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NEWT'S BUDGET INFERNO

How He Could Really Cut Spending

[And Almost Certainly Won't]

Steve Tidrick

How we could *really* cut spending. And won't.

THE BUDGET INFERNO

By Steve Tidrick

In Dante's *Divine Comedy*, an imperfect order prevails amid the smoky chaos of the Inferno. The denizens of the Inferno dwell in their specific regions alongside others who suffer for similar earthly sins. As you descend through the progressively darker, murkier air of the nine circles of Hell, the population of each group of sinners decreases, while the evil of their sins increases.

Which brings to mind the federal budget. Seriously. Dante's Inferno is an apt analogy for the ways in which the federal government subsidizes and enriches corporations, industries and people. In Washington's Inferno, of course, the various levels are dwelling-places not of dead sinners but of living classes of government subsidies and their beneficiaries. Yet, in both infernos, the deeper you descend into the pit, the smokier the air, the dimmer the light, the smaller the populations and the greater the stench of corruption. At the bottom of the Budget Inferno, which has now been inherited by Newt Gingrich and Co., America's free enterprise system itself is corrupted, as subsidies distort and enervate the heart of our economy.

Ironically, the deeper a subsidy's place in the Inferno, the less attention it gets, either as a source of possible savings, or as a chance to restore market competition (and so increase earnings, job growth and investment). Even though the largest subsidies can be found in the lowest depths, politicians looking to offer budget cuts almost always focus on the top-most levels. While there's much old-style spending worth cutting, focusing cuts in this area leaves untouched the bulk of subsidies that benefit the wealthy. Which is a shame, because that's where the real savings are.

The news this week is that the Republicans will continue to embrace this short-sighted approach in their plan to balance the budget. In the last week of February, the GOP-controlled House Appropriations subcommittees approved cuts in education, housing, nutritional help for mothers and schoolchildren, anti-drug efforts in schools, summer jobs for underprivileged high-school students and Food Stamps. The Center on Budget and Policy Priorities calculated that of the $17 billion of rescissions, 66 percent came out of programs geared to the poor. (In the more modest Senate version, 55 percent hit the poor.) This strategy has remained consistent since February: of the $146 billion of specific spending cuts that have moved forward in the House, 69 percent come from programs for low-income groups.

A journey through the Budget Inferno suggests that there could be a different strategy. But, be warned, the journey can be startling, and even shocking. Recall the sign at the entrance to Dante's Inferno: "BEFORE ME NOTHING BUT ETERNAL THINGS WERE MADE, AND I ENDURE ETERNALLY. ABANDON EVERY HOPE, WHO ENTER HERE." Happily, these words do not apply to the budget; while some structures endure and some subsidies last for decades, nothing here is eternal and irrevocable, with the possible exception of Strom Thurmond. And there is a Paradiso at the end: the elimination of the deficit by 2000 without cutting programs that help the poor and elderly, without reducing defense preparedness and without raising tax rates. Don't believe me? Come along.

At the entrance to the Budget Inferno is welfare for the poor: Medicaid, Food Stamps and similar programs. As defined by the Congressional Research Service, these programs cost $194 billion in 1994. While this sounds like a lot, it actually represents only 13 percent of total spending. Much larger subsidies for the non-poor lie quietly in the deeper levels.

Yet even in anti-poverty programs the non-poor find opportunities for enriching themselves. Most "welfare" spending never touches the hands of poor people. Instead, it goes directly to grocers, landlords and medical and social welfare professionals. In 1994, $89 billion went to the health care industry through Medicaid, $9 billion went to landlords through Housing and Urban Development programs and $38 billion went to agribusiness and food retailers through child nutrition programs and Food Stamps. (It was farm-state legislators who in February held up the GOP blueprint for cutting Food Stamps.) The remaining $58 billion (30 percent of total anti-poverty welfare) went directly to the poor in the form of income payments. For all the debate about the uses of welfare, everyone agrees these

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payments do little more than keep body and soul together; the profiteers are those who invest in the businesses where the poor spend their subsistence income, such as inner-city liquor stores, convenience marts and check-cashing operations.

