

are familiar with this principle—that's why they don't believe in whipping children. But it never occurs to them that it applies to government spending programs. Accepting the image of government as a kindly provider, they overlook its coercive character.

The term "entitlement" itself indicates the popular confusion about government funds. The idea seems to have crept into the public mind that government is legally or morally obligated to make benefit payments. This might make sense if government were a person who could promise something and feel guilty about not living up to the promise. But it's not. It's an agglomeration of people. At one point in time, people like Franklin Roosevelt said, "Let's give pensions to everybody." How can that obligate congressmen from Idaho, Maine, and California 75 years later? Politicians have enough difficulty keeping their own promises. Why should we expect them to keep the promises of an earlier generation of politicians? All entitlement programs are simply pay-as-you-go welfare programs: they take money from some people and give it to others. They can be, and are, changed from year to year as political circumstances dictate.

Government officials know that people are embarrassed to take welfare. Therefore, starting with FDR, they have invented ways to disguise the character of these handouts. Social Security was made to seem like some kind of insurance contract, with its taxes misnamed "contributions" and the absurd rignarole of "earning histories" and "trust funds." Administrators of other hand-out programs, from cotton subsidies to student loans, have followed suit, marketing the government benefit as a citizen right, that is, a payment the government owes you. By and large they have succeeded in duping the public. Everyone now believes himself entitled to whatever benefits he gets. I have heard

**The arrival of a new videotape by Osama bin Laden hard on the heels of a threatening tape by a self-described "American al-Qaeda" has alarmed some intelligence analysts.**

The bin Laden tape portrays a healthy Osama standing behind a lectern and wearing a gold robe, typical of the formal wear of a Saudi prince. Although bin Laden made no specific threats and spent a good deal of time mocking President Bush, he clearly implied that there would be new attacks if policy changes do not take place. As bin Laden knew full well that U.S. Middle East policies are unlikely to alter no matter who is president, he was probably preparing his larger audience, the Muslim world, by providing justifications for his next attack. The tape was produced by the same al-Qaeda media facility that made the earlier American al-Qaeda tape. Analysts believe the American al-Qaeda is Adam Yahiyeh Gadahn. In the tape, Gadahn is prompted with questions by an off-camera voice that analysts have identified as Adnan Shukrijumah, operational planner for attacks against the United States. Gadahn works directly under Shukrijumah, who has reportedly been seen in Latin America and is the target of a massive FBI manhunt. Some intelligence analysts think that al-Qaeda is incapable of mounting a major attack now, but sources in the CIA's Counterterrorism Center believe that bin Laden always delivers on his threats. The appearance of two tapes in conjunction suggests that al-Qaeda might seek to launch a catastrophic operation soon after Bush starts his second term.



**Assertions by the neoconservative translation group MEMRI that Osama bin Laden's videotape referred to threats against individual states in America that voted for Bush are in error.** MEMRI incorrectly translated an Arabic word that was actually referring to "states" in the old Ottoman Empire sense—i.e., countries in the American sphere of influence, not component states in the U.S.



**Britain has already warned the Bush administration that it will not permit itself to become involved in any military action against countries like Iran.**

Even as Prime Minister Tony Blair was congratulating President George W. Bush on his electoral victory, British Foreign Minister Jack Straw responded to questions from the press about Iran, stating that there are no circumstances under which military action against Tehran would be justified. British sources believe that the Straw comment was a warning that Britain would not be willing to go along with any expansion of the Iraq conflict. There continues to be a great deal of speculation in intelligence circles that the United States will encourage Israel to attack nuclear targets inside Iran using the heavy bunker-buster bombs that were recently provided from U.S. arsenals. Critics of such a development note that Iran is fully aware of the threat and has dispersed its nuclear program to a number of sites that are deep underground, permitting it to reconstitute quickly and giving it an even stronger motive for developing nuclear weapons. Iran also has medium-range missiles that could strike back at Israel and has warned that it will use them if attacked.

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food stamp recipients say they are only getting back some of what they have put into the program in taxes.

Another sign of immaturity about fiscal policy is the almost complete ignorance of transaction costs in government-benefit systems. In engineering, everybody knows that you lose energy when you try to transfer it from one form to another. You may start with 100 kilowatt-hours of energy in a pile of coal, but by the time you've converted it to useable energy in a battery-powered car, you've only got two kilowatt-hours left. The same thing happens with government taxing and spending programs, only people don't notice it.

To illustrate the problem, compare the efficiency of two systems of providing drugs for seniors. In system A, you walk down the street to a drug store and buy the drug for \$100. In system B, government takes \$100 from you or from others in taxes and then provides you with the drug. Assuming you end up with the same drug in both cases, what is the true full cost of the government-provided drug? The way most people talk about government programs, it appears that they believe the answer is around \$100. They believe that government can tax and spend and lose hardly anything in the process.

A close look at the transfer process shows that this assumption is naïve. The waste in any government transfer system is enormous. One major burden is the cost of operating the tax system. Dollars that fund entitlement programs do not float effortlessly into the U.S. Treasury. Taxation is enormously expensive. The cost of running the IRS is but a tiny part of this burden. It includes all of the private-sector costs of record-keeping, learning about the tax code, and filling out tax returns. In 1995, the time component of this compliance burden was 10.2 billion man-hours. This is the equivalent of 5.5 million workers—the entire com-

bined labor force of Indiana, Iowa, and Maine—working all year on tax-compliance activities. In addition, there is the time and money wasted on audits, audit appeals, tax planning, tax shelters, tax litigation, and prosecutions.

Then there is the economic disincentive cost. When you try to take money from people by force, they change their behavior to avoid the impost. Investors save and invest less, entrepreneurs give up trying to start businesses, and employees work less. A few economists have begun to calculate this burden. According to their estimates, raising a dollar of revenue through the tax system causes the waste, or loss, of between 24 cents and \$1.65. Taking a conservative estimate for the disincentive cost (33.2 cents) and combining it with compliance and other costs, the overall cost of raising one dollar in taxes is 65 cents. So in the drug program illustration, before government has even thought about how to supply the drug, its \$100 per-person tax has made the average person \$165 poorer.

When government does get around to providing the service, it will face administrative costs and wastes. These include fraud, theft, and other kinds of abuse, as well as the overcharging, overpaying, and red tape so characteristic of government programs. A few economists have delved into this, looking at public and private provision of a wide variety of services, including trash collection, airlines, fire protection, and ship repair. They have come up with the "bureaucratic rule of two": a government-provided service will end up costing about twice what the privately-provided service would cost. Applying this finding, we would estimate that the government-provided drug would cost around \$200. Add the \$65 in overhead tax collection costs, and we find that the true cost of the government-provided drug is about \$265.

This is only an estimate, of course. But it is one that errs, if anything, on the side

of understatement, for it leaves many costs out of the picture. The point is that most people, even many policy specialists, aren't aware of the magnitude of these costs. For example, Arthur Benavie, the economist who thinks Social Security is one happy family, praises the system because "The cost of administering the program is extremely low—less than 1 percent of the value of benefits it pays out, compared with 10 to 15 percent for most private insurance." This statement seriously misrepresents the overhead cost of the Social Security program. The on-budget cost of the Social Security bureaucracy, which is what Benavie refers to, is but a tiny fraction of the full social cost of the program. This full cost includes the 65 percent overhead cost of taxation we just noted, plus the private sector costs of disbursing the subsidy. These include the waste of time and money in filling out forms, waiting in lines, and litigating for benefits, as well as economic disincentive costs (the program encourages people not to work). The overhead cost of Social Security is probably around 100 percent of benefits—vastly higher than even the most wasteful private pension arrangement. Other government spending programs, like Medicare and Medicaid, have even higher overhead costs.

Government systems that provide what you can buy for yourself entail a staggering destruction of wealth. They are the path to national economic ruin. In the long run, the country is going to have to face up to this economic reality and move away from government entitlement systems. We are probably moving in that direction, but there's going to be a lot of kicking and screaming along the way from a generation that thinks government is Kris Kringle. ■

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# Arts & Letters

## FILM

[*The Polar Express*,  
*The Incredibles*]

## Santa Claus & Superheroes

By Steve Sailer

A QUARTER BILLION DOLLARS worth of computer animation hits the theatres in Robert Zemeckis's Christmas pageant "The Polar Express" and Pixar's superhero action-comedy "The Incredibles."

