

IMPRIMIS

Because Ideas Have Consequences

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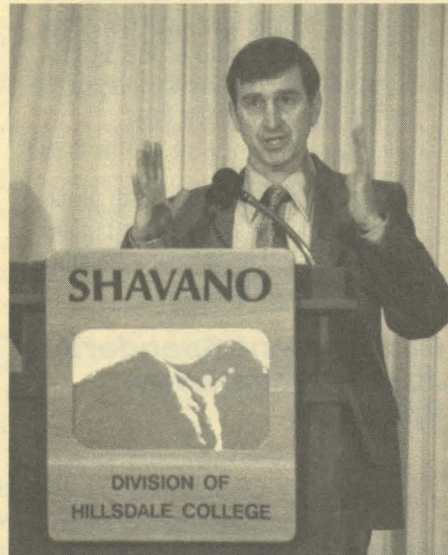
“Why Congress Can’t Kick the Tax and Spend Habit”

James L. Payne

Editor's Preview: *The 102nd Congress has passed a budget which will send spending, taxes and the deficit soaring despite all the rhetoric about substantial reductions. And as we hear more and more about the S & L crisis and other Washington scandals, we discover that “doing business” in the “world’s greatest deliberative body” often amounts to spending more and more, taxing more and more, regulating more and more. Some say that this is because our representatives must distribute political favors and placate special interests in order to get reelected, but political scientist James L. Payne says there’s much more to it than that. Excerpts from his new book, The Culture of Spending, provided the text for these remarks at the Shavano Institute for National Leadership seminar, “Political Reform in the 1990s” on January 16-17, 1991.*

The ultimate reform is, of course, limiting government, especially the federal government. In the 1990s, this problem has gained a new urgency as a result of our bitter-sweet experience with the Reagan administration. Ten years ago, we thought that somehow government growth would finally come to a stop, and that the Reagan administration would provide the force to put on the brakes. Today, we know that the Reagan administration, despite its achievements, did *not* stop the growth of government, and that, to a degree, it participated in further expansion.

Given the way government operates today, no single president or administration can halt its growth. Washington isn’t automatically going to right itself; its natural tilt is toward unlimited government. I was reminded of this recently when I was re-reading Henry David Thoreau’s “Essay on Civil Disobedience.”



Thoreau begins with the declaration, “I heartily accept the motto, ‘That government is best which governs least.’”

This used to be a popular cliché, but it’s been a long time since I’ve heard anyone from Washington utter it; in fact it would be something of a joke if anyone, from the President on down, dared to do so in public. Imagine, for a moment, President Bush addressing Congress in a State of the Union message, quoting Jefferson, “That government is best which governs least.” I think most congressmen would scratch their heads in disbelief; it would be like recommending family planning to rabbits.

In an era when every American knows about the devastating impact of our trillion-dollar national debt, why do congressmen continue to support so many federal spending programs? At least among conservatives, the popular theories rest on the assumption that congressmen are, in one fashion or another, corrupt. Some say that voters in general want spending programs, and congressmen acqui-

esce in order to keep their seats and all the related privileges. Others say that the electoral pressures come from special interest voters. Still others point to campaign donations or to simple bribes.

The common assumption of all these explanations is that congressmen are going against their better judgment when they vote for spending. The typical congressman is presumed to know, in his heart of hearts, that the spending in question is wasteful, unfair, or harmful, yet he ignores this conviction in order to feather his nest and to advance his personal career.

It’s not my intention to be a torchbearer for American congressmen. They have many flaws. But if we seek an accurate picture of the spending problem, we have to realize that hypocrisy about spending programs is not one of them. For the most part, congressmen really believe in the spending programs that they vote for.

The Avalanche of Pro-Spending Persuasion

During the Korean War, we first learned about how ordinary people can be persuaded to believe even the most outlandish ideologies by incessant one-sided propaganda. What happens in Congress on spending resembles this sort of brainwashing. Congressmen are exposed to a propaganda barrage in favor of spending programs. Of course, other influences are at work as well; our culture tends to consider government as society’s problem-solver, and most congressmen reflect this orientation. But the pro-spending indoctrination that comes on top of this tendency gives us a Congress much more eager to support federal spending programs than ordinary Americans would be.

I first noticed the extreme one-sidedness of the congressional environment when I began a study of the hearings of congressional appropriations committees. I had intended to tabulate the arguments that witnesses were using for and against spending programs. As so often happens with research projects conceived in the abstract, this tabulation couldn't be made. The reason was that hardly anyone appeared to make arguments against spending.

So I changed my project and decided to count the ratio of witnesses appearing for and against specific spending programs. I took fourteen different hearings from a variety of House and Senate committees dealing with spending programs, and tabulated the orientation of each of the 1,060 witnesses toward the spending program under discussion. The results were dramatic. One thousand and fourteen witnesses appeared in favor of the spending; only seven could be classified as opponents. (The other thirty-nine were neutral, their testimony not bearing on spending one way or the other.)

". . . pro-spending witnesses outnumbered anti-spending witnesses 145 to one!"

In other words, pro-spending witnesses outnumbered anti-spending witnesses 145 to one! When I pursued this point in interviews with committee staffers, I learned that my figures, if anything, understated the bias. It is *their* impression that program advocates outnumber program critics in the committee process by "a thousand to one."

The avalanche of pro-spending persuasion directed at congressmen and their aides is felt not only in hearings, but also informally in meetings, phone calls and correspondence. An assistant to a border-state Democrat on the House Appropriations Committee recently described the pattern of personal contacts on the budget:

"We get the majority of the flow of our traffic—talking about the budget—after the President submits his budget in January. Then, after that point in time for about the next four to five months it's just a steady flow of people in here,

James L. Payne has taught at Yale, Wesleyan, Johns Hopkins and Texas A&M University. He is the author of eleven books, including, *The Culture of Spending*, which is forthcoming from the Institute for Contemporary Studies. A research fellow with the Independent Institute, he is also a free lance writer and director of Lytton Research & Analysis in Sandpoint, Idaho.

coming in to talk about what they want in the budget and everything."

Q. "How many do you see, on the budget?"

A. "Maybe five or six groups of people a day. It probably averages about that."

Q. "So you're saying *hundreds* of people?"

A. "Yes. It's just like a revolving door. . . . Their message is the same on the budget. They may have different issues in their issue pack, like health benefits, or insurance, or whatever. But other than that, their message is the same."

I asked another aide, who worked for a southwestern Republican on the House Appropriations Committee, whether they ever received visits from opponents of specific spending programs:

A. "Me, specifically, as far as getting any visits from people who say, 'Okay, when y'all have a markup of the Ag bill, oppose \$15 million for this program?' We don't get anybody like that."

Q. "Really?"

A. "We get hit continually with people who say, 'You need to support x number of dollars for this program, the other program.' We get hit quite a bit."

Government Spenders Justify Government Spending

A comprehensive look at who communicates with congressmen about spending reveals a striking, little-known fact: the persuasion process in Washington is highly inbred. The public supposes, because democratic theory says it should be so, that congressional views on spending are mainly affected by opinions and pressures from outside government—from the folks "back home" or from interest groups "out there." This is not the case. *Overwhelmingly, Congress's views on spending programs are shaped by government officials themselves.*

We can see this in my tabulation of witnesses at hearings. Of the 1,060 witnesses who appeared in the fourteen sets of hearings, 47 percent were federal administrators, and another 10 percent were state and local officials. An additional six percent were congressmen themselves—who, in a particularly incestuous practice, testify before each other's committees. In sum, 63 percent of the witnesses testifying on spending questions were government officials. The other major group of witnesses, 33 percent of the total, were lobbyists for what most people would call "private" organizations. A closer look, however, reveals that these groups are to a large extent

an extension of government. In the first place, the personnel are often former government officials.

A survey of 776 Washington interest group spokesmen by Robert Salisbury and Paul Johnson found that 55 percent had held some kind of government position—29 percent in the federal executive branch, 17 percent in Congress, and nine percent in state and local government. Ordinary Americans rarely come to Washington to ask for government spending programs. The spokesmen for "private" interests are highly specialized officials with long service in and around government—who are thoroughly socialized to a pro-government worldview.

A second feature of the purportedly private groups is that they are funded to some degree by the federal government. In *Destroying Democracy*, James Bennett and Thomas DiLorenzo have tabulated the literally hundreds of well-known, supposedly private organizations that depend on governmental contracts and grants for part of their funding: the National Council of Churches, the National Education Association, People United to Save Humanity, the Gray Panthers, the League of Women Voters, the Sierra Club, the National Wildlife Federation; the list goes on and on. These are really "semi-governmental" entities, and their input on spending questions reflects this budgetary connection.