Directly below the ante-room of anti-poverty programs is the much-lamented pork level, the realm of so-called "pork-barrel" projects. Members of Congress work hard to fund projects in their home districts as an easy, tangible way to keep their constituents happy. Through skilled deal-making, they sneak pork funding into appropriations bills during the last stages of the legislative process, and—presto!—the funding appears. By skirting the normal appropriations process, congressional sponsors steer pet projects away from the scrutiny of their colleagues. This does not mean, however, that they elude the public. Numerous watchdog groups sniff out pork like nothing else, and they publicize horror stories that national and local newspapers eagerly report. One such group is Citizens Against Government Waste, publisher of the annual *Big Pig Book*, which lists specific projects, along with their costs and the places that benefit. Among this year's winners: funds for algae eradication in the waters off Maui ($400,000) and for a movie theater in Cleveland ($100,000).

But the sad news is that pork doesn't cost the taxpayer that much. Citizens Against Government Waste, aiming for the most inclusive list possible, estimated the total amount of pork in the 1995 appropriations bills at $10 billion. In a budget that spends $1,500 billion annually, pork is peanuts. Of course, peanuts are also pork, but the peanuts lobby is so powerful that its subsidies don't depend on annual pork-barrel politicking; its subsidies are embedded deeper in the pit.

The second level down, defense waste, includes pork of its own. Buried in the 1995 defense and military construction appropriations bills, for example, are funds for the Wild Horses Roundup at White Sands ($1.5 million) and a Navy cryogenics facility in North Carolina ($2.1 million). When it comes to unnecessary defense spending, however, these are bacon bits. Last year, the Congressional Budget Office identified thirty-seven specific defense-related programs, weapons systems, projects and operations, along with rationales for reducing or eliminating their funding. If all thirty-seven cuts were implemented, the nation would save about $200 billion over a five-year period—far more than could ever be saved by cutting level-one pork. In the total defense budget ($263 billion in 1994), this is significant savings. But even the CBO book misses some of the more "protected" forms of defense spending: the Air National Guard and Industrial Preparedness are two examples. Unlike the Army National Guard, the Air National Guard has no peacetime mission and, with the possible exception of its transporter units, would not be useful in time of war unless, say, Vermont launches an air attack on Connecticut; yet the government spends more than $4 billion a year to keep it airborne. Industrial Preparedness spending, scattered throughout the budget in fifteen separate procurement accounts, keeps factories ready for wartime production. Unfortunately, the type of conflict for which the money prepares us was conceived of during the cold war, and planning for it has changed little since. The kind of war for which we'd need factories today would be one we'd see coming a mile away. For the kind that would sneak up on us (touched off by Saddam Hussein, say, or terrorists) these factories wouldn't do us any good. We don't need to pay to mothball factories that will stay mothballed until war breaks out. We could step up our existing industrial plants to fill the gap. Again, the attitude that guides industrial preparedness policy is reinforced by industry groups and members of Congress who benefit from the funding.

Of course, national defense is clearly an appropriate governmental function. But when we're spending beyond our real defense needs, these subsidies impose serious costs: they redirect scarce talent, drain national resources and foster economic addictions that are hard to break. The United States still spends almost as much on defense as the rest of the world combined. We can keep our defenses and still save money, if we wean ourselves from our addictions. Perhaps we should even *spend* money on adjustment programs along the lines of the president's recent proposal of a $500 million military defense conversion program. But no one is talking about letting go of $36 billion of unneeded defense inventory or shutting down quiescent factories built and maintained to produce weapons that will never be needed—even though some are talking about cutting Food Stamps by $3 billion a year for the next five years. It's one thing to trade guns for butter; it's another thing to trade butter for extraneous inventory.

The third level down is the province of welfare for the well-off. Most obvious are the so-called "universal" programs which provide assistance to all Americans, regardless of need. According to Republican Senator Hank Brown of Colorado, the nation spends $400 million a year providing unemployment compensation to individuals whose annual net taxable incomes exceed $120,000—at a cost of $1.7 billion over five years.

