cato Journal*, Vol. 6, Spring/Summer, 1986, p. 283; Robert W. Crandall, "What Ever Happened to Deregulation," in David Boaz, editor, *Assessing the Reagan Record*, (Washington: Cato Institute, 1988); Thomas Gale Moore, "Rail and Truck Reform -- The Record So Far," *Regulation*, Nov/Dec, 1983, pp. 3-41; Thomas Gale Moore, "The Beneficiaries of Trucking Regulation,"

TOTAL SAVING: \$217,700,000

JUSTICE

OVERALL RECOMMENDATION FOR THE COURTS: Merge and consolidate; end jury trials in civil suits; and repeal the state antitrust laws.

(CALLOUT) *"The Texas court system is the most complex and fragmented in the nation."*

Justice is the bedrock service supplied by state government. Even so, it is not administered efficiently today. Spending on the justice system amounts to \$2 billion in this biennium, up 18 percent over the previous biennium. Employment is 25,200 including 16,000 at the Department of Corrections and 5,000 at the Department of Public Safety. Spending on prisons will continue to rise steeply.

Journal of Law and Economics, Vol. 21, October, 1978, pp. 327-43; and Morgan O. Reynolds, *Making America Poorer: The Cost of Labor Law*, (Washington: Cato Institute, 1987), p. 177.

The Courts

The efficiency of markets and our personal security depend on the impartial protection of life, property and contracts. Further, with deregulation of the economy we will become even more dependent on the common law to settle disputes in ways that promote efficiency. Are we getting these services from government in Texas? That's doubtful. Consequently, private arbitration is growing. There are 51,000 lawyers in the state, or one of every 200 employed Texans. The Texas legal system probably is the most complex and antiquated in the nation, with 347 district courts and multiple layers of municipal courts, county courts, justices of the peace and even two supreme courts: a Supreme Court to hear civil cases and a Court of Criminal Appeals.

The Texas court system is probably the most complex and fragmented in the nation. Texas has over 2,000 judges, far more than any other state, multiple layers of limited jurisdiction and specialized courts. Additional layers of bureaucracy are created regularly by the legislature. A Chief Justices Task Force has recommended elimination of Justices of the Peace, municipal courts and new county courts and has recommended the merger of the Supreme Court and Court of Criminal Appeals. The trend in other states is toward simplification and unification. By following their example, long-run savings are possible in Texas.

PROPOSAL: Adopt the Texas Plan for judicial selection.

If life and property are to be protected, then the judiciary must be impartial -- insulated from the rough and tumble world of fund-raising and special interest politics. More secure ownership rights will promote production, jobs and expand the tax base. Under the so-called "Texas Plan" the selection of state judges would be removed from partisan politics and placed in the hands of 15-member commissions of lawyers and non-lawyers who would recommend to the governor three people (in principle chosen for merit and qualifications) for each vacancy that occurs on the Texas Supreme Court, the Texas Court of Criminal Appeals and the 14 state courts of appeals. The governor would choose one name and submit it to the Senate for confirmation and to the voters in the next general election. Incumbent judges would have to declare their candidacies at the end of a term and run without opponents. If the voters rejected an incumbent, the nominating commission would select three new names.

PROPOSAL: Merge the Supreme Court and the Court of Criminal Appeals.

SAVING: \$4,200,000

The federal system does not separate criminal appeals from civil appeals, nor should the state of Texas. The current separation increases expenses and leads to bad law. Criminal law is fundamentally part of the common law, although statutory law also plays a role. The problem is that criminal law does not raise narrow technical questions, but rather general issues that should be decided by Supreme Court justices rather than crime specialists. Disturbingly, Texas has more legal rights for criminal defendants than those created by the U.S. Supreme Court, and a major reason is that the Texas Court of Criminal Appeals is separate from the rest of the court structure.

PROPOSAL: End jury trials in most civil suits.

SAVING: \$20,000,000

Jury trials are incredibly expensive in terms of real economic costs, including budget costs due to the direct funds consumed as well as the reduced tax receipts because jurors are diverted

from productive economic activity. Nor are jury trials in civil litigation likely to justify their costs in the form of more accurate or speedy justice. Civil litigants still will have their day in court, but the gamesmanship and expense of jury trials should be eliminated in business disputes. This is the efficiency-oriented approach used in private arbitration and in the European magistrate systems.

PROPOSAL: Consolidate criminal justice agencies.

The 10 state agencies currently involved in criminal justice activities should be consolidated into a single criminal justice agency, with potential economies in fixed costs and personnel, or at least a slowdown in the rate of growth of spending.

PROPOSAL: Repeal the state antitrust laws.

SAVING: \$2,200,000

These laws can be better described as anti-business laws. In practice they often restrain trade rather than promote competition. The Attorney General's office should cease and desist its harm to consumers by shutting down its antitrust division, which currently impedes efficient business arrangements and protects inefficient firms from more efficient rivals.

PROPOSAL: Stop employing legal counsel in every state agency.

SAVING: \$20,000,000

Nearly every major state agency has its own division of legal counsel. If these agencies need legal advice and litigation help, they can find it among the 1,500 employees of the Attorney General's office.

Corrections

OVERALL RECOMMENDATION FOR CORRECTIONS: Privatization and work for prisoners.

The Department of Corrections has 40,000 inmates. This means that one of every 420 Texans is in a state prison -- one of the highest incarceration rates in the world. The main feature of prison life is idleness and boredom. Prisons once were self-supporting and routinely returned financial surpluses to the state,¹⁸ yet in the current biennium Corrections is spending more than \$1.2 billion, \$900 million in state funds. This works out to \$15,000 per inmate each year, including general revenue expenditures of \$11,000. Part of the rising expense is explained by court orders to increase the number of supervisors per inmate and to reduce the inmate work force on many jobs.

The goal should be to harness profit incentives to decrease the burden of prisons and prisoners on taxpayers and crime victims.

¹⁸See: John A. Conley, "Revising Conceptions about the Origins of Prisons: The Importance of Economic Considerations," *Social Science Quarterly*, June, 1981, pp. 247-58; Charles C. Cox and Roger E. Meiners, "Prisoners and Work," *Pathfinder*, Texas A&M University Center for Education and Research in Free Enterprise, October, 1982, p. 3; Rex Reed, "Should Prisoners Earn Their Keep?," *Colorado Business Magazine*, December, 1988, p. 32; Morgan O. Reynolds, *Crime By Choice*, (Dallas: Fisher Institute, 1985), ch. 9; Jeffrey Shedd, "Making Goods Behind Bars," *Reason*, March 1982; and Donald R. Walker, *Penology for Profit: A History of the Texas Prison System, 1867-1912*, (College Station: Texas A&M University Press, 1989).

