The Surplus That Politicians Want to Hide

May 20, 1998

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For the fifth straight quarter, the U.S. Treasury opened up its sacks of mail and discovered an unexpected windfall of money. April's surplus is more than three times larger than the Congressional Budget Office and other Congressional forecasters had predicted only a week earlier.

It looks as though the government will end this year with the biggest surplus, as a fraction of gross domestic product, since 1957. The experts say they don't really know where the extra money is coming from, but taxpayers know; it's coming out of our pockets.

Missourians enjoy the benefit of the Hancock Amendment, a law that requires the state to refund surplus state tax revenues. So this spring, Missouri taxpayers received a welcome check in the mail.

Why isn't Congress refunding the surplus from the U.S. Treasury? A deafening silence is emanating from Congressmen of both parties.

It's obvious that Bill Clinton doesn't want to refund the surplus because he plans on increasing spending on all the usual liberal projects. His demand that we "save" the surplus for Social Security is as dishonest as his promise to exit from Bosnia by a date certain.

The Republican House leadership has become so nervous about prospects for the fall election that they've even deigned to meet with profamily groups. But when the suggestion was made last week that Congress refund surplus tax revenues, nobody in leadership responded.

The best way to expand the Republican majority in Congress in the November elections is to vote an across-the-board tax cut that puts money in the pockets of all taxpayers, and let Clinton veto it if he dares. Social conservatives should realize that the way to terminate the programs they despise (e.g., funding for obscene art and Title X) is to cut off the money flow.

One way to cut taxes would be to reduce all the rates that were increased under Bush and Clinton. Another way would be to make tax-deductible the employee's share of social security taxes, just like the employer's share that is currently tax-deductible. Another way would be to make health insurance tax-deductible to individuals, just as employer's health insurance premium payments are currently tax-deductible.

Bill Clinton and the media are boasting that the unemployment rate is at an unprecedented low and the stock market is at an unprecedented high (and implying that he deserves the credit). But neither economic trend is nearly as important as the fact that real wages for average American workers have been stagnant for the last twenty years.

What the worker should have gained by increased productivity, higher wages and promotions has been taken away by the government in direct and hidden taxes. This is spelled out in a new study just published by the Cato Institute.

The average manufacturing worker costs his boss $30,954, but only $27,200 is paid to the employee as his gross earnings. The employer must pay $3,754 in direct taxes for social security/medicare payroll tax, workers' compensation tax, state unemployment insurance tax, and federal unemployment insurance tax.

Then, out of the employee's gross earnings, he must pay another $4,766 in direct taxes. These include social security/medicare payroll tax, federal income tax, and state income tax.

The bottom line is that, out of the $30,954 the employer shells out, the worker gets $22,434 and the government gets $8,521. That's 72 percent to 28 percent. For a worker earning $60,000 a year, the government's share rises to 36 percent.

That figure doesn't even include the cost of fringe benefits (e.g., health insurance) and tax and regulatory compliance, which the employer pays. Nor does it include all those other taxes workers must pay out of their take-home pay: property taxes, sales taxes, gas taxes, cigarette taxes, etc.

The Tax Foundation reports that, when we add it all up, the median-income two-earner family in America today pays 38 percent of its income each year in federal, state and local taxes. That's more than the typical family pays for food, clothing, housing and transportation combined.

It's beginning to look as if the 1996 Republican Platform promise to pass a "flatter" tax system and "an across-the-board, 15-percent tax cut to marginal tax rates" was just as phony as Clinton's second inaugural boast that "the era of Big Government is over." Big Government has grown bigger and liberal programs are spending more taxpayers' money today than before Republicans took over Congress.

The fundamental mistake was Newt Gingrich's strategy in making a balanced budget his primary goal and agreeing to the rule that tax cuts must be "revenue neutral," i.e., offset by increasing revenue somewhere else. As Milton Friedman has taught for decades, the biggest threat to the American people is government spending, not deficits.

Balanced budget and revenue-neutral are euphemisms for allowing Big Government spending to continue. If Republicans in Congress don't repudiate this foolish strategy and then cut taxes for all working Americans, they will pay a bitter price in November.