Bigger bucks lie in Social Security and Medicare. Entitlements paid to the top 5 percent of wage earners (singles who earn more than $100,000 and married couples who earn more than $120,000) cost $46 billion over five years. Paul Tsongas and Warren Rudman's Concord Coalition supports an "affluence test" for Social Security benefits that would gradually reduce payments at income levels above $40,000 (affecting 42 percent of Americans), saving $250 billion over five years. Good luck.

The government also performs various seldom-discussed activities that primarily serve the affluent. No one has cataloged or added them up, but you can find them throughout the budget. The Coast Guard, for example, routinely rescues boat owners and users, as it should—we don't want people left to die at sea—but, given that a large proportion of boat owners and users are wealthy, why should the taxpayers pay $700 million a year for this service? Why not cover the costs through rescue charges and higher licensing fees? Or consider the National Endowment for the Arts. Insofar as NEA grants translate into marginally lower ticket prices at symphonies, ballets and art galleries, they often subsidize the cultural activities of the wealthy.

The government also subsidizes the future wealthy via training programs for careers in medicine and law. The Department of Health and Human Services spends $6.3 billion per year on various programs to help fund the training of doctors but not lesser-paid allied health professionals; the Department of Education spends $15 million per year on the Law School Clinical Experience program. Although government-sponsored loans may be justified because they provide opportunities for young people, the taxpayer should not be expected to make outright grants to those who will become society's best-paid professionals. Instead of cutting these programs, though, legislators usually focus on cuts closer to the surface, for example in the work-study program, which especially benefits first-generation collegians who are less likely to earn top dollar after graduation.

Finally, deficit spending in the form of Treasury securities benefits the wealthy. Interest payments on securities are not subsidies per se (the government's existence depends on the marketability of these securities) but they are certainly opportunities for profit that the government makes available, and from which the wealthy profit disproportionately. According to 1983 data, the top 1 percent of families own almost half of total Treasury securities. Thus, about $100 billion of the annual $203 billion in interest payments (1994 figures) goes to the 1 percent of families with the highest incomes. This isn't to say interest payments are inappropriate; if investors weren't willing to buy securities, the government would go bankrupt. Still, as long as we run a large deficit, a sizable sum of direct spending will be enriching the well-off in the form of interest payments.

Level four of the Budget Inferno is where corporations and industries line up to collect government handouts in the forms of money and in-kind benefits and services (tax breaks are tucked away at a deeper level). Secretary of Labor Robert Reich stirred interest in these subsidies last November when he called them "corporate welfare." The numbers are big here. Last year, Essential Information Inc., founded by Ralph Nader, published *Aid for Dependent Corporations*, which listed corporate subsidies totaling $51 billion in 1994. Robert Shapiro of the Progressive Policy Institute brought attention to these subsidies in January 1994 when he published a list of forty-six of them worth $114 billion over five years. (The most recent version of this list, released this March, identifies eighty-nine such subsidies costing $131 billion over five years.) The Cato Institute will soon release *Ending Corporate Welfare As We Know It*, citing 129 subsidies costing $87 billion a year.

Read through these lists in one sitting and you may get dizzy. For starters, how about that USDA program that spent $110 million a year advertising American food products abroad, including $2.9 million on advertising for Pillsbury muffins and pies, $10 million for Sunkist oranges, $465,000 for McDonald's Chicken McNuggets, $1.2 million for American Legend mink coats and $2.5 million for Dole pineapples, nuts and prunes? Or the $140 million the Federal Highway Trust Fund paid last year to build the roads in the national forests by which logging companies such as Weyerhaeuser and Georgia Pacific remove the timber. More than 340,000 miles have been built—more than eight times the length of the interstate highway system—and it's only useful until the timber's gone. What about the Sematech program, an annual $100 million taxpayer donation to the fourteen largest U.S. microchip firms, including Intel and National Semiconductor? There's even $91 million spent on price supports for peanuts—or was that pork?