Another group that plays a role in spending are the consultants whom the government hires to study its programs. Program evaluation is a huge industry these days, costing the federal government about two billion dollars a year, and providing employment and profits for scores of "Beltway bandits." In theory, these firms are supposed to provide objective evaluations of spending programs. But in practice, they are profoundly biased in favor of the programs that they evaluate. The reason for this partisanship is simple: the agencies hire their own evaluators! Agency administrators are careful not to pick evaluators who will pan their programs, and the consultants, for their part, are aware that submitting a really telling critique would blackball them in Washington forever. Their guiding rule is, as one researcher told me, "You don't want to antagonize the agency that's funding you."

There are other links as well. On most consulting projects, the evaluators work closely with agency officials, getting clearance and guidance every step of the way. In addition, many of the researchers working for the consulting firms are past employees of the government and have already been socialized to favor spending programs. Others are prospective employees, using the consulting contract as a way of ingratiating themselves with agency officials.

As a result, Washington is flooded with hundreds of defective and biased policy evalua-

tions supporting spending programs. In cost-benefit analyses, for example, researchers routinely exaggerate the benefits and understate the costs of spending programs.

One ubiquitous error is that of ignoring the costs of the tax system. In other words, evaluators assume that a government dollar costs a dollar; they neglect the cost of running the IRS, the waste caused by the distorting effects of taxation, the tax-compliance burden, the tax-enforcement burden, and all the costs of tax evasion, tax avoidance, tax litigation, and so on. In a forthcoming study on the overhead costs of taxation, I have tabulated these different monetary costs, and they amount to about 65 cents for each dollar of taxes collected and spent! By ignoring these costs, generations of cost-benefit analysts have claimed that spending programs are worthwhile public investments when in fact they are not. Congressmen, who tend to be naive and uncritical about scientific-seeming studies, often end up believing and parroting such spurious "findings."

Even government agencies that are supposed to criticize programs wind up reinforcing the pro-spending tide. The General Accounting Office is a good example. In the first place, the GAO rarely hunts out problems with spending programs on its own. It comes on the scene, usually at congressional request, to redocument a problem already identified by complaints, indictments and press reports. More of a decrepit hound than a watchdog, it has to be led by the nose to the expiring fox. Furthermore, in analyzing the problems with spending programs, GAO officials seem incapable of questioning the governmental approach to problem solving. Their long service in and around government has made them dyed-in-the-wool statisticians, habitually committed to bureaucracy. To their way of thinking, most government programs can be fixed; it just takes "better management" and, often, more money. This orientation makes the GAO one of the most important pro-spending lobbies in Washington.

For example, prompted by newspaper articles and the urgings of a liberal congressman, the GAO recently looked into government programs to prevent "sweatshops" by regulating wages and working conditions. What it found in New York City was eye-opening: in spite of over half a century of regulatory legislation, seven enforcement bureaucracies and scores of

inspectors, New York has more sweatshops than ever! In the apparel industry, among others, a clear majority of firms are sweatshops.

Yet this massive policy failure never led GAO researchers to question the regulatory approach to improving the workplace; they did not consider the regulation's harmful effects in raising prices, creating unemployment, hurting minorities, facilitating corruption, and so on. They made no systematic effort to talk to employers, employees, independent analysts, or economists. Instead, they explicitly based their report on interviews with officials in the governmental enforcement bureaucracies. Not surprisingly, these officials contended that more government was the answer—more staff, more inspectors, and stiffer penalties for violations. And that was what the GAO told Congress.

of-control spending" and "the rising deficit" in recent years. It is important to notice, however, that the spending problem that congressmen hear about is spending *in general*, spending in the abstract rather than spending for specific programs. In other words, congressmen are exposed to two distinct themes. One, by far the stronger message, says that specific programs are good. The other says that spending in general is bad.

The result is inconsistent fiscal policy, as congressmen attempt to respond to both pressures. Congress adopts measures, like the 1974 Budget Act and the Gramm-Rudman-Hollings bill, designed to limit spending in general. Then it undermines these measures by approving too much spending for the specific programs that make up the total budget. Congressmen are like dieters who agree that

"My studies of the voting behavior of congressmen on spending clearly show that a congressional term limitation would result in a significantly lower level of federal spending."

The dearth of program opponents means that on many issues, opposition to spending seems almost illegitimate. In one interview with a House Democrat on a committee that supervised the NSF, I mentioned that I would be testifying against this funding later in the year. "You don't want to fund the National Science Foundation?" he asked in disbelief. "I've never heard anybody say they didn't think NSF ought to be funded."