PROPOSAL: Speedier privatization.
SAVING: \$50,000,000

The state has new authorization for private contractors to manage up to 2,000 prisoners. This is an enormous, but timid, first step toward efficiency. At least half of the prisons should be privatized, at a saving of at least 10 percent to taxpayers. Privatization should begin with the minimum security prisoners and facilities and expand to the maximum security facilities.

PROPOSAL: Work for prisoners.
SAVING: \$100,000,000

In the last century two out of three prisoners worked for pay with private employers. Forgotten lessons must be relearned. The prison work force should be made available to private firms for productive labor. While there were occasional abuses of prison labor by private employers in the 19th century, contrary to the reports of some sociologists it worked very well, benefiting taxpayers, private production, and prisoners who preferred the rewards of work (including pay) to idleness. Furthermore, these work programs probably changed the attitudes of some prisoners toward work and raised their self-esteem. Some federal restrictions may have to be repealed to allow private employers to make productive use of prison labor.

Police and Fire

OVERALL RECOMMENDATION FOR POLICE: Eliminate some functions, privatize others.

PROPOSAL: Privatize the DPS training program.
SAVING: \$100,000

There is no reason why this training program needs to be operated by the state. Private producers will keep costs down, and competition among private suppliers will insure a higher quality of service.

PROPOSAL: Drop general revenue funding for the Commission on Fire Protection, Personnel Standards and Education.
SAVING: \$403,624

The commission has a questionable mission. But granted its status, the costs should be paid by local firefighters and their employers, in a manner similar to the fees charged by other examining boards.

TOTAL SAVING: \$196,900,000

GENERAL GOVERNMENT

OVERALL RECOMMENDATION: Eliminate unnecessary activities and privatize others.

Big spenders buy nonessentials. Here are some examples in state government and some suggestions on what we can do about it.

PROPOSAL: Sell the state printing shops.

SAVING: \$30,000,000

The state owns and operates 75 separate printing shops -- overstaffed, overequipped, underutilized, with more than \$23 million invested. We should sell them and use competitive, private printing shops. In an era of desktop publishing, these printing shops are a scandal.

Further, we should require state agencies to cover 50 percent of their printing outlays by charging publication fees. Currently, state publications are distributed free of charge to the public. Charging a fee to cover the costs of these documents would deter new agency heads from wasting millions of dollars by printing elaborate and expensive documents to boost their own celebrity with self-serving propaganda.

PROPOSAL: Cut funds for central planning, and for pork barrel loans to private enterprise.

SAVING: \$10,000,000

(CALLOUT) *"Why does the state of Texas own 21,000 cars and 40 airplanes?"*

The idea of the Corporate State is alive and well in Texas, i.e., the notion that a "partnership" of big government, big business and big labor can create prosperity. Government officials and major interest groups cannot plan our way to prosperity through industrial policy, though the idea appeals to many people of many political persuasions. The National Recovery Act of 1933-34 is one of many examples of this type of government failure.

The "Strategic Planning" Program in the newly-created Texas Department of Commerce provides for the Texas Strategic Economic Policy Commission, an 18-member panel chaired by the Governor. Texans should junk the entire program. Bury the elaborate report on the strategic economic plan for the state delivered January 1, 1989. Get rid of "Business Development" which plans to increase its spending from \$3.2 million to \$12.5 million next biennium. Scrap the "Business Financial Assistance," which plans to spend \$2 million in the next biennium. Reject Governor Clements' proposed \$35 million economic development plan.

Who can seriously argue that our markets for investable funds have not been sufficiently generous in their loan policies already? Terminate the small and minority business division. Reduce proportionately the administrative overhead costs associated with these programs. This is not the way Texas or other so-called role-model states became great. The way to prosperity is through low taxes and an impartial legal framework securing life and private property -- not through government taxation of productive enterprises to subsidize loans to firms unable to secure financing in the private sector.

PROPOSAL: Close the Office of State-Federal Relations.

SAVING: \$1,200,000

This office is redundant because our elected representatives and their staffs already work hard to bring federal pork barrel funding to Texas and repeatedly remind us of their successes. If they're not doing the job, elect different representatives. Who needs another bureaucracy?

PROPOSAL: Sell 10 percent of state-owned cars.
SAVING: \$15,000,000

State agencies own and operate more than 21,000 automobiles. The proliferation is hard to stop by applying legislative scrutiny to individual agencies. So force every agency to sell 10 percent of its vehicles (excluding law enforcement).

PROPOSAL: Reduce state-owned airplanes by 10 percent and privatize.
SAVING: \$5,000,000

The state operates a virtual air force of more than 40 planes to transport bureaucrats and politicians. We should prevent agencies from buying new aircraft or maintaining quasi-exclusive use for privileged state officials. An efficiency-minded contractor, secured by competitive bids, should be able to operate a reduced fleet at lower cost.

PROPOSAL: Encourage energy efficiency by allowing agencies to retain 50 percent of energy saving.
SAVING: \$40,000,000

The state government is a notorious energy wastrel, using far more energy than private sector counterparts. For example, state buildings are used about nine hours a day but are heated and cooled 24 hours a day. When fuel costs fall, government's energy expenses often do not. This is because utility costs are a line item in an agency's budget. Conserving on energy merely reduces the next appropriation. A better way is to allow agencies to share in gains from energy conservation.

PROPOSAL: Shut down some district offices.
SAVING: \$50,000,000

The state overexpands its district offices, partly to promote the political fortunes of ambitious office holders who head agencies. Some district offices cannot be justified. Shut them down; consolidate others.

PROPOSAL: Cut rate of growth of computer acquisition.
SAVING: \$10,000,000

Many bureaus share a Will-Rogers-like opinion: "I never met a computer I didn't like." Created in 1981, the Automated Information Systems Advisory Council examined 470 proposals by state agencies to buy computers for a total of \$189.4 million. It rejected none of them.¹⁹ The council was renamed the Automated Information and Telecommunications Council in 1985 and has nine members and a budget of \$1.4 million, up 17 percent from the previous biennium.²⁰

PROPOSAL: Sell assets, especially urban land.
SAVING: \$100,000,000

¹⁹Burka, "The Bloody Billion."

²⁰*Fiscal Size Up*, p. 171.

The state's assets are valued at \$43 billion, a vast underestimate because of conservative accounting procedures which value the assets (such as land) at original acquisition costs. Many of these assets should be transferred to private, productive ownership. This would relieve the state of maintenance expenses, raise immediate revenue, and promote new jobs, new products and more tax receipts.

PROPOSAL: Privatize the state auditor's functions.
SAVING: \$2,000,000

Auditing is a task best performed by the private sector, not so much because it would reduce outlays drastically but because state auditors do a lousy job -- a job frequently criticized by legislators. Recently a uniform format was instituted for agency reporting, a change sorely needed. The state's finances are more difficult to decipher than the federal government's. Because there is no state government equivalent of the federal government's Office of Management and Budget, (OMB), OMB-type functions are spread out among numerous state agencies. For example there are eight separate offices in charge of the management of government. These self-management agencies are the Comptroller, the Governor's office, the state auditor, the legislative budget board, the Legislative Council, State Purchasing, the Treasury, and the Secretary of State.

PROPOSAL: No across-the-board raises for state employees.
SAVING: \$360,000,000

The pressure will be on the legislature this year to pass large state employee pay raises. The state currently spends \$12 billion on employee salaries and fringe benefits. The Department of Commerce requests "across the board merit raises" although it is inconceivable that all state employees "merit" the same raise. Some merit raises will be warranted for certain critical skills because of market-dictated pressures. But the turnover among state employees remains at a low 14 percent, indicating that the state can retain the quality and quantity of labor it wants with present compensation packages. Working for the state involves less stress and more security than working in the private sector, and with better fringe benefits.

On the average, salaries for state employees are higher than salaries paid in neighboring states (e.g., Arkansas, Louisiana, and New Mexico), but lower than the salaries paid in other large states. Public employees should not receive wage premiums at the expense of Texans in trying times.

PROPOSAL: Convert state retirement funds into defined-contribution plans, with private carriers, and individual accounts.

Retirement plans should be defined-contribution rather than defined-benefit, individual rather than collective, and privately rather than publicly managed. State employees would benefit from higher and safer returns on their pension dollar, become more sympathetic to private markets, and make more of their own investment decisions. Approved private firms would compete for individual accounts just as they do for university faculty optional retirement accounts today.²¹

²¹See Dennis E. Logue, "Pension Plans at Risk: A Potential Hazard of Deficit Reduction and Tax Reform," National Center for Policy Analysis, NCPA Policy Report No. 119, October, 1985; and Edward J. Harpham, "Private Pensions in Crisis: The Case for Radical Reform," National Center for Policy Analysis, NCPA Report No. 115, January, 1984.

TOTAL SAVING: \$623,200,000

AGRICULTURE AND NATURAL RESOURCES

OVERALL RECOMMENDATION: Reduce subsidies; terminate agencies; increase user fees; and increase private property rights.

PROPOSAL: Reduce subsidies, terminate agencies, increase user fees, increase private property rights.

The Legislative Budget Board declares that the "state government in Texas is continually concerned with the preservation of the agricultural, environmental and recreational resources within its boundaries".²² This statement would be predictable in a socialist country, but is out of character for a state government that was created to promote individual freedom and efficient use of resources. As Adam Smith wrote in 1776: "It is the highest impertinence ... in kings and ministers to pretend to watch over the economy of private people They are themselves always, and without any exception, the greatest spendthrifts in the society."²³

Adam Smith would not be surprised to find that spending by Texas agricultural agencies rose 10 percent in the last biennium while the farm and ranch population of Texas declined by four percent. Perhaps in the not-too-distant future, the growing number of state agricultural employees will surpass the state's declining population of farmers.

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SELECTED FACTS ABOUT U.S. AGRICULTURE

- Spending by the U.S. Department of Agriculture (USDA) is greater than the net income of all farms; in 1986, the USDA spent \$58.7 billion, while net income from farming was only \$37.5 billion.
- Annual spending by the USDA is equal to \$233 for every U.S. citizen, or \$934 for a family of four.
- The average net worth of an American farm is \$250,000.
- The average income of farm operators is more than \$30,000 per year.
- 80 percent of farmers have debt/equity ratios less than 40 percent, indicating that the vast majority have no major debt problem.
- During the 1980's farmers left their farms for other employment at a slower rate than in the 1950's and 1960's.

²²*Fiscal Size Up*, p. 195.

²³Adam Smith, *An Inquiry Into the Nature and Cause of the Wealth of Nations*, 1776, Book II, Chapter 3.

- 85 percent of the farms containing 75 percent of the land are owned by families and individuals.
- 67 percent of federal agricultural subsidies go to the top 14 percent of farms.

Selected References: U. S. Bureau of the Census, *Statistical Abstract of the U.S., 1988*, (Washington, D.C.: U.S. Government Printing Office, 1988); U.S. Department of Agriculture, *Agricultural Statistics 1987*, (Washington, D.C.: U.S. Government Printing Office, 1987); E. C. Pasour, Jr., *Agriculture and the State: Bureaucracy and the Market Process*, (Holmes and Meier, 1989); and Robert L. Thompson, "Agriculture: Growing Government Control," in David Boaz, editor, *Assessing the Reagan Years*, (Washington: Cato Institute, 1988).

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SELECTED FACTS ABOUT TEXAS AGRICULTURE

- There were 156,000 Texas farms on June 1, 1988, down two percent from a year earlier and 12 percent from 1980, with a record low acreage of 132 million acres.
- In 1986 the estimated value of the assets of Texas farmers was \$82 billion, down from \$107 billion in 1984.
- In 1986 Texas farm debt was an estimated \$12 billion, yielding a debt/equity ratio of 14.6 percent, well below the 21.1 percent for all U.S. agriculture.
- The Texas Department of Agriculture operates a "Dial Hay Hotline" (1-800-Dial-Hay) for persons interested in donating or selling hay or grazing acres.
- Jerry Walzell, vice president of the Texas Citrus and Vegetables Association, called for abolition of the Texas Department of Agriculture because of its regulations and rules. The suggestion was seconded by Othal Brand, McAllen mayor and vegetable kingpin.
- The *Texas Administrative Code* has 178 pages of agricultural regulations. Example: all Texas tomato diameters must be a minimum of 1.875 inches.

Selected Reference: *Austin Report*.

