



Up From Subsidy

by David Frum

noted the great difference. Publicly, he wrote, the Navy attributed the crash of the F-14A mostly to engine failure; privately it was "sharply critical of Lieutenant Hultgreen."

Subsequently, whoever leaked the MIR to the news organizations took another extraordinary step. Presumably disappointed that it had attracted so little attention in the press, he placed it on the computer network America Online. Subscribers who access the Military City Online text library may read it in its entirety. It is unlikely, though, that many reporters or correspondents will bother to do this. Given the parameters of the media culture, Caldwell seems to have the topic to himself.

When Vice Adm. Robert Spane, the commander of Pacific Fleet Naval Forces, appeared on "Nightline," he asserted that nine pilots had replicated Lieutenant Hultgreen's mishap on a flight simulator. And even though the pilots were told that the engine was going to fail, he said, eight of the pilots still crashed. Spane meant this as a defense of Lieutenant Hultgreen and her training; confronted with the same circumstances she had faced, only one of the nine pilots would have survived.

Recently, however, Caldwell uncovered three sources, "all reporting independently," who charged that the simulator test "was configured to produce an almost automatic crash." In other words, it was rigged. The Navy had ordered the simulator pilots not to use the emergency procedures they might have been expected to use if they had been in the same situation as Lieutenant Hultgreen. This was deceit of a high order, and Caldwell's story ought to have been picked up by ABC, say, or the *Times*, but obviously that could not happen. If they had used the story, it might have been construed as an argument against putting women in combat.

So give Caldwell the last word now to explain to his media colleagues what they clearly do not understand: "Integrity, and the moral authority it conveys, is the very heart of any leadership, including that in the military. Without it, morale plummets, discipline suffers, and warriors lose faith in their superiors. That is why questions surrounding the Navy's response to the death of one aviator last October off the coast of San Diego have grown so important." □

Which matters more: friends or principles? This dilemma afflicts all political parties, but seldom does the wrong choice bristle with as much danger as it now does for the new congressional Republican majority.

On principle, of course, the Republicans champion free enterprise and smaller government. But all too many of their friends—agriculture and ranching interests, logging and mining companies, export-oriented manufacturers—have come to expect a helping hand from Uncle Sam. The Cato Institute's Stephen Moore counts 125 federal programs that subsidize business at an annual cost of \$85 billion. And in his 1995 report "Cut and Invest," Robert Shapiro of the liberal Progressive Policy Institute identifies \$131 billion in business subsidies that could be cut over the next five years, along with \$101 billion in highly targeted tax exemptions.

Such vast sums are big enough to do more than put a bulge in overall federal spending. As Shapiro points out, they also distort the American economy by attracting excessive investment to the most heavily subsidized industries: farming, energy production, and transportation. But the harm done by federal subsidies to business cannot be measured in dollars alone.

The massive repudiation of the Democrats last November should not automatically be interpreted as a declaration of confidence in the Republican Party. Newt Gingrich's victory came only 24 months after the party's presidential nominee collected a smaller proportion of the vote than any nominee since Alf Landon in 1936. While the word

David Frum is the author of Dead Right, now available in paperback from New Republic/Basic Books.

"conservative" elicits positive feelings in opinion surveys, pollster Frank Luntz reports, the word "Republican" still does not. The steady, high support for term limits—even after voters demonstrated they can toss out-of-touch incumbents out by themselves—suggests a continuing mistrust of the institution of Congress.

Elected officials warn that the voter wrath that immolated Tom Foley and his pals could easily turn against an out-of-touch Republican Party. What was rejected in November, Sen. John McCain (R-Ariz.) has argued, was not merely liberalism as an ideology—it was interest-group politics as a way of doing business. If that's right, how the new Republican majority produces laws may be just as important as the actual content of those laws. Republicans' willingness to disregard the immediate self-interest of their constituencies may matter as much to voters as the size of their tax cuts or the toughness of their crime bill.

Unfortunately, the Republicans have been sending some ominous signals that business in Washington is continuing as usual. The *Washington Post* in March reported one petty but obnoxious example: although the Republican welfare reform plan enacted by the House in March abolished federal benefits for immigrants under age 75, it made one exception—for temporary farm laborers. These workers will remain eligible for food stamps, Medicaid, and other benefits likely to lower the employment bills of large food producers. Nobody will say who inserted this provision into the act, but everyone understands how it got there and who profits from it.

Even more startling was the last-minute amendment of the Republicans' "private-property protection act," which defined any federal action to reduce the generosity of the subsidies to users of federal water projects as a compensable "taking" under the

Fifth Amendment. The magnitude of this gift is not easy for those in the puny East to comprehend: the lucky farmers and miners who receive water from federal irrigation systems like California's Central Valley Project pay \$15 or less per acre-foot (more than 300,000 gallons) of water. The cost of pumping water through the pharaonically uneconomic CVP is an amazing \$1,800 per acre-foot or more. The market price for traded water in California oscillates between \$250 and \$400 per acre-foot. To big beneficiaries, the federal water subsidy can be worth up to \$12 million per year.