Before descending further, it's worth considering the legal fiction that corporations are not really people. When corporations stand in line for handouts, they act as surrogates for their owners, who are rarely poor people. The Progressive Policy Institute has calculated that the $53 billion of annual industry subsidies that it identified (including the tax subsidies down in level eight) represents a net gain of $11.8 billion a year for the 5 percent of Americans with the highest incomes ($10.5 billion for the top 1 percent), and a net loss of $6.6 billion for Americans in the lowest four-fifths of the income distribution. And just as defense subsidies redirect scarce talent, corporate subsidies take talent from other, more useful enterprises. Open-space reserves and water subsidies subsidize country clubs and golf courses. Are golf courses more important than public parks?

In the amorphous fifth level, categorizing the subsidies is extremely tricky. "Tricky language," "sleight-of-hand" or "odd language" subsidies are either special provisions that are not explicitly subsidies (e.g., the requirement that all interstate highways have four lanes, an allocation of superfluous construction jobs to states like Montana), or stealthy additions to bills that have nothing to do with the subsidy. Usually, tricky language subsidies can only be discovered by carefully analyzing the text of congressional legislation and legislative histories. Yet they are everywhere.

To cite just one recent example, "sleight-of-hand" spending turned up in the Senate version of the 1991 Intermodal Surface Transportation Efficiency Act (or ISTEA, pronounced "ice tea," bill). The bill, ostensibly dealing with highways, included funding for a $369 million courthouse in Brooklyn. Perhaps someone was thinking of painting a yellow stripe up one side of the courthouse, and placing a speed-limit sign nearby? It is impossible to estimate the total cost of these provisions, since by their very nature they are hard to find. They include all that weird wording snuck into bills to assure that the gravy train stops at your station. Tricky language might, for example, ensure that certain post offices will not be closed, or that a small Office of Personnel Management facility in Denver will remain untouched. What's truly tricky is finding these provisions, and that's the way it's intended. Tricky language subsidies, then, are at least as valuable as regular "pork"—just not as vulnerable.

Once we cross the Styx, we leave behind the realm of "traditional spending" and enter that of "Rumpelstiltskin spending." At levels six and seven—the domiciles of credit and insurance—Congress spins straw into gold. For the cost of mere straw, Congress allots benefits that are as valuable as gold. The magic spinning wheel is a simple accounting method: Congress passes out credit and insurance with a total face value in the trillions of dollars—but it incurs only a small cost for the immediate budgeting period.

Different forms of credit assistance offer different "gold yields" per bushel of straw invested. The calculation is straightforward. Start with the total face value of the various types of credit spending. First there are direct loans, mostly to farmers, small businesses and students, which are worth $155 billion. Next come guaranteed loans, worth $699 billion. Then there's government-sponsored enterprise (GSE) credit (provided by privately owned, government-chartered entities such as Freddie Mac and Sallie Mae), which amounts to $1,502 billion. That's the same figure as the total of *all* "traditional" federal spending—levels one through five—for 1994!