As this comment indicates, congressmen are aware of the one-sided environment in which they function. But they are disappointingly complacent about doing anything to correct the imbalance. They simply listen to anyone who presses his way into their consciousness. As we have seen, these contacts support spending programs at the rate of about 145 to one.

This picture of one-sided persuasion seems at first contradicted by the considerable public attention given to "out-

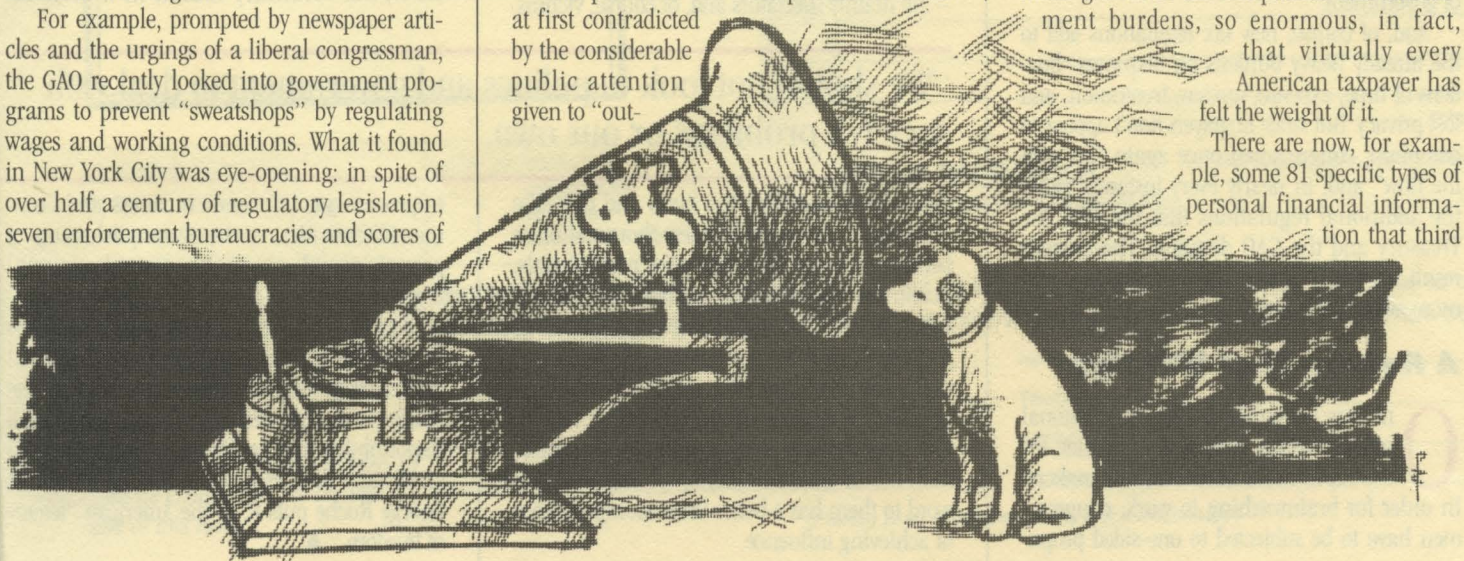
they ought to limit their general intake, but who find each food so tasty and attractive that they never accomplish this aim.

Taxes and the Tilt Toward Unlimited Government

A few years ago I began to get interested in what was happening with the federal tax system, and I quickly discovered that we have the same pattern with taxes as with spending. Congressmen and other public officials make decisions about the tax system by "going with the flow."

The strongest evidence concerns tax administration, i.e., the procedural rules and regulations of the Internal Revenue System. Over the past 15 to 20 years, there has been an enormous growth in tax compliance and enforcement burdens, so enormous, in fact, that virtually every American taxpayer has felt the weight of it.

There are now, for example, some 81 specific types of personal financial information that third



parties are forced to report to the IRS. And in a little more than a decade, the number of IRS penalties has *doubled*. The number of liens it has filed against taxpayer property has *tripled*. The number of levies to seize taxpayer assets has *quadrupled*. In 1989 alone, there were 2.3 million of these levies.

“Washington is a town full of government official telling other government officials that government is a good thing.”

The federal tax code itself has become impossibly complex, due to constantly changing reporting requirements. A recent national accounting firm study revealed that businesses and individuals spent over *five billion* hours on federal tax compliance activities in a single year. That is the equivalent of hiring 2.7 million people working full time on tax compliance! The cost to the American economy in terms of mere added labor is staggering.

