JULY 1, 2002:

THE OTHER INDEPENDENCE DAY

by Grover G. Norquist

On July 4th, America celebrated her two-hundred twenty sixth anniversary of independence from Great Britain. But just three days earlier, Americans confronted another, and far less glorious, Independence Day.

July 1st, 2002 marked Cost of Government Day (COGD), or the date in the calendar year when the average American worker finally earned enough gross income to pay off his or her share of spending and regulatory burdens imposed by government at the federal, state and local levels.

That's 181 days, and almost half the year. COGD has increased over the past two years, and each American will have to work an additional six days to pay off the burdens of government, when compared to last year.

Over the past two years, however, federal spending has taken a dangerous course and now consumes 22 percent of national income. Essentially, the two-year rise in federal spending has wiped out all the reductions achieved from 1996 through 2000. Furthermore, Congress is in the process of passing even more spending bills that will take effect next year, thus increasing the future cost of government.

Simultaneously, state governments refused to cut their excessive spending from the boom years of the nineties, and instead chose to increase taxes to close their budget gaps and to fund even more new spending.

One exception to this dangerous trend is Colorado. Colorado's Taxpayer Bill of Rights (TABOR), which passed by citizen initiative in 1992 and has been enforced vigorously by Governor Bill Owens, limits increases in per capita state expenditures to the inflation rate and mandates surplus revenues be returned to taxpayers. According to Michael New of Stanford University, between 1997 and 2002 the State of Colorado has issued annual rebates totaling more than $3.2 billion to its residents. And in 2002, Colorado will be the only state actually cutting taxes for its residents.

Government Spending Up

Most of the increase comes from substantial hikes in federal spending after September 11th. However, state tax increases and a much greater regulatory burden, stemming from increasing tax complexity and the government's pursuit of suing Microsoft, also played a role.

This year's significant increase in the cost of government is in striking contrast to previous years. Starting in 1992, federal spending as a percentage of national income declined nine straight years, which reduced government spending from 1 out of every 4 dollars of national income to 1 out of every 5 dollars. This reduction in federal spending, as a percentage of national income, let the average American work 11 days less to pay off their entire spending and regulatory burden in 2000 compared to 1991.

Regulations Up

From the regulatory perspective, Americans for Tax Reform (ATR) estimates federal regulations to cost $945 billion in 2002, which is an increase from the previous year. Total regulatory costs, including state and local regulation, now account for a hefty 16.8% of national income. Consequently, regulatory costs alone are consuming 1 out of every 6 dollars produced by the American people. This regulatory burden needs to be

reduced to enhance economic prosperity and freedom.

To significantly reduce the cost of government, Congress must stop the spending. The reduced cost of government over the last decade is directly attributable to restraint of discretionary spending and entitlement reform. However, the dynamics concerning federal spending are now moving in the opposite direction. The passage of the new farm bill coupled with members of Congress disguising pork under the "homeland security" mantra will only continue to grow the cost of government. Most importantly, however, adding a prescription drug benefit to Medicare without reforming the system and reluctance to allow individual retirement accounts will bankrupt the federal government in the future and require higher taxes from American workers.

Under this scenario, American workers will soon go back to work after Independence Day—knowing that the fruits of their labor are not yet their own. After the fireworks are gone and the crowds go home, Americans will work, despite the fact that more than half of their toil is directed toward supporting an indolent bureaucracy, needless regulation, and pork—instead of their own future.

Unless the current trends of growing government are reversed, the celebration of America's hard-fought victory over an oppressive government—could be overshadowed by the knowledge that our economic freedom is still weeks away.

• **Grover G. Norquist** is President of Americans for Tax Reform. ATR publishes an annual report on Cost of Government Day that can be found at http://www.atr.org.

"THE MULTIPLICATION OF PUBLIC OFFICES, INCREASE OF EXPENSE BEYOND INCOME, GROWTH AND ENTAILMENT OF A PUBLIC DEBT, ARE INDICATIONS SOLICITING THE EMPLOYMENT OF THE PRUNING KNIFE."

—THOMAS JEFFERSON