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AGRICULTURE & NATURAL RESOURCES

| | <u>Employees</u>¹ | <u>Total Spending</u>² |
|--|-------------------------------------|--|
| Department of Agriculture | 591 | \$35,815,892 |
| Agricultural Experiment Station | 1,410 | 92,111,684 |
| Agriculture Extension Service | 1,145 | 89,136,343 |
| Forest Service | 367 | 23,710,798 |
| Natural Fibers and Food Protein Commission | 3 | 6,083,360 |
| Animal Health Commission | 294 | 22,118,40- |
| Veterinary Medical Diagnostic Lab | 94 | 6,764,806 |
| Rodent and Predatory Control Service | 95 | 4,404,268 |
| Conservation Board | N/A | 400,000 |
| Parks and Wildlife Department | 2,445 | 216,619,809 |
| General Land Office | 542 | 35,357,599 |
| Railroad Commission | 940 | 60,953,295 |
| Texas Water Commission | 865 | 63,732,812 |
| Water Development Board | 216 | 18,672,863 |
| Air Control Board | 348 | 26,504,750 |
| Low-level Radioactive Waste Disposal | 11 | 4,361,816 |

¹Full time equivalents

²Biennial

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PROPOSAL: Abolish the Department of Agriculture.
SAVING: \$35,100,000

Texas has no "Department of Manufacturing," "Department of Retail Trade," or department of any other specific industry. Why? Because most industries are viewed as private businesses operated by responsible adults and best left to the innovation and productivity of private individuals competing in the marketplace. The same view does not hold for agriculture because farmers and ranchers apparently are viewed as wards of the state, unable to cope with the adult world. If the Department of Agriculture currently produces anything worth its resource costs, private industry will produce it for paying customers without help from taxpayers. Agriculture has been dependent on the taxpayers for too long.

PROPOSAL: Privatize the Agricultural Experiment Station.
SAVING: \$92,100,000

The Agricultural Experiment Station conducts research and experiments to gain new knowledge. Then they give away the results. No patents. No sales. Some of the new knowledge produced by the Experiment Station is useful to the agricultural industry and ultimately to consumers. But why should Texas taxpayers be forced to pay for it? New seeds, new techniques and new products generally are marketable, and users pay the freight. Agricultural R&D should not be financed by taxpayers but by agricultural producers and consumers. The right solution is to let the Agricultural Experiment Station live in the marketplace, earning its daily bread from contracts, royalties, patent income and other fees. No taxpayer subsidy is necessary.

PROPOSAL: Privatize the Agricultural Extension Service.
SAVING: \$89,100,000

The Extension Service conducts informal, continuing education programs. One of its functions is to fund 4-H clubs. Are farmers unable to learn new techniques through private methods? The extension service thinks so. And 4-H? The Boy Scouts of America flourishes without a state or federal extension service; 4-H can do the same.

PROPOSAL: Abolish the Forest Service.
SAVING: \$23,700,000

Private forest owners can take care of themselves and their forest lands. The highest valued users have every incentive to acquire these properties and make the most efficient use of them. If they need professional advice on forest techniques, they can acquire it in the marketplace. And they have every incentive to acquire it for the lowest cost, in contrast with the bureaucracy. Yes, forest owners would have to pay out of their own pockets. On the other hand everyone will have deeper pockets filled with more private income and more incentive to earn it if state taxes are reduced.

PROPOSAL: Abolish the Natural Fibers and Food Protein Commission.
SAVING: \$6,100,000

If this agency does anything for the state's cotton, wool and mohair producers, let the producers pay the costs and operate the agency. It's not a legitimate function of state government.

PROPOSAL: End the general revenue subsidy for the Veterinary Medical Diagnostic Lab.
SAVING: \$3,900,000

This agency serves the livestock industry by identifying, diagnosing and treating livestock diseases. In the future, it will conduct drug tests on race horses and racing dogs. The agency should be supported exclusively by fees and assessments on those who use its service. Furthermore, we should explore privatization -- contracting tests out to more efficient (lower cost) private sector bidders -- to reduce costs and shrink bureaucracy.

PROPOSAL: Phase out the Rodent and Predatory Control Service.
SAVING: \$4,400,000

Rodent control is basically a private sector (land owner) and local governmental responsibility. Let the beneficiaries hire their own hunters and exterminators. It may prove difficult to terminate the bureau because of federal involvement via the Animal and Plant Inspection Service of the U.S. Department of Agriculture, plus the usual political obstacles.

PROPOSAL: Abolish the Conservation Board.
SAVING: \$400,000

The job of the Conservation Board is to "coordinate" the programs of 206 soil and water conservation districts. Yet, government is the wastrel, not the private sector. The districts and private land owners will manage quite nicely without outside advice, and Texas already has two major water bureaucracies.

PROPOSAL: Stop new park development, raise user fees and decrease burden on general taxpayer created by the Parks and Wildlife Department.
SAVING: \$50,000,000

(CALLOUT) *"Total spending by the U.S. Department of Agriculture is greater than the net income of all U.S. farmers."*

The Parks and Wildlife Department manages fish and wildlife, enforces regulations and operates state parks. Like any public bureaucracy, the department is expansive and not very accountable. Park acquisition and development amounts to \$46.8 million this biennium compared to \$7.65 million spent to develop and repair existing parks. This is lopsided. Stop the Department from acquiring and developing new parks, or hold it to a minimum of zero net acreage increases. Abolish the Park System Planning Division to save another \$2.1 million. Aside from city parks, which arguably confer external effects that market fees and volunteer efforts do not efficiently take into account, the case for state operation of parks is weak. If consumers want parks, private entrepreneurs have incentives to provide them, and they do. State parks compete with private parks and other forms of recreation generally preferred by Texans. The Department's steady appetite for more land also removes land from the tax base, and removes the associated productive activities from the tax rolls. The state government already owns 28.8 percent of Texas.

On the whole, political and bureaucratic stewardship has proved to be a very disappointing way to preserve sensitive natural resources. The case of Yellowstone National Park is only one highly visible example of government failure.²⁴ By contrast, private sector groups, such as the

²⁴See Alston Chase, *Playing God in Yellowstone: The Destruction of America's First National Park*, (New York City: The Atlantic Monthly Press, 1986).

Nature Conservancy and the Audubon Society, have set excellent examples of stewardship. So have many for-profit companies, including some in Texas. It's risky to put all our eggs in one basket and allow the state government to have a monopoly on the conservation of wilderness and wildlife resources. A more prudent strategy is to limit the role of government and encourage a pluralistic approach by relying on the talent and abilities of for-profit and nonprofit private sector organizations.²⁵

With respect to land managed by the state, the fees collected from park users are too low to make beneficiaries pay the full freight. Hunting and fishing licenses, which earned \$32 million in the 1987-88 biennium, should be approximately doubled so that the direct beneficiaries of the Parks and Wildlife Department's management practices pay rather than the general public, most of whom receive no benefit. The Department's new management of oyster fisheries and other commercial ventures (at least \$20 million) should be critically examined.