To find out why Congress keeps adding to this burdensome system, I used the same method of investigation that I had employed to study its spending habits; I analyzed the hearings of the House and Senate tax committees to discover who was appearing as witnesses to shape Congressional thinking. Can you guess the identity of these witnesses? Virtually all of them were government officials in charge of the tax system—IRS officials, Treasury officials, and representatives from the tax division of the General Accounting Office.

Now, here's another question for you: Guess who never appeared at any of these sessions on tax administration? Taxpayers. This is amazing; after all, there are 100 million of them out there, and all of them are vexed and disturbed about many burdensome aspects of the tax system. But not one appeared to tell their elected officials. Given this lack of balance in congressional testimony, you can understand why it is that our federal tax policy encourages unchecked growth rather than the limitation of government.

And, of course, new tax regulations add to the already heavy burdens on taxpayers—burdens of time, expense, anxiety, frustration, and lost privacy. But since taxpayers don't appear to complain, congressmen once again “go with the flow” and, in nearly every instance, ratify the additional regulations that the IRS, the Treasury and the GAO demand. The current result is *8000 pages of tax regulations*, and more are added every year.

A Reform that Will Help

One way to counteract the congressional indoctrination process is to provide for the rapid rotation of decision makers. In order for brainwashing to work, congressmen have to be subjected to one-sided propa-

ganda for a long time. Today, of course, they are given a very long tenure indeed, since incumbents have an almost one hundred percent chance of being reelected. As former Senator Howard Baker has wryly remarked, “What I have been for most of the last 17 years is a full-time federal employee with no busi-

ness but government and no real home but Washington.” The prolonged exposure to pro-government propaganda tends to bring congressmen into the orbit of the bureaucracy, so that instead of checking its growth, they become its patrons.

Placing limits on congressional terms would obviously help arrest this process of indoctrination, and give us a Congress less enthusiastic about using government to address social problems. My studies of the voting behavior of congressmen on spending clearly show that a congressional term limitation would result in a significantly lower level of federal spending.

How You Can Make a Difference: Do-It-Yourself Lobbying

It should be clear by now that Congress can't kick the tax-and-spend habit alone. Its members are subjected to an incessant and skillful one-sided propaganda campaign in favor of taxing and spending. And being impressionable individuals, they conform to the pressures of their immediate environment. It's not a process of corruption that's going on in Washington; it's a process of persuasion.

Washington is a town full of government officials telling other government officials that government is a good thing. The rest of us — the millions of ordinary citizens of this country — are mainly spectators and, of course, victims,

“We should not look to politics and government to deal with society's problems or our own.”

since we have to pay the taxes and obey the regulations. But what if a few thousand of us became amateur lobbyists? (Not professionals, perish the thought, but amateur, occasional lobbyists.) Anyone can phone congressmen or their staff, or meet personally with them and make the case against a particular spending program or against a burdensome tax regulation. And because, as I've intimated, congressmen are so impressionable, anyone who gets word to them has a better-than-average chance of achieving influence.

Professional lobbyists already know this. What works for them will work for you. In fact, you have an inside track that most lobbyists don't have with your home representatives since you're a constituent. Most congressmen feel obliged to give any constituent at least five or ten minutes of personal attention if they really demand it. Unfortunately, few citizens do this kind of lobbying, and even fewer do it successfully. The problem is that there are some basic rules of lobbying and if you don't observe them, you can do your cause more harm than good.

The first rule is, don't get angry. That's difficult, because many of us, especially conservatives, are mad at our congressmen 24 hours a day, and often with good cause! But hostility is a bad basis for trying to persuade anybody; patience and courtesy are requisite.

A second rule is, don't write off liberals. I found as I interviewed leaders in the anti-spending and anti-tax organizations based in Washington that they almost all tended to see liberals as enemies, never as potential allies. But liberals are probably the most impressionable congressmen of all.

A third rule is, don't expect complete or immediate success. Just because he's heard your “pitch,” no congressman is automatically going to alter long-held positions. But although you may not see movement, it occurs. Talk to your congressman about an issue like waste in the food stamp program or over-spending on public education; you shouldn't expect him to start voting against the program, but you have planted a seed of doubt, and if other people do the same thing, this may lead to real change.

This route to reform has more promise than most conservatives realize. But there is a fourth and final rule: political reform can't solve everything; in fact, it can solve very little. We should not look to politics and government to deal with society's problems or our own. In the long run, the truly constructive solutions lie in the voluntary realm, in individual

improvement, in private business and commercial activities, in the accomplishments of private, social, charitable and educational organizations.

