

PORK CHOP

Budget Questions for Your Congressman

SCOTT A. HODGE

Every \$1 million reduction in federal spending would provide \$3,000 in tax relief to 333 households. Every \$1 billion reduction in federal spending would provide \$3,000 in tax relief to 333,000 households. An appropriate question for every line-item in the federal budget is therefore: "Is this program so important that the dollars spent on it cannot be given as tax relief for hundreds of families?" Congress is primarily responsible for spending decisions, and hence for rising federal taxes. To help your congressman evaluate whether programs are genuinely needed, it helps to ask him some additional questions along the way.

Question: Does the program serve localized or special interests rather than the nation as a whole?

Congress funded a \$250,000 project through the Cooperative Extension Service to assist in the expansion of the Toledo Farmers' Market. This program clearly benefits solely the Toledo area although every working American is taxed to pay for it. This program should be funded at the local level.

**Number of households provided \$3,000 tax relief: 83*

At a cost of well over \$100 million, members of Congress each year fund dozens of "highway demonstration projects" that have nothing to do with demonstrating new construction techniques and everything to do with showing how well they can bring home the bacon. Last year, for example, members spent \$10.2 million for an off-ramp and access road to a private sports stadium in Milwaukee; \$3.4 million for improvements on Fifth and Sixth Streets in Waterloo, Iowa; \$9.35 million for an "Urban Highway Corridor and Bicycle Path" in Macomb County, Michigan; and \$3.7 million for a railroad crossing in Springfield, Illinois.

**Number of households provided \$3,000 tax relief: 33,500*

This year, members of Congress will force the National Park Service to spend \$150,000 to study the century-old Hatfield-McCoy feud in Matewan, West Virginia; \$320,000 to purchase the home of President William McKinley's in-laws and donate it to the state of Ohio; and to give out \$2 million in Urban Park Grants to such needy cities as Chicago. Eliminating these and similar parochial projects forced upon the National Park Service would save taxpayers over \$10 million.

**Number of households provided \$3,000 tax relief: 3,300*

Question: Has the program failed, fulfilled its mission, outlived its usefulness, or simply become irrelevant?

The Small Business Administration is often cited as a classic example of a program that has failed completely. The SBA loses approximately 12 percent each year on the \$3 billion of loan guarantees it issues. As many as 20 percent of SBA direct loans default. Only two-tenths of 1 percent of all small businesses in the nation receive SBA loans, yet every American taxpayer—including other small business owners—are required to pitch in \$318 million a year to pay for it. The SBA should be abolished.

**Number of households provided \$3,000 tax relief: 106,000*

Enacted in 1955, the federal wool and mohair subsidy program was intended to insure a consistent source of wool and mohair for military clothing. Both of these items were taken off the Pentagon's list of strategically critical materials in 1960. Yet taxpayers continue to chip in \$175 million per year to subsidize these products. The wool and mohair subsidy program should be eliminated.

**Number of households provided \$3,000 tax relief: 58,300*

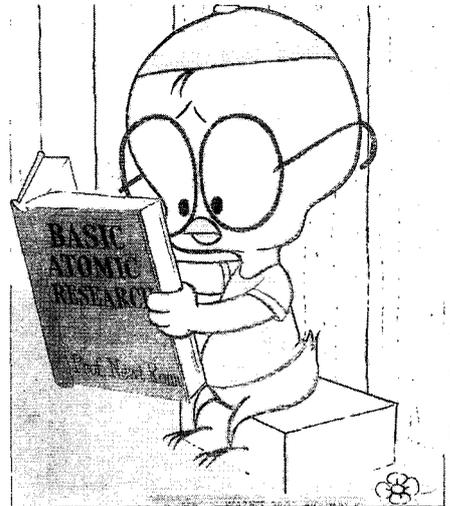
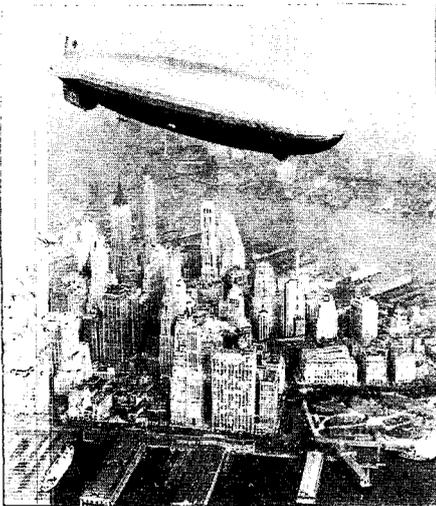
The Rural Electrification Administration was created in 1935 to bring electricity, and later telephone service, to rural areas of the country. The REA is one of the few major federal programs to fulfill its mission. Today, 99 percent of rural Americans have electricity and 97 percent have telephone service. Yet REA still gives out nearly \$2 billion in loans annually at a cost to the taxpayer of almost \$160 million. It is time REA companies became self-sufficient.