Perhaps, as defenders of the subsidy argue, it would be injudicious to withdraw it suddenly and without warning. But the recipients of these subsidies have as much of a *moral* claim to compensation as the socialist socialites of Central Park West would if New York City asked them to pay the real value of their rent-controlled nine-room apartments.

These actions do not in themselves condemn the entire Republican Party. The new congressional majority will need decades to catch up to the venality and corruption of the Democrats. Even the far-left *Mother Jones* magazine, in an April cover story itemizing all the ways that the GOP will blight America, began by conceding that the new Republican majority is far more honest than the defeated and unlamented machine pols who ran the House between 1954 and 1994. But what the farm and water-rights stories do indicate is that, unsupervised, congressional Republicans can succumb to the institutional corruption that felled the Democrats.

Indeed, the list of business subsidies collected by Moore and Shapiro stands as a waxwork chamber of horrors of institutional corruption. Shapiro contends that \$2 billion could be saved over the next five years by ceasing to subsidize profitable utility companies in the name of rural electrification, and \$3.5 billion more could be picked up by telling energy companies to fund their own research and development.

Congress has been tucking money into the pockets of General Motors, Citibank, and American Airlines; of Florida's wealthiest sugar growers and Georgia's logging barons; and—through neat manipulations of the tax code—of the construction and insurance industries. It has been underwriting the foreign advertising of McDonald's and Sunkist, exempting credit unions from

taxes that other savings institutions must pay, and assuming the research expenses of Intel, IBM, and other semiconductor manufacturers.

Putting an end to this nonsense would invigorate the economy by freeing capital to flow to its most productive use, and go far toward balancing the budget—and financing general tax cuts that would do vastly more to invigorate business than any amount of special favors. But striking at industry subsidies would also immensely strengthen the Republicans politically. In three ways:

- By ceremoniously and ostentatiously decapitating hundreds of programs for giant corporations, rich farmers, and multinational enterprises, the Republicans could prove to a skeptical electorate the sincerity of their free-market principles. Voters do not need to agree with principles to respect them. And nothing would underscore the Republican commitment to principle—no matter whose ox is gored—than the sounds of big Dole contributor Dwayne Andreas of Archer Daniels Midland and other corporate welfare queens squealing in outrage at the loss of their subsidies and tax exemptions.

- Attacking corporate subsidies may also help to insulate Republicans from accusations of callousness as they reform welfare and middle-class entitlements. Purging the budget of special favors for big companies cannot substitute for welfare and entitlement reform—relatively few farmers, after all, are getting pregnant out of wedlock and spraying street corners with machine-gun bullets. But a strong record on the business subsidy issue will give nervous Republican congressmen something to say when the *New York Times* accuses them of starving orphans. It's not too late: If Budget Committee chairman John Kasich adds farm subsidies to his list of budget-cutting proposals when he unveils the GOP's alternative 1996 budget, he will buy himself partial immunity from criticism of his cuts in Medicaid, student loans, and other sentimental favorites.

- Finally, there is partisan hay to be made out of the business-subsidy issue. While it was a November speech by Labor secretary Robert Reich, praising the first draft of Robert Shapiro's research, that ignited the current round of debate on "aid to dependent corporations," it remains true that the Clinton administration has enthusiastically showered money

on favored corporations. Indeed, it was Robert Reich's own academic work—which enthusiastically champions targeted subsidies and trade protection to "strategic" companies and industries—that provided the administration with its main economic ideas. Should the president in '96 blast his Republican rival for cozying up to the rich, the GOP candidate might want to tick off some of the items on Moore's list of Clinton handouts:

\$490 million for the Advanced Technology Project (ATP), the Clinton administration's high-tech version of the Small Business Administration. Last year the administration provided grant funds to such industry giants as General Electric, United Airlines, Xerox, Dupont, and Caterpillar . . .

\$500 million for the Technology Reinvestment Project, a newly created military defense conversion program that subsidizes the development of civilian technologies. In 1994 award recipients included such Fortune 500 companies as Texas Instruments (\$13 million), 3M (\$6 million), Chrysler Corporation (\$6 million), Hewlett Packard (\$10 million), Boeing (\$7 million), and Rockwell (\$7 million) . . .

\$333 million for the New Generation of Vehicles program, or the "Clean Car Initiative."

\$9.4 billion in Small Business loan guarantees—an increase of nearly 50 percent since 1993.