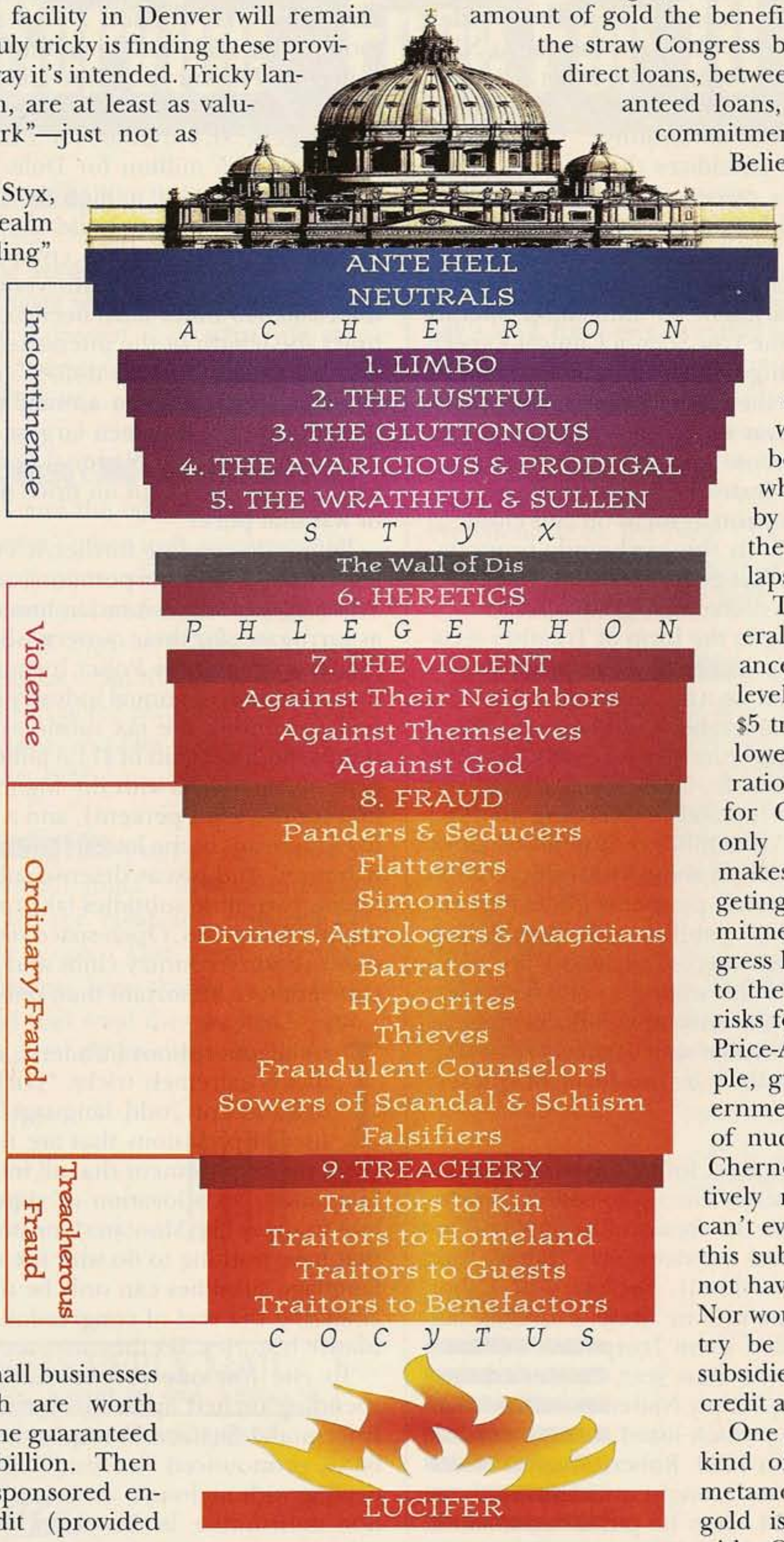

ILLUSTRATION BY JIM HOLLOWAY FOR THE NEW REPUBLIC

Then divide these "face values" by the total five-year budgetary costs that Congress expects to incur (estimated cost ranges). The "straw-to-gold ratios"—the amount of gold the beneficiary gets in relation to the straw Congress buys—are as follows: for direct loans, between 1:6 and 1:14; for guaranteed loans, 1:20 to 1:43; for GSE commitments, 1:infinity. Infinity? Believe it or not, GSE debt and securities are not budgeted at all, except for ongoing bailouts, because the government is not legally responsible for them. (This, despite the government's unofficial willingness to step in on behalf of troubled GSEs, which was demonstrated by its intervention when the farm credit system collapsed in the 1980s.)

The face value of the federal government's insurance commitments, another level down, is even bigger, at $5 trillion. The gold yield is lower for insurance (the ratio is 1:90 to 1:290) than for GSE commitments, but only because the Congress makes an appearance of budgeting for its insurance commitments. In fact, the Congress largely turns a blind eye to the true magnitude of the risks for which it insures. The Price-Anderson Act, for example, guarantees that the government will pay for the costs of nuclear plan failure (e.g., Chernobyl) above some relatively minimal amount. One can't even estimate the value of this subsidy; the industry may not have developed without it. Nor would the real estate industry be an "industry" without subsidies provided through the credit and insurance programs.