PROPOSAL: Begin privatizing land managed by the General Land Office.
SAVING: \$100,000,000

The General Land Office is the oldest agency in the state and manages leasing and development of surface and mineral interests on 12.3 million acres (28.8 percent of Texas), dedicated to generate revenue for education through the Permanent and Available School Funds. Texas was the only state government which retained title to so-called public lands on a massive scale. The Land Office was originally established to "dispose" of the public domain (i.e., transfer natural resources to decentralized private management), but now its chief role, according to the Commissioner, is to be a "modern manager of those lands, striving to generate maximum revenue from the state's land."²⁶ In the 1986-87 biennium these self-styled efficient managers generated only \$23.50 an acre per year. At an interest rate of 10 percent, this implies a present value of only \$235 an acre under government management. This meager implicit asset value in state hands suggests selling land to achieve maximum present value. With an orderly dispersal of land at auction prices over time, private sector bidders would almost certainly pay more than an implied average price of \$235 an acre because they can generate more income than a swollen and inefficient government bureau. Further, selling off assets is not just a short-term cash flow remedy. It is a long-term aid to state finances because it lowers future interest costs, eliminates state administrative expenses and potential subsidies, and creates more taxable private businesses both directly and indirectly.

PROPOSAL: Phase out the Veterans Land Program.

Created in 1946, the Veterans Land Program enables eligible veterans to borrow up to \$20,000 toward a home purchase, up to \$15,000 for home improvements, and up to \$100,000 for at least 50 acres of agricultural land, if they are "qualified Texas farmers and ranchers" -- all at below-market interest rates because the notes are backed by the full faith and credit of the state government. The bonded exposure of Texas taxpayers under the General Land Office and the Veterans Land Program currently is \$1.44 billion. Since 1983 it has been self-financing, but there is no guarantee it will continue to be. Veterans or not, the land program is pork barrel that pushes politically-favored people up the credit-worthiness ladder at the expense of unfavored people. It creates no new capital. The program and its expansionist tendencies should be phased out.

²⁵See John Baden, "Destroying the Environment: Government Mismanagement of our Natural Resource," National Center for Policy Analysis, NCPA Policy Report No. 124, October, 1986.

²⁶The General Land Office, *Second Submission, FY 1998-1991 Legislative Appropriation Request*, 1988, p. 1.

PROPOSAL: Confine the Texas Railroad Commission to oil and gas regulation and terminate other divisions.

SAVING: \$17,000,000

In Section IV, we recommended the termination of transportation regulation. Some of the commission's other regulatory activities also are questionable. Its safety regulations are inefficient because the common law should handle hazards and accidents. The identity of those responsible for hazards and accidents usually can be discovered inexpensively; victims have every incentive to sue, and contingency fees for lawyers make financing easy. However, the commission's unitization rules may be a relatively efficient means to overcome the common pool problem in oil and gas. The Commission's behavior in this area deserves further study.

PROPOSAL: Move toward private property in water rights.

SAVING: \$2,000,000

Water is a difficult problem because efficient markets require definition and enforcement of exclusive, transferable rights to scarce resources. Underground water is an especially difficult resource in which to establish private ownership rights, so some governmental regulation can be justified in the name of efficiency. However, to reap the advantages of the market, policy-makers must find ways to define property rights in water, enforce them, make them transferable, and then guard against doctrines that erode these property rights. The prior appropriation doctrine supplies these ingredients.²⁷ Texas should work toward extension of the prior appropriation doctrine to instream flows, unitize extraction efforts, institute clearly defined property rights in groundwater basins, and reduce impediments to the free exchange of those rights.

The Texas Water Commission, however, is currently wasting resources by failing to price water properly. Instead it makes "loans to underground water conservation districts which make loans to farmers to purchase more efficient irrigation facilities; and partial grants to ... measure the efficiency of on-farm irrigation systems." If farmers purchase water at prices which reflect supply cost, the Commission need not worry about economical use by farmers.

The Water Development Board has problems similar to those of the Water Commission. Defining rights in water and allowing market pricing of water would eliminate the Board's expensive "program of technical assistance and educational support for encouraging municipal, industrial, and agricultural water conservation throughout the state." There is nothing as effective as unsubsidized prices to encourage the economical use of a good in accord with its relative scarcity. Technical assistance cannot even come close to discouraging "wasteful" use of water or any good priced too cheaply yet freely available. Texas bureaucrats and vested interests apparently believe that we still live in the days of concrete and steel solutions to water problems. Only a property rights, market system can promote efficiency and conservation in water use.

TOTAL SAVING: \$423,800,000

²⁷See: Terry L. Anderson and Donald R. Leal, "Going with the Flow: Expanding the Water Markets," *Cato Policy Analysis*, April 26, 1988; and Terry L. Anderson, ed., *Water Rights: Scarce Resource Allocation, Bureaucracy and the Environment*, (San Francisco: Pacific Institute for Public Policy Research, 1983).

REGULATORY AGENCIES

OVERALL RECOMMENDATION: Eliminate unnecessary regulation, especially where federal regulators and the marketplace do a better job.

As many as 42 state agencies regulate various industries and occupations in Texas. In 1987, the 70th legislature appropriated \$306.3 million to these 42 agencies for the current 1988-89 biennium, a 20 percent increase over the 1986-87 biennium. This made regulation the most rapidly-growing budget item in state government, including \$94.8 million in funding from general revenues. If we divide the spending into five groups--occupational regulation, financial regulation, labor regulation, utility regulation and "sin" regulation (alcohol and racing)--spending cuts are relatively easy to justify at the beginning of the list and more difficult toward the end.

PROPOSAL: Terminate 28 occupational regulatory agencies and step up efforts to combat consumer fraud.

