

FEATURE

TODAY A NATION WHOSE PEOPLE MORE THAN TWO HUNDRED YEARS AGO FOUGHT A REVOLUTIONARY WAR OVER COMPARATIVELY LOW TAXATION BY THE BRITISH STANDS PASSIVELY BY WHILE ITS GOVERNMENTS SEIZE MORE THAN ONE THIRD OF EVERYTHING AMERICANS PRODUCE EACH YEAR, BURDENING US WITH MARGINAL TAX RATES OFTEN EXCEEDING 50 PERCENT. TOTAL TAXES AS A PERCENT OF INCOME WERE ESTIMATED TO BE 33.8 PERCENT IN 2001. IN 2000 THE FEDERAL TAX TAKE ALONE WAS 20.6 PERCENT OF THE TOTAL VALUE OF ALL FINAL GOODS AND SERVICES PRODUCED IN THE UNITED STATES (“GROSS DOMESTIC PRODUCT,” OR GDP); THE FEDERAL GOVERNMENT REPORTED THAT TOTAL GOVERNMENT RECEIPTS—FEDERAL, STATE, AND LOCAL COMBINED—STOOD AT 30.5 PERCENT OF GDP IN 2000, NOT COUNTING THE REGULATORY BURDENS BORNE BY INDIVIDUALS AND FIRMS.

FROM THE PERSPECTIVE OF TYPICAL FAMILIES, TOTAL TAXES AT ALL LEVELS AMOUNTED TO 39 PERCENT OF THE MEDIAN TWO-INCOME FAMILY’S BUDGET AND 37.6 PERCENT OF THE MEDIAN ONE-INCOME FAMILY’S BUDGET IN 1998. TAX ACTIVISTS, HOPING TO STIR A QUIESCENT PUBLIC, NOW ANNUALLY RECALCULATE “TAX FREEDOM DAY” IN EACH OF THE FIFTY STATES—THE DAY ON WHICH THE AVERAGE CITIZEN WOULD HAVE PAID OFF HIS TAX “BILL” BY DEVOTING HIS ENTIRE SALARY TO TAXES FROM THE FIRST DAY OF THE YEAR FORWARD. AS THE TYPICAL “TAX FREEDOM DAY” MOVES EVER LATER INTO MAY, LITTLE EFFECTIVE PUBLIC RESISTANCE IS MANIFEST.

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Yet our daily entanglement with government is far greater than the tax numbers suggest. The extraordinary expansion of federal involvement in our personal lives and in the conduct of our businesses is well documented. While some older Americans still may be shocked at the change, young people have known nothing else.

Wherever one turns today, federal officials armed with thousands of pages of detailed, sometimes contradictory, often indecipherable statutes and regulations stand ready to tell each of us what we can and cannot do regarding the minutest details, as well as the most important decisions, of our lives. Thomas D. Hopkins, an economist at the Rochester Institute of Technology, forecast annual “hidden” costs to businesses of complying with federal regulations of approximately \$721 billion in 2000, with the burden falling disproportionately on small businesses; policy analyst Clyde Wayne Crews

guide and control our daily activities continues to expand. From the perspective of individual liberty, that is the key issue: *authority* to control, not the specific controls imposed at a particular point in time. In the twentieth century, as most of the original constitutional impediments to federal action were eviscerated by overreaching courts, legislatures, and presidents, central government authority became all-pervasive. While partial U.S. deregulation in recent years has altered here and there what the government is now choosing to do, it has not reduced what it claims power to do—quite the contrary—and power is what matters most to those who seek to govern. Constitutional authority to re-regulate airlines or agriculture or any other “deregulated” enterprise remains (as agriculture’s fresh subsidies illustrate), and industries face new regulations at the government’s pleasure. In recent years the Microsoft Corporation as well

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FROM PERSONAL AUTONOMY TO DEPENDENCE ON GOVERNMENT

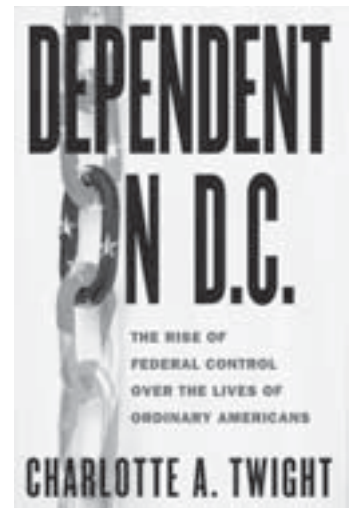
by Charlotte A. Twight

of the Competitive Enterprise Institute [now at the Cato Institute] reported regulatory compliance costs of \$788 billion in 2000. The economist Richard Vedder estimated “regulatory drag” on the U.S. economy to have reduced U.S. GDP by one-fifth compared to the level it would have attained “if the regulatory buildup since the beginning of the Johnson Administration had not occurred.” In 2000 some 4,699 federal rules and regulations were under consideration, and the *Federal Register* contained 74,258 pages of proposed and final rules and regulations for that year alone. To enforce the rules, legions of bureaucrats collect, sift, and analyze vast amounts of information about our business and personal activities. We often cannot even know in advance what is lawful and what is not, since we are dependent on government officials for interpretations of the ever-changing laws and regulations.

