

Name_____

One Nation: Subsidized Article Analysis

Here are some words and definitions that might be helpful while reading the article:

Deduction (tax deduction) – reducing the amount of taxes you pay

Subsidy – assistance (usually from the government) paid to businesses or individuals to

help a particular product or industry

NPR- (formerly called) National Public Radio, funded partially by the government

Mortgage Interest – mortgage is your loan to pay off your house; the interest is the amount the bank charges you to borrow the money for your house

Medicare- financial assistance (primarily) for those 65 and older to help with medical

expenses

Medicaid-financial assistance for low-income earners to help with medical expenses

For your section, complete the following:

1. Underline at least examples of liberal or conservative thinking in your section. Be prepared to share them with the class.
2. Write one interesting fact, statistic, or point that was made in the article.
3. Write one question you have about something from the article.

My family's subsidies are not the handouts to the poor that help fuel America's political culture wars but the kind of government goodies that make the comfortable even more comfortable. Our federally subsidized housing, for example, is a two-story Art Deco home in the overpriced heart of South Beach. But our mortgage interest is a personal deduction, my home office is a business deduction, and federal subsidies keep our flood insurance cheap. Even our property taxes are deductible. So thanks for your help.

The 2012 election is shaping up as a debate over Big Government, but it is only loosely tethered to the reality of Big Government. The vast majority of federal spending goes to defense, health care and Social Security plus interest payments on the debt we've run up paying for defense, health care and Social Security. Nondefense discretionary spending—Washingtonese for "everything else," from the FBI to the TSA to the center for grape genetics—amounts to only 12% of the budget.

Still, it's a big government. The U.S. did not spend even \$1 billion in 1912; it will spend \$3.8 trillion in 2012 on everything from Missing Alzheimer's Disease Patient Assistance (\$593,842) to Snow Survey and Water Supply Forecasting (\$9,409,400), from mortgage insurance for manufactured homes (\$64,724,187) to ironworker training on Indian reservations. There will be an additional \$1.3 trillion in tax expenditures, federal benefits (like the deductions for my 401(k) and my nanny's salary) that are basically identical to those normal spending programs except that they happen to be provided through the tax code.

The rise of the Tea Party and the weakness of the Obama economy have fueled a Republican narrative about Big Government as a threat to liberty, redistributing wealth from honorable Americans to undeserving moochers, from taxpaying "makers" to freeloading "takers." In fact, most Americans are makers and takers—proud of our making, blind to our taking. Republicans often point out that only half the country pays income taxes, but just about all Americans pay taxes: payroll taxes, state and local taxes, gas taxes and much more. The problem

is that we pay in \$2.5 trillion and pay out \$3.8 trillion. And those trillions of dollars don't all go to undeserving moochers, except insofar as we're all undeserving moochers.

7 a.m.: Subsidized food, water, electricity and clothing

THE RIGHT ROUTINELY PORTRAYS GOVERNMENT as a giant mess of Solyndra failures, lavish agency conferences in Vegas and pork for society's leeches. But my taxpayer-supported morning didn't feel like mooching at the time.

For example, my family pays for that water I use to brush my teeth, about \$100 a month. But that's a small fraction of the true cost of delivering clean water to our home and treating the sewage that leaves our home. And it certainly doesn't reflect the \$15 billion federal project to protect and restore the ravaged Everglades, which sit on top of the aquifers that provide our drinking water. Most Americans think of the water that comes out of our faucets as an entitlement, not a handout, but it's a government service, and it's often subsidized.

The silliest handouts that brighten my morning are the boondoggles that funnel billions to America's cotton and grain farmers and maybe knock a few

cents off the price of my T-shirts and my kids' breakfast waffles. Uncle Sam sends at least \$15 billion every year to farmers and agribusinesses in the form of grants, loans, crop insurance and other goodies. The farm lobby is so omnipotent in Washington that when the World Trade Organization ruled that U.S. handouts give our cotton farmers an unfair advantage over Brazil, the U.S. cut a deal to shovel \$147 million a year to Brazilian cotton farmers rather than kick our own farmers off the dole. Our food and clothing may seem cheap, but, oh, we pay for them.

9 a.m.–1 p.m.: Subsidized transport, shelter, exercise and jobs

REASONABLE PEOPLE CAN DISAGREE ABOUT most government aid. I enjoy NPR, even though I don't really see why it needs about \$3 million a year of our tax dollars to produce good journalism; public-radio stations receive only about 15% of their revenue from the government anyway. On the other hand, I think my \$500 Florida tax rebate for the energy-efficient water heater that warms my shower made great sense, promoting economic, environmental and national security by reducing fossil-fuel use.