SAVINGS: \$43,600,000

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REGULATION OF OCCUPATIONS

| <u>Agency</u> | <u>Employees</u> ¹ | <u>Spending</u> ² |
|---|-------------------------------|------------------------------|
| 1. Board of Medical Examiners | 63 | \$6,054,950 |
| 2. Real Estate Commission | 86 | 5,754,146 |
| 3. Board of Public Accountancy | 34 | 5,206,016 |
| 4. Board of Pharmacy | 32 | 3,009,509 |
| 5. Board of Nurse Examiners | 20 | 2,832,284 |
| 6. Board of Private Investigators | 34 | 2,651,425 |
| 7. Cosmetology Commission | 55 | 2,525,024 |
| 8. Board of Registered Professional Engineers | 22 | 1,787,821 |
| 9. Board of Plumbing Examiners | 19 | 1,833,017 |
| 10. Board of Architectural Examiners | 10 | 1,639,195 |

| | | |
|---|------------|---------------------|
| 11. Board of Vocational Nurse Examiners | 15 | 1,498,219 |
| 12. Motor Vehicle Commission | 23 | 1,391,647 |
| 13. Board of Dental Examiners | 13 | 1,363,685 |
| 14. Structural Pest Control Board | 17 | 1,098,766 |
| 15. Board of Barber Examiners | 15 | 958,352 |
| 16. Board of Veterinary Medical Examiners | 7 | 749,188 |
| 17. Board of Examiners of Psychologists | NA | 653,668 |
| 18. Funeral Service Commission | 7 | 637,062 |
| 19. Board of Licensed Nursing Home Administrators | NA | 561,882 |
| 20. Board of Physical Therapy Examiners | 2 | 458,979 |
| 21. Board of Land Surveying | 4 | 416,686 |
| 22. Board of Chiropractic Examiners | 3 | 343,498 |
| 23. Board of Irrigators | 3 | 312,554 |
| 24. Optometry Board | 3 | 311,120 |
| 25. Board of Tax Professional Examiners | 3 | 280,252 |
| 26. Polygraph Examiners Board | 2 | 202,026 |
| 27. Board of Podiatry Examiners | 1 | 145,720 |
| 28. Board of Examiners - Hearing Aids | <u>2</u> | <u>138,370</u> |
| TOTALS | 495 | \$44,815,061 |

¹Full-time equivalent

²1988/89 appropriation.

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The state government licenses and controls 28 occupations, ranging from plumbing to podiatry. And the *Texas Administrative Code* has 1,266 pages of regulations issued by the occupational boards. Why regulate these 28 occupations? Supposedly to protect the public. But the real reason is to protect privileged vested interests with a closed union shop, even though Texas is a right-to-work state.

For example, the State Board of Barber Examiners requires that people take 1,500 hours of course work before they are allowed to practice barbering. The curriculum includes one hour on the history of barbering, five hours of chemistry, five hours on salesmanship and five hours on barber shop management. Once an applicant overcomes these hurdles, there are other questionable restrictions on the practice of barbering. If a barber shop and a beauty parlor operate in the same building, they must have separate entrances and be partitioned by a wall "at least eight feet in height." All barber shops must display the words "Barber Shop" in "letters at least three inches high," and all barber shops must have a red, white and blue barber pole "a minimum of 12 inches high."

Licensed architects and landscape artists are permitted to have business cards and brochures, but the contents of these publications must give "factual dignified information free of ostentatious, complimentary or self-landatory implications." The Board of Public Accountancy not only opposes quality comparisons, it also opposes price comparisons. For example, the Texas Board of Accountancy actually tried to enforce a ban on competitive bidding by accountants until the regulation was declared a *per se* violation of the Sherman Act in the federal Courts.²⁸ These anti-competitive regulations protect inefficient practitioners from the competition of interlopers and not only are unnecessary but also are positively harmful to Texas consumers.

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THE CASE AGAINST OCCUPATIONAL LICENSING

- Restricts entry into the occupation and reduces the number of people supplying the regulated services, thereby limiting competition in the occupation.
- Reduces the services actually supplied by licensed practitioners.
- Increases the prices that consumers and businesses pay for regulated services, thereby hampering the creation of more wealth, employment and taxes from suppressed economic activity in Texas.
- Lowers the overall quality of services by increasing unlicensed practitioners who provide similar unregulated services and do-it-yourself substitutes.
- Reduces an occupation's responsiveness to changes in consumer demand.
- Disproportionately excludes women and minorities from entry into regulated occupations.
- Promotes monopoly in varying degrees, with influential groups actively engaging in costly lobbying for regulations to crush smaller competitors and rival groups in the name of consumer welfare (e.g., barbers vs. hair stylists).
- Restricts interstate mobility because out-of-state practitioners must become licensed, although that is slightly moderated by interstate compacts.

²⁸S. David Young, *The Rule of Experts: Occupational Licensing in America*, (Washington, D.C.: Cato Institute, 1987).

- Each dollar of federal regulatory spending creates an estimated \$19 in compliance costs in the private sector; similar private sector expenses in Texas imply a \$600 million burden.
- Denies a basic freedom: the right to choose and enter an occupation without government interference.
- Denies consumers the freedom to deal with excluded suppliers.
- Distracts political representatives from important state agencies because of occupational lobbying and turf disputes.
- Weakens the effectiveness of the common law as a remedy for victims of professional abuse.

Selected References: Milton Friedman, *Capitalism and Freedom*, (Chicago: University of Chicago press, 1961); John Goodman, *Regulation of Medical Care: Is the Price Too High?*, (Washington, D.C.: Cato Institute, 1980); and S. David Young, *The Role of Experts: Occupational Licensing in America*, (Washington, D.C.: Cato Institute, 1987).

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The underlying premise for regulation is that Texans are innocent dolts in the marketplace and geniuses in the voting booth -- while easily fooled by fraudulent vendors, they shrewdly select only the best representatives, who, in turn, select licensing board members who faithfully serve the general public.

If Texans want their representatives in Austin to decide who should be allowed to sell their wares, and under what circumstances, why stop at a measly 28 occupations? Regulation should be extended to all occupations. Or none. There are 12,000 occupational titles listed by the U.S. Department of Labor.

We must drop the romantic view of governmental regulation in favor of seeing the reality of human nature. Government can only make things worse in the marketplace. With the common law at their side, Texans are best served by competition for their patronage in the free market, not by self-serving bureaus and producer lobbying groups in Austin.

Case Study: Medical Practice Statutes. What about medicine? The case for licensure is strongest here but, as Milton Friedman has pointed out, "in practice the results of state licensure in medicine have been undesirable".²⁹ Licensure has been the key to the medical profession's control over the number of physicians and the key to its ability to retard technological and organizational improvements. For example, the AMA has fought group practice in medicine and prepaid medical plans, defined the practice of medicine so broadly that licensed physicians performed tasks better delegated to other skilled people, and made it difficult to sue physicians for malpractice because of the difficulty of getting a physician to testify against a fellow physician because he faces the sanction of denial of privileges at an "approved" hospital.³⁰

A recent study estimates that two to 10 percent of all doctors engage in unscrupulous, unethical or incompetent behavior, but only a few licenses are suspended, revoked or placed on

²⁹Milton Friedman, *Capitalism and Freedom*, (Chicago: University of Chicago Press, 1962).