Despite popular political rhetoric about reducing the size of government, federal authority to

as the tobacco, health care, and pharmaceutical industries have been targeted; next year it will be another firm or industry. Nominal private ownership with largely unlimited government authority to control remains the prevalent politico-economic system at the dawn of the twenty-first century in America.

Virtually anything of significance any of us endeavors to accomplish now triggers the application of a plethora of federal rules and policies. Private land use, water use, banking, international trade, science, technology, education, health care, broadcasting, retirement—all and more are bound in a cocoon of federal regulations. Federal agencies continue to proliferate, burdening people with endless regulations that often determine life or death, health or illness, prosperity or bankruptcy for affected individuals. Regulations spew forth unabated from the Occupational Safety and Health Administration (OSHA), the Food and Drug Administration (FDA), the Federal



“IN THE LANGUAGE OF MODERN BUSINESS, GOVERNMENT HAS MOVED FAR BEYOND ITS ‘CORE COMPETENCIES...’”

Communications Commission (FCC), the Internal Revenue Service (IRS), the Federal Trade Commission (FTC), the Consumer Product Safety Commission (CPSC), the Environmental Protection Agency (EPA), and many others. Hiring policies and practices must satisfy the Equal Employment Opportunity Commission (EEOC) and comply with the Fair Labor Standards Act (FLSA), the Americans with Disabilities Act (ADA), and other statutes. Terms of employment are constrained by a host of federal rules. Few important private decisions now escape federal scrutiny and influence.

At the same time, income tax laws arbitrarily determine how much of our lawfully earned income each of us is allowed to keep. From the government’s perspective, it is simply not our money: occasional tax reductions allowing us to keep more of it are now called “subsidies”! Transfer programs too diverse to enumerate offer inducements to poor and non-poor alike, with rewards usually tied to alterations in private behavior desired by government officials. Social Security law hinders our ability to save and invest, undercutting our capacity to provide for our old age and often preventing low-income families from accumulating assets that would lift their children out of poverty. Taxes on capital gains further impede efficient investment, particularly when inflation disguises real losses and allows them to be taxed as gains. Double taxation of savings, scarcely known in the industrialized world outside the United States, reduces our ability to provide for our families while eroding a key source of investment capital. Many readers will readily identify, from their own knowledge and experience, additional examples of the countless powers now exercised by our omnipresent federal government.

Today one cannot hire or fire employees, educate one’s children, save for one’s retirement, work during retirement, open or close a business, develop one’s property, purchase medical care or pharmaceutical drugs, or market many common products without encountering myriad federal laws and regulations redirecting private choice. Nor can law-abiding citizens effectively maintain their privacy, given the increasingly intrusive databases now maintained by the federal government or compelled of private firms. From the perspective of most government officials, such public dependence is a benefit, ripe with opportunities to shape private activity while drawing comfortable salaries funded by nonconsenting taxpayers. From the perspective

of individual liberty, it is a disaster whose full consequences are yet to unfold. Enmeshed in these rules, always having to ask the permission of government officials, seldom trusted to choose and to bear risks on our own, we are no longer treated as adults by our government.

Without doubt, government is necessary to provide certain core functions essential to civil society, with national defense and the rule of law high atop the list. I do not attempt to isolate these core functions ..., however. Rather, I start with the premise, now embraced across a broad political spectrum by persons of widely divergent ideologies, that the federal government is today operating far outside the bounds of most people’s concept of these core functions. In the language of modern business, government has moved far beyond its “core competencies....”

Compared with the local regulations imposed during colonial times, the change in the nature and scope of government authority in the United States during the past century has been astonishing, involving wholesale transfer of expanded redistributive and regulatory powers first to state governments and then to the federal government. Abdication by the U.S. Supreme Court of the central precepts of the original U.S. Constitution has been crucial to this process. As a means of restraining the power of the central government, the checks and balances carefully crafted in 1787 have become largely illusionary.

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