The political reform we *should* seek is that which checks the power of the federal bureaucracy, keeping it from harming all the millions of tiny centers of innovation and responsibility that are the real basis of Western civilization and, as Hillsdale College President George Roche puts it, of the American “legacy of freedom.” ▲



Mark Shields and Robert Novak agreed on the administration's Gulf policy, but had very different opinions on the growth of government at home at the Shavano Institute for National Leadership Seminar, "Political Reform in the 1990s."



Hillsdale President and Shavano founder George Roche welcoming an audience of over 300 Pacific Northwest community leaders to the January 16-17 program in Seattle.

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“National Review College Guide Names Hillsdale Among Top 50”

Excerpts from the Guide's comments about Hillsdale are presented here:

Sam Donaldson: All universities are liberal-oriented, is that your position?

George Will: Basically. Do you dispute it?

Sam Donaldson: Well, yes, I do dispute it. You haven't been to Hillsdale College recently.

— *This Week with David Brinkley*, 3/20/83

It is surely a measure of Hillsdale College's fame that not only has Sam Donaldson heard of it, but he knows that the doughty little school is a breed apart. Much of its notoriety is due to its long fight against the encroachments of government in academic affairs. For Hillsdale, the issue was one of principle. Even before the Civil War, Hillsdale had accepted both women and blacks, a practice written into the college's charter in 1844. But when most institutions of higher education eagerly acquiesced in federally mandated “affirmative action” requirements, Hillsdale balked at what it regarded as the unwarranted intrusion of the federal bureaucracy. While the vast majority of schools compromised both their independence and academic integrity by accepting the federal controls, Hillsdale fought back in a decade-long struggle that culminated in Hillsdale's historic refusal of all federal support, including funds from the G.I. Bill and National Direct Student Loans. Since then, Hillsdale has gone it alone, building its programs around the tra-

ditional principles of freedom, morality, free enterprise, individualism, and independence.

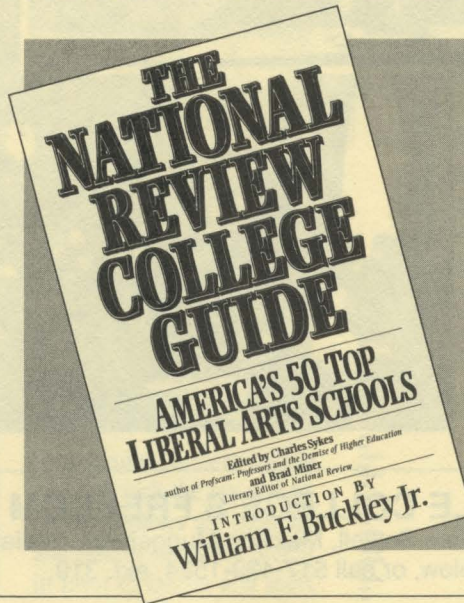
Hillsdale has founded its commitment to academic excellence and intellectual integrity on Richard Weaver's adage, “Ideas have consequences,” a belief that animates the school's environment and curriculum. While the Zeitgeist of the modern university has been largely shaped by “the reactionary 1960s ideas,” which have “politicized our classrooms and substituted value-free standards for time-tested truths,” a recent Hillsdale report declares, academic excellence at Hillsdale continues to be defined as “the authoritative trans-

mission of those traditions and ideals that transcend time and circumstance.”

The obvious question is: how well does Hillsdale live up to its promise? The answer is: very well, indeed. *U.S. News and World Report*, for example, consistently ranks Hillsdale among the best liberal arts colleges in the Midwest. That is not a tribute to its politics, but a recognition that students can receive an outstanding liberal arts education at Hillsdale . . .

“I took the job at Hillsdale with high expectations, and so far it has not only lived up to them but exceeded them in every respect,” one Hillsdale professor said. . . . “The contrast with Wellesley is striking: instead of the cynicism about the Western tradition, the free market, and our nation that I found at Wellesley, Hillsdale is permeated with a sense of mission to preserve and advance the institutions that give us our freedom and prosperity.”

. . . What is striking about Hillsdale is that its growth and success have come about without a nickel of federal money or a single helpful suggestion from the bowels of the government's bureaucrats. In that respect alone, Hillsdale is one of higher education's most interesting experiments, and one that is unlikely to disappoint any student or parent in search of a solid Western based liberal education. ▲



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