**Number of households provided \$3,000 tax relief: 53,500*

Question: Does the program duplicate, contradict, or nullify the mission of other programs?

The Trade Adjustment Assistance program is intended to provide unemployment benefits to certain workers who were displaced as a result of foreign competition. Determining the status of workers who became unemployed due to foreign competition, domestic com-

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Just three federal programs that could be eliminated: the federal Helium Reserves, which were started in 1929 to insure a consistent supply of helium for blimps; the National Park Service's \$150,000 study of the feud between the Hatfields and the McCoy's; and the Arkansas "Poultry Center of Excellence," which receives \$3.8 million a year.

petition, or a host of other reasons has always been difficult. Yet, once given this recognition, these workers are eligible for greater benefits than other workers without this distinction. Eliminating TAA cash benefits would make all unemployment insurance programs fairer and save taxpayers \$95 million.

** Number of households provided \$3,000 tax relief: 31,600*

The Appalachian Regional Commission was established in 1965 to foster economic development in the Appalachian region of the United States. Since its inception, the federal government has spent nearly \$7 billion in this economically distressed region, two-thirds of this on investment on roads. At a cost to taxpayers of about \$130 million per year, the ARC duplicates 14 federal rural aid programs provided by the Departments of Transportation, Labor, and Agriculture.

** Number of households provided \$3,000 tax relief: 43,300*

The Department of Agriculture's Conservation Reserve Program offers farmers an incentive to voluntarily remove "highly erodible cropland and other environmentally sensitive land from production for a period of 10 years." At an annual cost of over \$1.6 billion, the CRP has encouraged farmers to enroll 35 million acres of land (equivalent to the size of the state of Illinois). Most of this land was highly marginal cropland to begin with and probably would not have been in production had it not been for the myriad other crop subsidy programs. This program should be canceled and the other subsidy programs should be reviewed for their effect on encouraging wasteful farming practices.

** Number of households provided \$3,000 tax relief: 533,000*

Question: Does the federal program compete with private commercial enterprises?

The federal Helium Reserve program was started in 1929 to insure a consistent supply of helium for blimps. The program will incur losses of over \$121 million in fiscal 1992 and has lost over \$225 million in the past two years. There is a thriving private-sector market in helium and there is no reason for the government to compete

with this industry. Selling the assets of this program to the private sector could generate \$465 million.

** Number of households provided \$3,000 tax relief: 155,000*

Question: Does the program benefit businesses or income groups with more than sufficient means to help themselves?

Three federal child nutrition programs—the School Lunch Program, the School Breakfast Program, and the Child Care Food Program—all provide benefits to families with incomes of over \$25,000 per year, or 185 percent of the poverty level. Eliminating the \$1 billion in annual subsidies to these income groups would not adversely affect the poor. On the contrary, it would ensure that scarce federal resources would be targeted to those in need.

** Number of households provided \$3,000 tax relief: 333,000*

The government spends roughly \$3 million annually to support a catfish research farm in Stuttgart, Arkansas. The findings of this research is intended to benefit the thriving \$200-million-per-year catfish industry. Just down the road is the Arkansas "Poultry Center of Excellence," which receives \$3.8 million annually from the federal government to the benefit of the \$14.9-billion-per-year poultry industry.

** Number of households provided \$3,000 tax relief: 2,260*

The U.S. Fruit and Vegetable Lab in the state of Washington cost taxpayers over \$5 million last year. Yet, the beneficiaries of that research, the fruit and vegetable growers in Washington, Oregon, and Idaho, have annual sales of \$1 billion.