One major problem with this kind of spending is that the metamorphosis of straw into gold is short-lived, especially with GSE commitments and insurance, which, unlike loans, were not reformed by the 1990 Federal Credit Reform Act. Significant costs will come due someday as shown by the $90 billion S&L (insurance) crisis. Consider, for example, pension plans. At the end of 1993, the Pension Benefit Guaranty Corporation was backing up pension plans that were underfunded by $71 billion (up from $53 billion a year earlier). It has already incurred serious losses, finishing 1994 with a $1 billion deficit. Worse, pension underfunding is mainly in the steel, car, tire and airline industries, and the manufacturing share of the economy is in decline. Democratic Representative Gerald Kleczka of Wisconsin envisions an S&L-style debacle that could cost taxpayers $10 billion or $20 billion at some point in the future. But, again, since there's little immediate budget gain to be realized, Congress has little incentive to change its behavior. What's more, the subsidy consequences of handing out the gold are not scrutinized, for the simple reason that cutting them yields little budgetary savings. Straw is cheap!

Congress took a major leap forward with the Federal Credit Reform Act, which brought the budgetary treatment of credit information out of the Dark Ages. But only a year later the Bush administration ushered back the Middle Ages, collapsing what had been seven separate credit presentations in the annual budget into one. Dennis Ippolito, author of the aptly titled book *Hidden Spending: The Politics of Federal Credit Programs*, says that "whatever the Bush administration's intent, the effect was to make it much more difficult to understand what is going on." Which is also why budget-cutters rarely target them.

Worse, government credit and insurance changes behavior, often leading to inefficient allocation of resources. Many investors look at the existence of a federal loan guarantee or insurance policy, and look no further; since the guarantees are backed by the "full faith and credit" of the United States, there is no need to question the soundness of the underlying program or activity. Unless investors suffer, along with the government, in case of default, investment will not track risk—and that's the function of risk analysis, to make investment more expensive if it's more risky. Where that is not the government goal, Congress should say so. Where it is, the government needs to find ways to leave some exposure to risk around the edges of credit and insurance.

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Below the levels of "Rumpelstiltskin spending," at level eight, is the cozy home of tax exemptions, tax deductions and the like. Congress's Joint Committee on Taxation publishes the most complete list of these so-called "tax expenditures," but it omits the small ones, those that cost less than $50 million over five years. (The committee's definition of small is different from yours or mine.) The General Accounting Office estimates that the total value of all tax expenditures is about $400 billion a year. Many of these subsidies simply underwrite the rates of return of various industry sectors, in large amounts. Citizens for Tax Justice identifies ten "corporate loopholes" to be closed for savings of $412 billion over five years. Plenty of other private policy groups have similar lists of loophole-closings that would save tens or hundreds of billions of dollars. (These are all in addition to the "traditional" spending subsidies for corporations up in level four.) The industries that benefit most from these tax expenditures are the financial, agribusiness, timber and, most of all, energy and construction industries. According to data collected by Douglas Koplow for the Alliance to Save Energy, energy tax subsidies now total about $6 billion per year (favoring fossil fuels

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over alternatives by a ratio of 2 to 1); and the CBO reports that mortgage interest deductions for the largest homes (mortgage principals above $300,000) total $20.6 billion over five years.

Some reject the concept of a "tax expenditure" and argue that cutting tax breaks is equivalent to raising taxes. But industry-specific tax breaks act just like spending subsidies; they substitute political micro-management for normal market decisions about how capital should be spent. The real tragedy of these subsidies is not that the rich are getting richer, that the mortgage-interest deduction allows us to build larger homes or that the energy industry enjoys extra-high profit margins. It is that the bulk of energy subsidies tips the scales in favor of fossil fuels, diverting resources that in a free market would be invested more in emerging renewable energy sources; and that America has trillions of dollars invested in fancy homes when we really need the money invested in factories. Restructuring tax incentives could encourage savings and investment in business. At the very least, directing the revenues now claimed by industry tax subsidies to deficit reduction would increase the total pool of capital available for investment.