³⁰John C. Goodman, *Regulation of Medical Care: Is the Price Too High?* (Washington, D.C.: Cato Institute, 1980).

probation each year (563 in 1983).³¹ For example, doctors convicted of rape have been allowed to keep their licenses while their cases are on appeal; the pharmacist and doctor responsible for supplying Elvis Presley with vast overdoses of drugs kept their licenses. Disciplinary actions are rare and enforcement varies widely among the states.

Friedman concludes that medical licensure has reduced the quantity and quality of medical care, reduced occupational opportunities, forced the public to pay more for less satisfactory care, and retarded technical advances in medicine and organizational improvements in the delivery of medical services. Worried by the migration of so-called "snowbirds", the Texas medical board requires out-of-state physicians to take the third part of the exam of the Federation of State Medical Boards -- a requirement not imposed on in-state physicians. Texas consumers, not producers, perhaps should decide what best serves their interests

The state legislature recently spent considerable time settling a ridiculous dispute between doctors and nurses. The nurses wanted to do was what they are well-qualified to do: provide unsupervised primary care in rural Texas areas where there are no doctors. The Texas Medical Association won this fight -- nurses can't practice nursing unless a physician is present. To add insult to injury, rural Texas taxpayers help foot the bill to enforce a regulation which prevents them from having medical services which they clearly want.

We should stop spending taxpayer money to erect entry barriers to protect the markets of special interest providers. Part of the budget (say \$1 million) should be spent to investigate and prevent criminal fraud -- to protect consumers against unscrupulous practitioners, whether licensed or unlicensed. Return the rest of the money to the taxpayers.

PROPOSAL: Support Right-to-Work for Lawyers, Make the State Bar of Texas Voluntary.

Texas is a right-to-work state and therefore compulsory union dues as a condition of employment are illegal. Yet the State Bar of Texas, a quasi-public agency, requires membership in the so-called integrated Bar. As a result, all 51,000 attorneys in Texas are compelled to pay union dues to \$120 per year to the lawyers' guild. The State Bar should be made voluntary and its \$19 million annual budget and 186 state employees should be supported through voluntary rather than compulsory fees from lawyers.

**PROPOSAL: Terminate eight financial regulatory commissions.
SAVING: \$133,400,000**

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FINANCIAL REGULATORY COMMISSIONS

| | <u>Agency</u> | <u>Employees</u> ¹ | <u>Spending</u> ² |
|----|--------------------------|-------------------------------|------------------------------|
| 1. | State Board of Insurance | 1,064 | \$94,478,489 |

³¹Young, *Rule of Experts*.

| | | | |
|----|-----------------------------|--------------|----------------------|
| 2. | Department of Banking | 205 | 18,014,041 |
| 3. | Savings and Loan Department | 69 | 7,431,840 |
| 4. | Real Estate Commission | 86 | 5,754,146 |
| 5. | State Securities Board | 58 | 4,453,750 |
| 6. | Consumer Credit Commission | 23 | 2,191,904 |
| 7. | Credit Union Department | 26 | 2,048,843 |
| 8. | Finance Commission | <u>- -</u> | <u>8,280</u> |
| | TOTALS | 1,531 | \$134,381,293 |

¹Full-time equivalent

²1988/89 appropriation.

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The financial sector is inherently competitive and would better serve the public if left to the marketplace subject to the rules of the common law. Furthermore, in most markets federal regulation already is abundant and hardly needs to be supplemented by more state regulation.

Texas has eight agencies regulating financial institutions, however. The worst of these agencies are the State Board of Insurance and the Securities Board. The Insurance Board fixes rates to the detriment of the public (e.g., monopoly prices for title insurance) and restricts competition (companies cannot advertise phrases such as "lowest costs," "quickest service," "easy payments," or "repayment in easy installments") in every imaginable way.

The State Insurance Board also raises costs to consumers in another way. It enforces the state's mandated health insurance laws -- laws which require insurance policies sold in the state to cover specific diseases and specific providers. For example, Texas is one of only four states that require coverage for speech and hearing therapists, and it is one of 12 states that mandate coverage for annual mammograms. Texas also mandates coverage for chiropractors, psychologists, podiatrist, dieticians and even social workers. Group insurance in Texas must cover alcoholism and mental health problems, and insurers must offer coverage for home health care and *in vitro* fertilization. In most cases, Texas mandates coverage for the newborn children of employees, even if the employee has chosen not to cover other dependent children.

Why do we have such laws? Because special interest lobbies representing every group from athletic trainers and hearing aid fitters to acupuncturists and marriage counselors descend on the legislature each year to request mandated benefits legislation. What difference do these laws make? Plenty. Because they exist, Texans cannot buy no-frills health insurance for a reasonable price. People either have to buy the complete package, full of benefits they do not necessarily want to pay for, or go without any health insurance.

Many Texans are choosing the latter option. Estimates are that as many as 701,000 people in Texas have been priced out of the market for health insurance because of these regulations.³²

(CALLOUT) *"As many as 701,000 Texans lack health insurance because of state insurance regulations."*

(CALLOUT) *"Texas banking regulations make the banks more vulnerable to boom and bust instability."*

The Board could be retained but severely restricted to the narrow task of supplementing the common law protection against fraud. For example, a drastically reduced insurance board could be retained at, say, \$1 million to ensure that companies supplying products in Texas meet specific minimum legal and financial standards. This monitoring function could be performed quarterly or annually through the use of certified public accountants. Companies failing to meet the state standards could be immediately prosecuted by the Attorney General for failing minimum reinsurance or other financial criteria.

The Securities Board issues a maze of regulations (160 pages) as restrictive as the Securities and Exchange Commission. Its foolish activities include publishing a "free" investor bulletin, *Fraud and Abuse in the Financial Planning Industry*, to alert consumers to the "recent surge in fraud and abuse." *Fortune* and *Barron's* do it much better than any Texas bureaucracy.