** Number of households provided \$3,000 tax relief: 1,600*

Implementing just the few recommended cuts cited here could give \$3,000 in tax relief to nearly every household in Austin, Texas; Buffalo, New York; Des Moines, Iowa; Fresno, California; Knoxville, Tennessee; and Rockford, Illinois. If your congressman voted for these programs, he should be prepared to explain why they are so important that he wants to deny tax relief to hundreds of thousands of Americans.

LAND OF PROMISE

Restoring Israel's Economic Miracle

JOEL C. ROSENBERG

President Bush told Congress and the nation last March that one of the greatest challenges of the post-Gulf War Middle East is "to foster economic freedom and prosperity for all people in the region." Nowhere is the challenge more urgent than in Israel. Enormous Israeli government spending, high taxes, and stifling overregulation have for years frightened away foreign investors, penalized Israeli businessmen, and discouraged would-be entrepreneurs. The result has been economic stagnation. Now mass Soviet and Ethiopian Jewish immigration is overwhelming an Israeli system ill-equipped for such dramatic, indeed cataclysmic, change.

The Israeli government says the cost of absorbing the 300,000 immigrants who have already arrived, and the one million more expected by 1995, is likely to be in the range of \$50–\$60 billion. Yet, Israel's gross national product in 1990 was only \$50 billion. Thus, it will be impossible to raise the needed funds from higher taxes. Nor is it possible to raise the money from Western governments, who find themselves increasingly distracted by the enormous needs of Eastern Europe and the Soviet Union, nor from world-wide Jewry, who are already donating charity to Israel in record amounts.

Overgrown Government

Israel's economy instead needs immediate, comprehensive free-market reform to attract billions of dollars in desperately needed foreign investment and to unleash the creative talents of its own people. Without major structural change, such as large budget cuts, tax cuts and tax reform, privatization of government-owned companies, and significant deregulation of the private sector, Israel's economic crisis will worsen dramatically and exacerbate ethnic and political tensions between Soviet and Ethiopian Jews, native Israelis, and Palestinian Arabs on the West Bank and in the Gaza Strip. With a potentially historic, although still fragile, Arab-Israeli peace process gathering momentum, this is no time to allow Israel to edge toward economic chaos. American loan guarantees may temporarily alleviate Israel's immediate housing crunch, but such guarantees do not solve Israel's larger problem of stagnant economic growth.

Only free-market reform can do that; yet Israeli leaders hesitate to move boldly and decisively on such reform.

In its early years, Israel was an economic miracle. The immense political and environmental challenges facing the fledgling state required central direction; government involvement helped channel Israelis' bold, pioneering spirit, not cripple it. Malaria-infested swamps were turned into rich, productive farmland. Creative irrigation strategies made "the desert bloom." And despite war and terrorism, Israelis built industry and infrastructure, homes and hospitals, to welcome hundreds of thousands of Jewish refugees from Arab and Islamic persecution as well as from the butchery of Nazi Germany and Stalinist Russia.

Once the new state had become established, however, government involvement in the economy began to grow dramatically rather than recede. Between 1965 and 1985, government spending doubled from 36 percent to 74 percent of Israel's gross national product. (Israel's proposed 1992 budget will also be about 75 percent of GNP.) Some argue that Israel's heavy defense burden has been responsible for the surge. The numbers, however, prove otherwise. Israeli defense spending as a percentage of GNP did soar from 9.5 percent in 1965 to 32 percent in 1975. This was due to the Six-Day War of 1967, the ensuing War of Attrition, and the Yom Kippur War of 1973. However, defense spending has since dropped steadily to less than 24 percent of GNP in 1985, and less than 10 percent today. The dramatic rise in Israeli government expenditures has actually come from domestic spending, not spending on defense. Between 1965 and 1985, Israeli public-sector non-defense consumption jumped from 21 percent to almost 35 percent of GNP. During the same time, transfer payments soared from 6 percent to 16.5 percent of GNP, and payment on external debt rose from .5 to over 6 percent of GNP.

As total spending doubled, the government, not surprisingly, also doubled Israelis' tax burden, from 25 percent of GNP in 1960 to over 50 percent in 1985. Top marginal tax rates have been reduced dramatically, but

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