Tax subsidies represent the biggest gold mine for deficit reduction, but, this deep in the Budget Inferno it's very smoky. As the General Accounting Office put it, "funding for narrow interests sometimes is camouflaged in coded jargon that can make it difficult to determine who benefits from a particular provision of the tax code." If you begin to poke around, you'll be startled by how small the beneficiary populations are. Journalists Donald Barlett and James Steele found one tax provision that set "special rules" for certain business projects that involve "a port terminal and oil pipeline extending generally from the area of Los Angeles, California, to the area of Midland, Texas." That language was written for the Pacific & Texas Pipeline and Transportation Co., saving the company $500 million. Then there's a subsidy for ethanol production that costs $3.6 billion over a five-year period; a single corporation is responsible for 60 percent of domestic ethanol production, Archer Daniels Midland, a $10 billion agribusiness, that was the largest "soft money" donor to the GOP in 1992.

Hidden in the smoke are lots of other big campaign donors. Last month, the Center for Responsive Politics published an analysis of eight major subsidies (worth a total of $6.57 billion) identifying the primary corporate beneficiaries, and the contributions made by those corporations via PAC contributions, usually to both parties. After all, many in this level have plenty of spare change. As economist Stanley Surrey found, the vast majority of tax expenditure programs benefit upper-income groups. Many cash-strapped small business owners would be infuriated if they knew how many large corporations pay little or no income tax.

Now we've reached the bottom. At level nine are the trade protections, regulations and government-enforced property rights that serve to protect industries from market forces. Except for the price of administration and enforcement, they cost the Congress nothing. In truth, they cost hundreds of billions of dollars. Trade protection, for starters, costs somewhere from $9 billion to $19 billion annually, using generously low estimates. These estimates include such costs as the higher price that consumers pay for peanuts ($54 million per year) as a result of import quotas on peanuts. Make no mistake, trade protections are taxes, hidden in higher prices of goods we buy.

Estimates of the total annual cost of social and economic regulations, including banking rules and health and safety requirements, range from $400 billion to $667 billion. Here, too, Congress imposes costs that are never budgeted. What's more, there are economic interests at stake that can distort decision-making. Former Federal Trade Commission Chairman Daniel Oliver argues that regulation advocates "may say they have the public interest in mind. Watch out.... You will find underneath a rule designed to benefit one group at the expense of another, designed to transfer wealth from one group to another group with more political power."

A classic illustration: Western coal producers have an interest in urging the adoption of rules that make it difficult for utilities to burn high-sulfur Eastern coal, while Eastern producers have a similar interest in rules against strip-mining Western coal. Or another: regulations (currently under court challenge by the oil industry) require that gasoline in certain areas be reformulated with ethanol—made in large quantities by the Archer Daniels Midland Co., our friends from level eight. (Some people and companies occupy multiple homes in the Budget Inferno.)

Still, most of these regulations achieve goals that the public supports. Included as "costs" are rules that ensure car safety, clean air, clean water. While these are public goods, they are nevertheless subsidies, just like defense spending; they encourage the performance of activities that would not otherwise be performed, and create jobs for which there would not otherwise be a market (e.g., safety engineers and environmental scientists). The question with these regulations is whether the trade-off is worth it: Does the restriction of activities that would harm us warrant the indirect subsidies to the firms that make pollution equipment, remove trash, etc.? In some cases, the answer is certainly yes, but the problem with answering this question for all cases is that the process of making these rules gets so little attention. Even so-called sunshine laws do little to inform the public of the specific politics behind the thousands of individual rules and regulations that govern the economy.

At rock bottom are the appropriations of public goods, the property rights that government has granted where none before existed. When the government gives away public resources to profitable industries, those industries should pay for the use of those resources (and make profits off only the value added). These affect a wide range of activities and include land grants, radio spectrum allocations, mining rights on public lands, landing slots at airports, water rights and even antitrust exemptions for cable television, public utilities and baseball. The total value of these rights is also almost incalculable; how can we assess where Southern Pacific would be today were it not for the original land grants in the West? Given the presumed sanctity of property rights, these subsidies are all but frozen in place. Attempts to change them stir powerful interests.

Our brief trip through the Budget Inferno has shattered the myth that the United States has a free market economy. The Congress has established large anchors in the economy that moor investments to particular activities, reduce incentives for developing new sectors and do exactly what Adam Smith said should not be done. It has also shown us the superficiality of most attempts so far to reduce the deficit and suggests that effective efforts to reach our Paradiso—not only eliminating the deficit but excising the remnants of outdated economic policies—must begin with a far more thorough review than has so far been undertaken.