This is true for huge numbers of Americans. Government is still America's largest job sector, directly employing about 22 million workers at the federal, state and local levels—which means teachers, cops, prison guards, park rangers, coroners, prosecutors, you name it. It is impossible to estimate how many jobs the federal government creates indirectly through contracts for everything from fighter jets to the guys who manage my tennis courts. Other industries depend on government, like health care, lobbying and Washington real estate. And the entire nonprofit world depends on the charitable tax deduction, which costs the Treasury about \$40 billion a year. Obama proposed to limit it for rich donors, but charities went berserk, and with antitax Republicans running the House, Congress isn't eliminating tax breaks these days.

That's especially true of the tax breaks that deprive the Treasury of the most revenue because they tend to go to taxpayers with the most income. Take that mortgage-interest deduction, the third-costliest tax expenditure at \$94 billion a year. It's available only to homeowners, who tend to be better off than renters. And since it's a deduction from your income, it's worth more to taxpayers who earn more. That's because the higher your income, the higher your tax bracket. And if you are in the top brackets, you can deduct a bigger portion of your mortgage

interest from your taxes. Politicians love providing benefits through the tax code because it makes them look like tax cutters rather than spenders. And a politician who tried to get rid of the mortgage deduction would probably become an ex-politician.

ADAM GOLFER FOR TIME

On graphs of long-term government-spending projections, health care looks like a ski slope, and everything else looks like a sidewalk. Most of the problem is Medicare and Medicaid, which spend about \$800 billion and rising a year to cover the elderly and the poor. But the tax advantages for health care are the country's costliest tax expenditure, draining the Treasury of \$184 billion a year. Health benefits provided by employers are tax exempt, which encourages Time Inc. to give me better benefits than it otherwise might have. That may have encouraged me to get my shoulder checked out earlier than I otherwise would have, which might save me from costly surgery.

Americans tell pollsters they don't like government, much less the taxes they pay to fund government, but they tend to support Medicare, the military and most other services that government provides. This is why politicians tend to spend a lot more time talking about shrinking government than actually shrinking government. President Obama talks a lot about trimming the fat, and Republican leaders talk about almost nothing but trimming the fat. But the status quo has largely prevailed.

The explosion of Big Government under Obama is mostly a myth; the public workforce has actually shrunk by half a million workers during his presidency. That said, Obama hasn't been much of a fat trimmer, either. His halfhearted efforts to rein in excessive spending got off to a laughable start in April 2009, when he publicly ordered his Cabinet to find \$100 million-with-an-m worth of waste to cut, a rounding error in a \$3.6 trillion-with-a-t budget. He later killed a \$143 million fighter jet the Pentagon didn't want as well as a \$190 million maritime navigation system rendered obsolete by GPS, then agreed to more than \$2 trillion in long-range cuts after Republicans threatened to force the Treasury into default in 2011. But those cuts are still mostly theoretical, depending on what happens in the fall election. Meanwhile, the Republican Party has rallied around House Budget Committee chairman Paul Ryan's long-term blueprint for deep (and specified) deficit-expanding tax cuts paired with deep (but mostly unspecified) cuts in nondefense spending. GOP presidential nominee Mitt Romney embraced the Ryan plan during the primaries and then put Ryan on his ticket, but he has been even cagier about what he intends to cut beyond small-dollar Republican targets

Independent analysts have suggested that if the U.S. actually followed the Ryan outline, by 2050 there would be no room in the budget for anything but defense, Social Security and health care. But even if Republicans take back Washington, cutting isn't a foregone conclusion; government spending exploded when they controlled the nation's capital in the Bush era. Every line item has lobbyists watching its back, and when you can get a reputation as a fiscally responsible budget cutter without doing the politically difficult budget cutting, why bother?

Liberals are correct that we rely on government much more than we realize. Conservatives are correct that government tries to do too many things. Republicans have seized on the Obama campaign's Life of Julia online tool—showing how one woman might benefit from Head Start, tuition aid, Medicare and other federal programs during her life—to accuse Democrats of viewing Americans as cradle-to-grave wards of the state. Democrats have portrayed Republicans as antigovernment absolutists in thrall to the Tea Party, eager to deprive Americans of benefits we like and expect. There's some truth in those critiques too.

But those of us who think government has an important role to play in American life ought to support reining in the excesses that give government a bad name. When I asked analysts at the antigovernment Cato Institute and the liberal Center on Budget and Policy Priorities what was the most wasteful government spending, they all gave the same answer: farm subsidies. A coalition of taxpayer activists and green groups recently proposed axing \$700 billion worth of environmentally destructive federal largesse, from fossil-fuel subsidies to sprawl roads to pork-barrel water projects that drain wetlands. There is broad agreement among eggheads that tax perks for yachts, corporate jets and mortgage interest on mansions ought to go as well.

Give and Take

Federal receipts and outlays rarely match. A current breakdown:

