



Government in the Way

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Almost bursting at the seams with new technologies, U.S. businesses are more able than ever to deliver a good product, on time and at a reasonable price -- in a competitive world market that quickly rewards merit and punishes fault.

And where is our government in this race for excellence? It is a hindrance -- unable to keep up but too clumsy and stubborn to get out of the way.

Judged by marketplace standards, government has a faulty business plan and a product line with too many items. Most don't work properly. All are grossly overpriced. Some are given away or sold at deep discounts to favored customers.

All told, however, our government is the world's largest enterprise and, based on past performance, has an almost unlimited potential for growth.

As chief executive officer of "Government Inc.," the president is fully in charge of military and foreign affairs. But most power over other operations resides in a highly activist outside board of directors made up of 535 members of Congress. Because of their tireless efforts and dedication, the federal government's annual revenues from "operations" now equal to the combined revenues of the top 15 Fortune 500 companies.

Government Inc. is by far the largest consumer and the largest employer in the world. Through a combination of taxes and debt, it annually takes control of and spends 36 percent of our total gross domestic product (GDP). State and local governments soak up another 9 percent, leaving for the private sector's discretion only about 55 percent of the total goods and services produced in America each year.

Out of that remainder, however, Americans must spend another 5 percent to 10 percent of GDP in dealing with government at all levels -- federal, state and local. Businesses, in particular, must spend enormous sums trying to influence the multitude of decisions made each day by governments -- decisions that can affect them in powerful ways, such as providing an advantage over competitors or putting them out of business. Frequently, government is also their biggest customer.

As government spends or causes to be spent at least 60 cents out of every dollar, politics and what is euphemistically called the "government affairs" business are among our high-

growth industries. For those who know how, manipulating government is often more lucrative than manufacturing a product.

The mark of a successful member of Congress who continually gets re-elected and moves up to a leadership position is to sponsor more legislation, to enact more laws and to promise more "benefits" to more "customers" -- especially at discount prices. (Government is the only enterprise that prospers by simultaneously increasing expenses and cutting prices.)

The key to this seemingly magic formula is Congress' ability to treat Americans unequally -- most particularly to tax some Americans far more heavily than others and, conversely, to spend more money on some Americans than others.

Rampant discrimination is also the modus operandi of the vast web of rules and regulations by which government -- from the county zoning board to the Congress -- sticks its tentacles into every nook and cranny of our personal and business affairs. Regulations ostensibly designed to protect Americans from tainted food, bad drugs, environmental damage, unsafe workplaces, urban sprawl and almost everything else, all follow the same discriminatory pattern: a broad general rule followed by a continually growing list of exceptions (and exceptions to the exceptions) that reward the favored and punish the disfavored. The ability to grant special dispensations and indulgences -- whether regulatory or tax -- is the largest source of power for Government Inc.

Tax reform and Social Security reform are both about economic growth -- the one about eliminating tax rules that unduly impede growth, and the other, through private accounts, about allowing more Americans to participate in the benefits of a growing economy. The issue is whether the entrenched management of Government Inc. will give up some of its power and perquisites in the best interests of the shareholders. Will the members of Congress cede to tax reform a large portion of the regulatory (and political) power they now exercise through the tax code? In the case of Social Security reform, will they be willing today to pay the price for preserving the enterprise for future generations of shareholders?

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