

BY KARL ZINSMEISTER

Indicators

DO AMERICANS REALLY FEAR THEIR GOVERNMENT?

The Oklahoma City bombing, which took place on April 19, unquestionably put a damper on public expressions of dissatisfaction with the federal government. *Washington Post*/ABC News polls show that the proportion of Americans stating they are unhappy with Washington fell 19 percentage points in the aftermath of the attack.

What's really remarkable, though, is that **even after this rallying-around-the-flag, the fraction of the population expressing frustration with the feds was still half** (the change in the *Post*/ABC poll was from 69 percent angry or dissatisfied in January to 50 percent in May). That is a vast amount of alienation.

A battery of polls taken while the horrendous news footage from Oklahoma was still rolling around the clock demonstrates that **a troublingly big chunk of the American people feel estranged and threatened by their national government:**

Gallup 4/23/95: "Do you think the federal government has become so large and powerful that it poses an immediate threat to the rights and freedoms of ordinary citizens, or don't you think so?"

Yes, immediate threat: 39%

Los Angeles Times 4/26/95: "These days, do you think the activities of the federal government pose a threat to the constitutional rights enjoyed by the average American, or not?"

Yes, pose a threat: 45%

Los Angeles Times 4/26/95: "Generally speaking, would you say you are [angry or not angry] at the federal government these days?"

Angry: 47%

Yankelovich 4/27/95: "Do you think the federal government has become so large and powerful that it poses a threat to the rights and freedoms of ordinary citizens, or don't you think so?"

Yes, a threat: 52%

Washington Post 5/18/95: "Do you think the federal government threatens your own personal rights and freedoms, or not?"

Yes, threatens: 36%

These large totals (as well as detailed demographic breaks in the polling data) show that **fear of government is not confined to any narrow subset of the populace.** Contrary to media reports, women, minorities, liberals, and Democrats are as likely to be upset as conservative white men. All regions of the country, ages, and income groups are involved.

The backlash against overweening government is no fringe movement.

MANY FARMERS WANT SUBSIDY PHASEOUT

Even in the most heavily subsidized farm locales, a plurality of farmers want to end subsidies. A 1994 USDA survey of 9,754 farmers in states like Iowa, Idaho, and Kansas found that 41 percent want a phaseout of all farm supports, while 37 percent want present programs to continue. Fully 44 percent said they even want an end to government involvement in protecting farmers from major disasters.

Source: "U.S. Farmers' Preferences for Agricultural and Food Policy After 1995," U.S. Department of Agriculture, November 1994.

THE COSTS OF FARM SUBSIDIES

Government farm subsidies, though showered on less than 1 percent of the population, **aren't cheap:**

	Payments to farmers (billions of 1994 \$)	Acres of land idled (cumulative millions)
1970-1974	61	178
1975-1979	65	31
1980-1984	99	116
1985-1989	138	275
1990-1994	72	253
TOTAL 1970-1994	\$435 billion	853

Source: U.S. Office of Management and Budget; Bruce Gardner, "Policy Alternatives for the 1995 Farm Bill," AEI conference paper.

Beyond the direct costs to government, farm programs can also raise consumer costs. The sugar program, dairy program, and peanut program, for instance, collectively **increase grocery bills by \$2.7 billion a year.** There are also government costs other than the direct payments charted above—for instance, the **\$12 billion in losses over the last six years at the Farmers Home Administration** (which doles out subsidized agricultural loans), and the **\$700 million a year tax subsidy for ethanol**, a sop to corn farmers.

It's more than small beans.

FARM EXPORTS BOOM

U.S. farm exports are expected to increase 12 percent in the current year, to \$49 billion. **The U.S. surplus in farm trade will be \$20 billion.** This is the future of American farm production.

Top Export Markets for U.S. Farm Products, 1995

Japan	\$9.6 billion
European Union-12	7.1
Canada	5.7
Mexico	3.6
South Korea	2.7
Taiwan	2.5
China	1.7
Hong Kong	1.5
Egypt	1.1
Brazil	0.6

Source: U.S. Department of Agriculture.

WHY TAX REFORM?

The Chrysler Corporation now needs 65 full-time employees simply to file its taxes. Stacked on a desk, the company's annual return stands more than three feet high.

And it gets worse. Former IRS Commissioner Shirley Peterson reports that when she ran the agency, one corporation's 1992 tax return comprised 21,000 pages, filling 30 volumes. These are not unrepresentative horror stories—national estimates suggest that **Americans spend around \$75 billion a year on paperwork, book-keeping, and professional costs just to comply with tax laws**, and the tax figuring and fiddling industry gets larger every year.

There is nothing automatic about this—Congress and the tax bureaucrats have simply been making tax requirements

more intrusive and complicated. From 1955 to 1975, they increased the number of words in the U.S. income tax code nearly four-fold. During 1975 to 1995 the word count doubled again. **If you plan to own a copy of your federal government's official tax laws and regulations you'd better have a lot of shelf space, because it now comprises 17,000 pages.**

Just over the past 10 years, some 2,000 provisions in the tax code have been amended, more than 100 new forms have been released, and the IRS has doubled its budget and added 20 percent more staff. It isn't just businesses that are suffering under this weight. Literally a majority of Americans are now driven to use a professional tax preparer—up from 41 percent as recently as 1981. Even still, **an incredible 33**

million citizens were slapped with an IRS penalty notice last year.

And today's code is apparently too complicated even for the revenueurs, because fully 40 percent of the penalty money the IRS collects must eventually be returned to citizens who argue back. Likewise, about half of the 10 million correction notices the IRS sends out every year are "incorrect, unresponsive, unclear, or incomplete," according to the U.S. General Accounting Office.

All in all, a bureaucratic nightmare. And one that Americans increasingly lack patience for. According to an April 1995 *Wall Street Journal*/NBC News poll, **two-thirds of the public now views the current income-tax system as unfair. Fifty-one percent call for a "complete overhaul"**—up from 37 percent in July 1994.

CONTRACT WITH AMERICA TAX REFORMS

If all the tax reforms contained in the Contract With America are passed and signed into law by the president (they have so far cleared the House of Representatives), the result will be to save the average tax filer a total of \$1,552 in taxes between 1995 and 2000.

Under the Contract reforms, every in-

come group up to \$75,000 would see their share of the total tax burden shrink. Individuals in the brackets above \$75,000 would bear a slightly larger portion of the overall tax load, but *all* income groups would see reductions in their actual amounts paid.

The bulk of the Contract's tax relief—56 percent—comes as a result of the \$500 per child tax credit. The benefits of the credit are distributed this way:

Projected Distribution of Benefits Among Families Claiming \$500 Per Child Tax Credit

Income group	Average credit per filer in this income group	Cumulative credits channeled to this income group	Portion of all credits going to this group
\$15–30,000	\$896	\$7.5 billion	29%
\$30–50,000	937	9.1	35
\$50–75,000	948	6.0	23
\$75–100,000	924	1.9	7
\$100–200,000	948	1.3	5
Over \$200,000	97	0.0	0

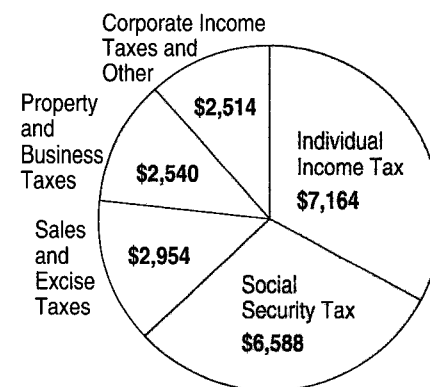
Source: U.S. Joint Committee on Taxation; Tax Foundation. Estimates are for 1997, when reforms would take full effect.

TAXES 1995

Total U.S. tax collections are expected to amount to \$2.18 trillion in 1995. That is 31 percent higher than in 1990, and represents an average of \$21,760 for every household in the country.

Broken down by type of tax, that average household levy looks like this.

Taxes Paid Per Household, 1995



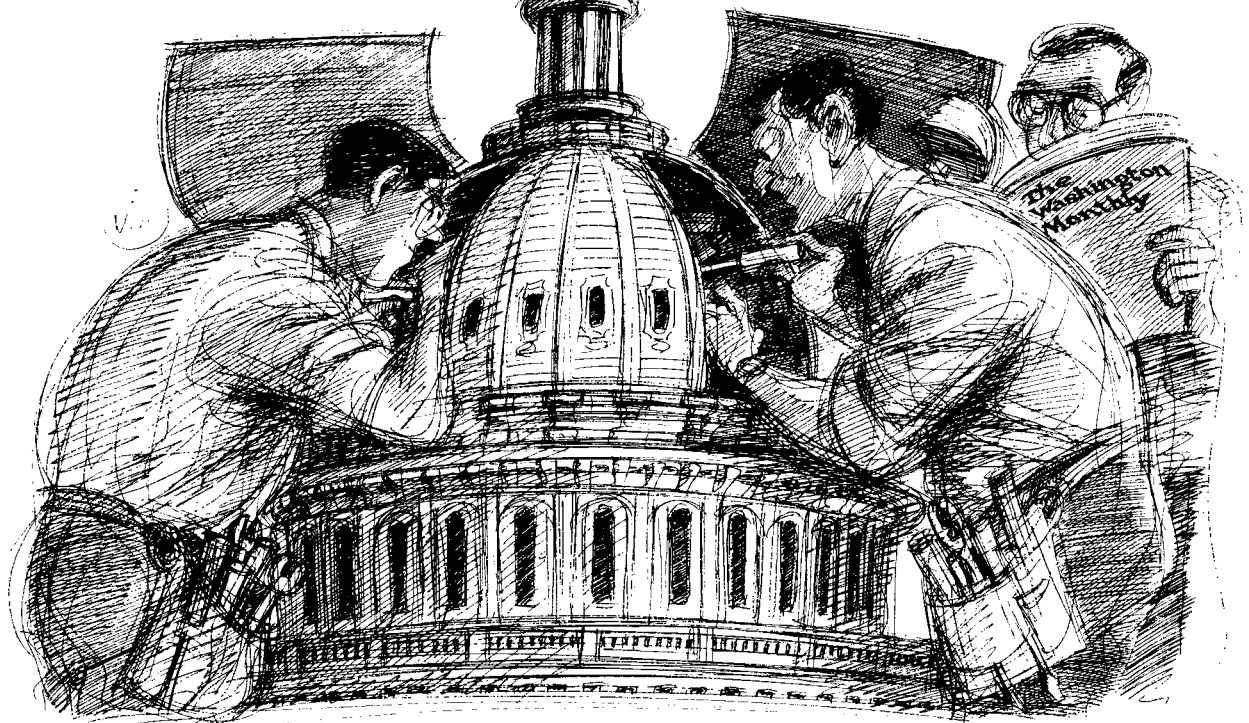
Source: Tax Foundation.

WHERE DO YOUR FEDERAL TAX DOLLARS GO?

1996	16¢	21¢	17¢	16¢	10¢	20¢
	National Defense	Social Security	Medical Spending	Interest	Welfare	All other
1986	26¢	18¢	11¢	12¢	8¢	24¢

Source: U.S. Office of Management and Budget. Years are fiscal years; 1996 is estimated.

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RACIAL AFFIRMATIVE ACTION IS ON THE WAY OUT.

SHOULD INCOME-BASED PREFERENCES REPLACE IT?



Clint Bolick and Abigail Thernstrom Have Two Views



Race-based affirmative action is “trickle-down” civil rights: bestowing benefits upon those with skills and resources in the hope it will eventually help those who lack them. The exposure of this fraud may soon send racial preferences the way of Jim Crow. But if that happens, a crucial question remains: how do we make good on our nation’s promise of opportunity for millions who are outside the mainstream?

Some have proposed replacing race-based affirmative action with “socioeconomic affirmative action.” That term has no ready definition, but conjures images of bureaucrats making untold mischief. Yet *any* special efforts for the disadvantaged are in a sense “affirmative action.” So at the threshold, the debate is between doing something and doing nothing. And doing nothing is unacceptable.

In defining my proposed “something,” I begin where Abigail Thernstrom begins: with the classic libertarian distaste for social engineering. Surrounded as we are by human carnage from failed government schemes such as welfare, forced busing, the public school monopoly, and oppressive economic regulations, it is always wise when formulating social policy to recognize that in principle the best thing government can do to solve problems is to return to individuals the power to control their own destinies.

But for better or worse, government intervention is not going to go away anytime soon. Whatever label we apply—“socioeconomic affirmative action” or plain old common sense—future government policies should (1) remove barriers to opportunity that particularly hamper the poor, and (2) carefully target supplemental benefits to where the need is greatest.

The Congressional Research Service recently identified 160 federal race-preference policies and programs. Many of the statutes confer benefits to individuals on the basis of their “social and economic disadvantage,” but are implemented by preferences based on race (and often gender). If the race and gender preferences are removed, the underlying programs will remain unless some additional action is taken.

True, eliminating race and gender preferences will provoke a useful debate as to whether many programs for the disadvantaged are worthwhile at all. I would argue, for instance, that there is no justification for federal subsidies to small businesses. But if such aid continues, it makes sense to target it where the burden of starting small businesses is most onerous and the need greatest: the inner cities.

Perhaps it’s a tribute to basic American decency that reluctance to simply abandon all affirmative action efforts seems widespread. And thus, with race-based preferences under attack, the search is on for an alternative—a means of providing a helping hand without resort to racial spoils.

Class, not race, is the most talked about option. It’s an appealing but misguided idea.

The problem with the current system of preferences is not simply that race is (and should be) a dangerous and thus suspect classification—that racial categories are never truly benign. The entire process of sorting individuals into privileged and victim camps is wrong. It rests on a distorted picture of American society—one that sees not social fluidity but rigid castes. The most socially mobile society in the world is bizarrely portrayed as basically closed.

That sorting process would not end with class-based preferences. In fact, arguably it would get worse—exacerbating the already-serious problem of victim status creep. Once upon a time only blacks got special protection. Today, of course, Hispanics, Asians, women, the handicapped, and those with limited English proficiency, among others, qualify for a variety of protective programs. Those who argue for preferences targeted at the economically disadvantaged depict a slate wiped clean and a new start, on a revised basis. But much more likely is a greatly expanded list of those entitled to affirmative action status. Additions, not subtractions, so that blacks and members of other minority groups do not lose out.

That expanded list would delight those who want the benevolent hand of government to rearrange the social order. And it would certainly please the diversity industry. In the wake of the Supreme Court’s 1989 *Croson* decision holding that minority set-asides could be justified only as a remedy for proven

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