And the banking regulators? They have not saved the public a dime. Nor has their sharp-eyed supervision prevented a record 113 Texas banks from going under in 1988, or prevented the Federal Home Loan Bank Board from pledging \$22 billion so far to rehabilitate the "thrift" industry in Texas. Texas savings and loans institutions have dropped to one-third of their former number. Perhaps *Texas Monthly* put it best: "Don Dixon ran Vernon Savings & Loan the way the Romans ran orgies, equating excess with success, until his empire collapsed."³³ And we might add, unencumbered by state regulators or market discipline in the form of nervous depositors and competitive rivals.

Not only are the banking regulators not helping the banking system, there is ample evidence that banking regulations, have made things worse. By preventing branch banking and by keeping out-of-staters from entering the market, the state regulators have created a system in which banks confine most of their loans to a single locality, and to a few industries such as energy and real estate. This makes our financial institutions more vulnerable to boom-bust instability in local economies and key industries.

Compare the experiences of Canada, by contrast. In Canada, there are no geographical banking monopolies, and banks there have always been free to take advantage of economy-wide diversification. As a result, even though thousands of American banks failed during this Great Depression, not a single Canadian bank failed -- even though the Canadian economy was equally hard hit.³⁴

PROPOSAL: Terminate the Public Utility Commission.

³²John Goodman and Gerald Musgrave, "Freedom of Choice in Health Insurance," National Center for Policy Analysis, No. 134, November, 1988.

³³*Texas Monthly*, January, 1988.

³⁴Michael Becker, Steve Horowitz and Robert O'Quinn, "Interstate Banking: Toward a Competitive Financial System," Citizens for a Sound Economy Foundation, 1987. See also Catherine England, and Thomas Huertas, *The Financial Services Revolution: Policy Directions for the Future*, (Washington, D.C.: Cato Institute, 1988).

SAVING: \$17,200,000

The Public Utility Commission (PUC) is supposed to represent the "public interest." But, perhaps because no one believes it can stick to this task, a separately-funded PUC Counsel allegedly represents the public interest before this public interest board. These hearings and deliberations are supposed to lead to "a comprehensive regulatory system to assure rates, operations, and services which are just and reasonable to the consumers and the utilities" for electrical power production and distribution, telephone service, and water and sewers. In practice the Commission prevents the efficient functioning of markets. This is most evident after partial deregulation of interstate telephone service, but it's also obvious in electrical power generation. As the innovations of the marketplace circumvent PUC obstacles, PUC chair Marta Greytok says she needs more money to do the job properly. If she gets it, the PUC will further increase the cost of doing business in Texas.

PROPOSAL: Eliminate as much labor regulation as federal law will allow.
SAVING: \$5,000,000

The Labor and Standards Department administers a plethora of laws such as the Boiler law, Air Conditioning and Refrigeration Contractor licensing, Health Spa Act, the Texas Pay Day law and others. They unnecessarily interfere with trade, best handled by responsible adults managing their own affairs. The tasks of this department should be cut in half.

The Accident Board regulates workers' compensation insurance and is being reviewed. It probably will be overhauled by the 1989 legislature. Getting proper incentives for participants in this field dictates a basic common-law treatment of accidents on the job, but federal intervention presently makes this an infeasible solution. At a minimum, premiums should roughly reflect actuarial damage differentials across industries and firms. The legislature may require insurance or proof of liability for employers, but firms should buy coverage in the market, discovering least-cost solutions in the process.

PROPOSAL: Terminate the Alcoholic Beverage Commission.
SAVING: \$41,450,000

The Alcoholic Beverage Commission regulates every aspect of alcoholic beverage production and distribution in gruesome detail, encompassing 102 pages of the *Texas Administrative Code*. These restrictions include mandates on monthly reports, transportation methods, labels, and so on. Example: "An advertisement shall not contain ... the word 'pure'." What is the answer to all this foolishness? Restrict the role of government to reasonable functions. Let the Comptroller collect the taxes on alcohol and let state and local law enforcement agencies administer the age 21 law and other local laws regulating the sale of alcohol.

PROPOSAL: Fund the Racing Commission from industry receipts.
SAVING: \$1,500,000

The Racing Commission? A theoretical case can be made for its existence as a regulator in a crime-and-fraud-prone industry and as tax collector. So we must await its actions before suggesting improvements. Its expenses, however, should be paid for from industry receipts rather than from the pockets of the general taxpayer.

TOTAL SAVING: \$242,150,000

MISCELLANEOUS STATE AGENCIES

OVERALL RECOMMENDATION: Eliminate unnecessary activities.

PROPOSAL: Terminate the Commission on the Arts.

SAVING: \$6,700,000

Does Texas need a Commission on the Arts, with a central plan for culturally-minded Texans to follow? As English economist Alfred Marshall wrote, "A government could print a good edition of Shakespeare's works, but it could not get them written." The arts do not need the state government for nurture, and government interference can be positively harmful.

PROPOSAL: Terminate the Texas Cancer Council.

SAVING: \$7,700,000

Will the Texas Cancer Council abolish the dread disease in our lifetime? Not likely. But it does draw up a "Texas Cancer Plan" and spend money on "research" and "care for cancer victims." Should legislators spend Texans' money on this? No. The federal government, many private organizations and many medical producers and consumers already are fighting cancer. If legislators still insist on it, transfer the program to another agency or medical care supplier.

PROPOSAL: Terminate the Indian Commission.

SAVING: \$900,000

The Indian Commission no longer has any Indian reservations to oversee. On September 1, 1989, it will lose its two Indian reservations (Alabama-Coushatta and Tigua), when they will be transferred to federal bureaucratic care. The Commission insists that it should live on, however, to take on new tasks such as supervision of non-reservation Indians. At least the agency is to be commended for being the only agency to ask for a budget cut in the next biennium. A better answer: Let the non-reservation Indians supervise themselves.

TOTAL SAVING: \$15,300,000

ABOUT THE AUTHOR

Morgan Reynolds, a professor of economics at Texas A&M University, received his Ph.D. from the University of Wisconsin in 1971. He has published many articles in academic journals, edited *W. H. Hutt: An Economist for the Long Run* (1986), and authored *Power and Privilege: Labor Unions in America* (1984), *Crime by Choice* (1985), *Making America Poorer: The Cost of Labor Law* (1987), and *Public Expenditures, Taxes, and the U.S. Distribution of Income* (1977). He has been a consultant for the National League of Cities, the U.S. Department of Labor, and many private organizations. He also serves on the board of the *Journal of Labor Research* and the *Review of Austrian Economics* and is a member of the Mont Pelerin Society and an adjunct scholar of the Cato Institute.