The enthusiasm of a Democratic group like the Progressive Policy Institute for slashing business subsidies may worry some Republicans. And any plan labeled "Cut and Invest" understandably raises Republican hackles. But Republicans can swallow their qualms. The elimination of business subsidies no more belongs to President Clinton than does welfare reform or any of the other ideas that PPI has tossed out over the past six years in a remarkably unsuccessful effort to save the Democratic Party from itself. True, President Clinton made his first post-election appearance at a black-tie dinner sponsored by the PPI, but he came to talk, not to listen. The PPI's proposals for "investment" are located in chapters of their own, clearly identified, so conservative readers can skip over them. As for the rest—Republicans should shamelessly steal it. □



Kurds in the Way

by Avigdor Haselkorn

In recent weeks the U.S. State Department has expressed increasing displeasure with the continuing incursion of Turkish forces into northern Iraq. Yet it is all but certain that Ankara's invasion decision was made only after receiving a green light from Washington—a close parallel to another U.S. green light, given to Iraqi dictator Saddam Hussein in his feud with Kuwait. In both cases one detects the pervasive smell of oil.

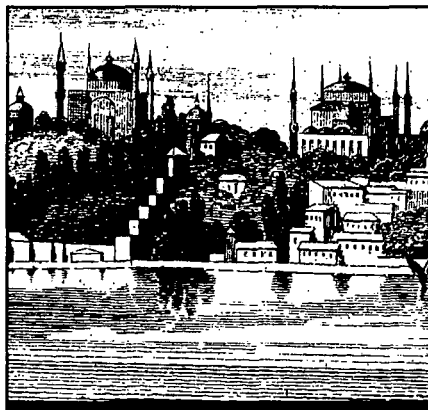
In the Turkish case, the issue is the building of a pipeline to carry Kazakh and Azerbaijani oil from the Caspian Sea to the European market. Ankara's vision of becoming a regional superpower rests substantially on securing the transportation of oil through its territory, and the Turkish government lobbied hard to have the pipeline run to its oil terminal near Ceyhan on the Mediterranean coast. Already in control of much of the water resources feeding Syria and Iraq, Turkey would become a vital oil junction as well. Not only would the country benefit from the huge capital investments required to lay down the pipeline, but as Veysel Atasoy, Turkey's minister of energy and natural resources, has said, commissions on the oil shipments would "bring to our country a revenue figure equal to one-third of Turkey's imports."

The pipeline would have strategic significance, tying the country even more closely to its Turkic brothers in Kazakhstan and Azerbaijan, and Turkish newspapers are already arguing that the project will force the international community—including the U.S.—to focus attention on Turkey's problems, particularly those related to its security and territorial integrity.

The Turkish plan did not please

Moscow, which believes the strengthening of Turkey could lead to a struggle for influence over a strategically sensitive area of Russia's "near abroad": the former Soviet republics of Central Asia. The Kremlin has insisted that oil from Central Asia and the Caucasus be carried instead through its own territory and on to the Black Sea port of Novorossiysk.

In late January Marc Grossman, United States ambassador to Turkey, formally announced Washington's support for the Turkish plan. The government's position was decided upon in part due to pressure from the big oil companies, which have argued that a Turkish pipeline would be the most economical way of transporting Central Asian oil to



Western markets. But Washington's decision was also a way to block a third plan suggested by Iran that the oil travel through *its* territory. An even more important consideration was the fear of instability in the Caucasus region, especially in light of the war in Chechnya. Arabists in the State Department undoubtedly argued that U.S. support for the Russian position on the pipelines would serve only to further enrage the Muslim countries, which already blame Washington for its tacit

support of Yeltsin's hard-line policy on Chechnya.

Yet the Turkish plan has one problem: the proposed pipeline crosses eastern Turkey, where guerrillas of the Kurdish Workers' Party (PKK) have been waging a struggle for secession for the past decade. The Turkish press has claimed that, in deciding to support Ankara, the United States has made clear its opposition to the division of Turkish territory, and expressed a *de facto* wish only that a secure flow of oil be ensured as soon as possible.

Soon after the announcement of American support for the Turkish plan, 35,000 Turkish troops were dispatched to destroy PKK bases in northern Iraq. Ankara has even begun to discuss publicly the desirability of establishing a security zone inside Iraq to prevent infiltration by PKK guerrillas into eastern Anatolia.

This episode unhappily recalls the ambiguous messages the United States sent to Saddam Hussein on the eve of his Kuwait invasion. April Glaspie, President Bush's ambassador to Iraq, held talks with Hussein regarding Iraq's military build-up along the Kuwaiti border. Glaspie told the Iraqi leader that she had "direct instructions from the President to seek better relations with Iraq." She also informed Hussein that the United States "[had] no opinion on the Arab-Arab conflicts like your border disagreement with Kuwait."

Had the discussions with Glaspie left any doubts in Hussein's mind about Washington's message, assistant secretary of state for Near Eastern and South Asian Affairs John Kelly dispelled them. In testimony before the House Foreign Affairs Committee on July 31, 1990, later reported by the BBC World Service, Kelly said, "We have no defense-treaty relationship with any Gulf country. That is

Avigdor Haselkorn is a strategic analyst and defense consultant specializing in CIS and Middle Eastern affairs.