How do we find our Paradiso? David Osborne, author of *Reinventing Government* and a consultant to Vice President Al Gore's first National Performance Review, suggested in *The Washington Post Magazine* in January that Gore's second review (now underway) should deliver a list of subsidies to Congress for elimination as a package. It should abolish "not just programs but subsidies that favor special interests and distort the market," he wrote. "The staff of the first NPR put together a long list of subsidies and calculated what would be saved by axing them.... If a congressional commission packaged several dozen for an up or down vote, as it did with base closings, the bill would pass."

In its present formulation—a working document unvetted by the political process—the NPR's list of subsidies, compiled from the recommendations of 150 published sources and a page-by-page examination of the budget, offers a total budgetary savings of $700 billion dollars over a five-year period. According to the Office of Management and Budget, that's enough to balance the budget by 2000.

Others have compiled different packages to do the same, including Representative Gerald Solomon of New York, the Concord Coalition, the Heritage Foundation and the Cato Institute. None of these other packages, however, achieves this goal without passing off administrative costs to states and localities, and without raising tax rates, reducing Medicare or Social Security benefits and cutting anti-poverty programs. Under any scenario, changes in Social Security and Medicare are required to maintain balance after a balanced budget is achieved, but the NPR list suggests the chance of at least leaving them untouched in the short term, and anti-poverty programs untouched altogether.

Although the NPR subsidy list was compiled as a catalog, and never intended as a budget "plan," its sheer size speaks to the potential of subsidy elimination as a means of shrinking the deficit. In fact, since the NPR subsidy list treads lightly, if at all, in Budget Inferno levels five, six, seven and nine, the $700 billion figure only *begins* to speak to the sum magnitude of what's down there. Given the public demand for deficit reduction (a recent poll found that 57 percent of Americans value it more than cutting taxes) and disgust with the power of special interests (especially big business), wholesale subsidy elimination could be a boon to whatever party or politician champions it.

This strategy has a potential bipartisan appeal. Last year Ralph Nader's Essential Information argued for a "comprehensive study of the high-cost corporate welfare entitlements before slashing any sums provided to poor people." Recently, in the conservative *American Spectator*, Terry Eastland argued for cutbacks in programs that are "essentially special-interest pork," including "most farm subsidies" and "other welfare for middle- and upper-income earners."

Congress should begin its repair of the economy by ensuring that all future subsidies that intend to solve a temporary industrial or economic problem have an automatic sunset provision. It should then routinely phase out subsidies that are industry-specific. Such a path would not only balance the budget, but unleash the free market as well. In its current array of subsidies, Congress is embracing the growth paradigm of a nineteenth-century agrarian, commodity-based economy preparing for an industrial future powered by fossil fuels. This approach is like that of Spain and Portugal during the early stages of the industrial revolution, when their leaders held fast to an outmoded pre-industrial idea of economic growth; instead of doing the hard work of reinventing spinning and weaving and other industrial arts, they went on collecting South American gold.

As Shapiro explains in the Progressive Policy Institute's new report, *Cut-and-Invest: A Budget Strategy for the New Economy*, we should not only cut but invest as well. Where? Our best bet is investment in the new economy—like restructuring the education system to train (and retrain) scientists, computer specialists and sophisticated technology-users to develop a workforce that can design, manipulate and use new technologies. Instead of cutting summer jobs programs for poor youth, we should discard dead wood (like the 1872 mining subsidies) and use some of the savings to provide every summer jobs program participant with experience in state-of-the-art information technologies.

In the face of the truth about what the government spends money on, cutting anti-poverty programs is indefensible; no true conservative would do such a thing. Such an approach would yield the least savings, the most protection for corporations and the wealthy, and the most pain to the poor and indigent. An alternative strategy of eliminating the deficit by cutting back subsidies for the non-poor would free up money for investment and channel investment into the most profitable ventures, spurring economic growth and creating jobs, while preserving the welfare safety net for the poor. •