



economic perspective

by Gene Steuerle

Gettin' Our'n While The Gettin' Is Good

In a society without a strong moral base, everything is up for grabs. We can see this in those nations without strong governmental or cultural institutions, where theft, corruption, and even tribal barbarism often reign. But what about a rich society with strong civil institutions? How can we begin to tell when things might be going a bit awry? I suggest that a simple test is the extent to which we act to get everything for ourselves without respect for what we are producing of value for society itself.

Is this what we are seeing today? Federal legislation seems only to promise people they can have something for nothing. The Medicare drug benefit is only the latest in a long stream of expenditures whose costs are scheduled to rise inexorably — regardless of whether the money is there or not. We middle-aged and older individuals are already scheduled to receive far more in Medicare hospital and doctors insurance than we will ever pay in Medicare taxes. Having pushed so much in the way of costs already onto our children and grandchildren, we've decided that we can push even more.

How about retirement? We're acting today as if we have the life spans of those living at the end of the 19th century. We now retire at a point when on average we have one-third of our adult lives or close to 20 years in front of us. It's bad enough that we drop out of the productive world and leave it to others to pay taxes to support societal needs like defense or poor support. But for the most part we haven't even saved for our own retirement. About 80 percent of us are scheduled to get more in Social Security and Medicare benefits than we will pay personally out of all of our own assets. Who is covering these costs? Younger workers, of course. We'll get ours, they'll have to shift for themselves.

Why not some tax cuts along the way? We can run some deficits for a while, and who knows who will pay the future interest costs through higher taxes or reduced expenditures? If we're fairly wealthy, we argue that we deserve the tax cuts because we need the incentives to work and save. If we're middle class, we claim that we're overtaxed no matter what share of taxes we pay or expenditures (Social Security, Medicare, educational grants and subsidies, roads, justice systems, police and fire protection) we receive. If we're energy producers, we need incentives, and if

we're energy conservationists, we need incentives, and if we're energy consumers, we need incentives. If we're homeowners or renters or researchers or buyers of health insurance or savers or whatever, we need help, too.

Of course, special interests have appealed to government from time immemorial, but today we go much further than simply grabbing some share of existing societal resources. We now lay claims to ever-greater benefits and ever-smaller tax rates in the economy of the future. No sense in letting future voters decide, we may as well grab now any increased revenues that used to be available to meet society's future needs.

On the private side, we seem to have gotten quite good at gettin' ours, as well. We know the game. The trick here as well is to get others' money flowing through our hands and then lay quick claim to it. Make sure that we hold onto the money in any disputed transaction, and the other party is likely to give up trying to pursue us because of time and legal costs. We can also manipulate tort law in every way possible, taking advantage of such natural phenomena as that half of all doctors are below median. We know that if we are in even the smallest automobile accident, insurance companies will pay us a nice wad of money simply not to sue the driver at fault for whiplash.

As heads of companies, we can even run them into the ground as long as we get our money while it flows through the system. Sometimes large mergers are especially good at extracting money, since they temporarily increase the cash flowing through our hands through loans or money in the acquired companies. Then we can also claim entitlement to larger salaries and options for running bigger organizations. Borrowing is a good way to flow money into our hands, and bankruptcy law almost never will require us to give back our flows of salary or cashed stock options during any period when the stock did well. Hey, some states will even help us by insuring that even if we have acted outrageously or illegally — not simply gambled with other people's money — we get to keep our multimillion-dollar homes. Heads we win, tails society loses.

As labor, we know the advantages of beefing up promised pension benefits in companies whose liabilities exceed their assets. If the company succeeds, then we get ours from the company, and if it fails, then we get some more from the Pension Benefit Guarantee Corporation. We can also collude with the company's pension managers when they actuarially claim very high returns on investments. Heck, even an average stock market return might do, since a company with

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debt and investments of pension funds in stock is simply gambling on making money out of the leverage. Management doesn't mind colluding with us since some of our expected return comes from the public.

If we're senior workers in a firm, we've figured out for years that we can back defined benefit pension plans that are almost worthless to transient workers who work for only a few years. Who gives a hoot about those women, for instance, who leave the workforce to take care of children for a while? Maybe later they can become senior workers in other firms and get theirs, too, but that is their problem.

We in the professional classes can do quite well, thank you. Hey, here's an idea. We lawyers will give you businesspeople a letter claiming that outrageous tax shelters are OK. Then the IRS will never sue you. Well, maybe they'll catch a few of us, but the expected return on the effort is so great that most of us will come out ahead. Even if the IRS or Congress shuts down the efforts in a few years, we'll have gotten our'n in the meantime. We accountants know that there's a lot going on that's unseemly, but professional standards are a thing of the past anyway. Would you believe it, there are still a few left who think our job is actually to try to account as well as possible for financial and taxable income? Boy, are they mixed up!

Here's another trick. We can get political appointments in places like the Energy Department, and spend all our time representing one part of the industry or the other. Then when we leave, our contacts will make us more valuable than ever as lobbyists or lawyers or economists representing the industry. There's some jokesters way down in the bowels of these places who actually try to ask what is in the public interest, but we'll keep them underfoot. In fact, we'll deliberately avoid performing studies that might reveal just how inefficient are some of the new subsidies in any proposed energy bill. Sometimes we can even get members of Congress to threaten to cut off funding for research that might reveal what is going on. To help out, moreover, we'll develop models and arguments

that somehow always take a pro-industry stance, like claiming that almost any subsidy, no matter how badly designed, will increase national product.

Are we better today at gettin' ours? I don't know, although the ability to spend future revenues and the decline of standards in parts of business and professional representation and government do seem to stand out. But I don't have any way of quantifying a claim that "things are worse now." Indeed, that type of exercise may be fruitless since today's transgressions are simply different from those of the past. If our goal is to build a better society, we can't plead indifference to issues at hand because society has already moved beyond slavery and child labor.

It is also true that we live in a market economy where seeking ever higher profits and wages is encouraged. But the rationale behind a market-based system is that we achieve those higher profits and wages by making others better off. The exchanges are meant to make society richer as a whole. When I grow tomatoes and trade them for your corn, we both look forward to gaining from the transaction. When I steal your corn, or borrow it and never repay you, there is no net gain but an actual loss. In particular, I waste my human ability when I fail to produce something that is, on net, of value to others.

Maybe that's the worst of it. The incentives aren't simply to get our'n while the gettin' is good, but to make negative the value-added we provide to society and to lesson our own integrity or wholeness along the way. I don't want to see people thrown in jail for doing wrong things so much as I want to see them producing things that others need — business products or better justice or more accurate accounts or time spent with their families. In the end, this can only be achieved if enough people care about setting up government and business and professional institutions in ways that deter us from laying claim to others' money without doing anything valuable for society along the way.