Zemeckis has been overshadowed by his mentor Steven Spielberg, but a surprisingly strong case can be made that the 52-year-old is one of the greatest directors ever. Zemeckis has made terrific films in a variety of genres from the crass but viciously funny "Used Cars" to the all-American comedy "Back to the Future" to the nearly silent adventure "Cast Away." In "Who Framed Roger Rabbit?" and "Forrest Gump," he introduced technical breakthroughs while delivering old-fashioned satisfactions.

With "The Polar Express," Zemeckis spends \$160 million to attempt two innovations at once: to use motion-capture technology so Tom Hanks can act out five different characters, and to stay true to the tissue-thin story in Chris Van Allsburg's 1985 children's book. For once, unfortunately, Zemeckis overreaches.

Van Allsburg writes and paints the kind of hardcover picture books that win the Caldecott Medal, bedtime books that, at \$18.95 each, only grandparents can afford. This format tends toward bland multiculturalist fare of the *Lo-Ming* and *N!xau Celebrate Cinco de*

*Mayo* ilk that libraries feel obligated to buy, but Van Allsburg creates mysterious, sometimes sinister tales that kids actually enjoy.

When Van Allsburg's *Jumanji* was made into a 1995 Robin Williams picture, the paucity of his plot required the screenwriters to tart up the movie with an elaborate backstory. His *Polar Express* is even sketchier, consisting, along with his lovely but oblique paintings, of no more than a few hundred words. On Christmas Eve, a boy who is not sure he believes in Santa Claus anymore finds in front of his house a magic train that takes him to the North Pole where Santa gives him a bell from his sleigh.

Zemeckis adds a few characters, some rollercoaster action, and two musical numbers, but, on the whole, he stoically resists injecting conflict, motivation, humor, or even incident into the soporific storyline, which Van Allsburg devised, after all, to lull excited children to sleep on Christmas Eve.

Optical sensors recorded the adult actors' movements and then used this three-dimensional data to animate the children. That Hanks plays five characters, only one of whom looks remotely like him, is an amazing technological feat. That he is charming only as the most Tom Hanks-like character, however, suggests that there wasn't much point to this stunt.

The outdoor scenes are as gorgeous as you'd hope for \$160 million, but the blue reflections off the snow make the animated children's faces look clammy, giving them gray teeth.

While placid, the G-rated "Polar Express" is pleasant and unobjectionable. Its endorsement of the will to believe is in tune with the times. It's even mildly admirable for bucking the "War Against Christmas" waged by bureaucrats to replace Christmas with a diver-

sity-sensitive "Winter Solstice Holiday"—a top-down cultural revolution opposed by 50-million Christmas-loving children. Now *that* could inspire an exciting Christmas fantasy.

Brad Bird is just four years younger than Zemeckis and may be his equal in talent. He has an eye for movement that rivals Chuck Jones's. Yet Bird's career (consisting primarily of 1999's underpromoted "Iron Giant") has been as frustrating as Zemeckis's has been triumphant.

Bird pours his anger at the forces of mediocrity into the PG-rated (but wholesome) "The Incredibles," his sensational slam-bang tale—as overstuffed with fun as "Polar Express" is undernourished—of Mr. Incredible, a crime-fighting big lunk and his stretchy bride, Elastigirl, who are forced by predatory plaintiff's attorneys and growing political correctness into a government relocation program. "When everyone is special, no one is," grumbles the lovable *homo superior*.

Fifteen years later, they are trying to maintain a low profile in suburbia with a mortgage and three kids. Mr. Incredible works as a lowly claims adjuster who can barely squeeze his massive, but increasingly flabby, torso into his tiny cubicle.

Then the superhero business calls again, but does he dare tell Mrs. Incredible he's squeezing back into the old tights?

Superheroes normally have wards or nephews because real kids hate to imagine their own parents engaging in derring-do. Bird wisely sidesteps this by having the couple's daughter raise to her younger brother the specter of the only fate that scares modern children more than death—divorce: "Mom and Dad's lives could be in danger, or worse—their marriage!" ■