PROMETHEUS BOUND: DEMOCRATS IN WASHINGTON'S ERA OF LIMITS

by Representative Chester G. Atkins

I am delighted to be here this afternoon. It is really an unusual opportunity for me. As a Massachusetts Democrat, speaking at The Heritage Foundation is not exactly coming home. Given the ideological gulf, I sought a topic that would establish some common ground--like "Constructive Engagement--Diamonds Are a Girl's Best Friend." Or "Nick Daniloff--Journalist or Contra?"

The title I settled on, "Prometheus Bound: Democrats in Washington's Era of Limits," had the right ring. I thought a Heritage Foundation crowd would relish the image of Democrats being chained to a rock for defying God.

You know the story of Prometheus. Born the son of the god Iapetus, blessed with every advantage, he descended to earth to better the lot of man. The earthly works of Prometheus were of epic proportions. He introduced man to food, shelter, herbal cures, taught him to ride on horseback, and helped in the invention of ships and sails. In short, Prometheus administered the first housing, health care, nutrition, and transportation programs. Zeus was pleased with his work, which was known as the First Deal.

But then, Prometheus brought about his own downfall. Seeking added benefits for mankind, he engaged in acts of trickery. Zeus, upon discovering the treachery, forbade Prometheus from giving to mortals the gift of fire.

Prometheus, ever persistent, defied Zeus, and for his crime, was chained to a rock, where every day an eagle would come to devour his liver, which regenerated every night. The sentence was forever, with parole possible after thirty thousand years. This punishment may have inspired several provisions of the drug legislation recently passed by the House.

The Democratic Party in the 1980s finds itself in a Promethean bind. The prevailing Democratic view of our federal system, set fifty

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This is the sixth in a series of lectures by freshman Members of Congress.

years ago by Franklin Roosevelt, won us great favor with the political gods. The cornerstone of this view is that only the federal government can and will raise the revenues needed to pursue a progressive domestic agenda. The Democrats' problem is that we continue to adhere to it after its validity has expired.

When Franklin Roosevelt took office, he presided over a desperate people, hopeful, but not optimistic, that the new President could revive the collapsed economy. In the ruin of the thirties, big government represented an untried, and therefore encouraging, alternative.

The revolutionary nature of the New Deal was based on forging practical solutions to real problems. The Securities and Exchange Commission was created to protect people's investments. The Works Project Administration gave people, who wanted to work, work that needed to be done.

The massive economic development and social welfare programs of the New Deal were made possible by the national government's ability to raise money. Total federal receipts in 1933 were $2 billion, which this year will be barely enough to keep the federal anti-drug warlords in specimen bottles. Through the Depression years, federal revenues rose steadily. From $2 billion in 1933, they climbed to $3 billion in 1934, $4 billion in 1936, and almost $7 billion in 1938. What Roosevelt could not pay for with increased revenues he paid for with borrowed money. In the frugal twenties, the national government had run a surplus every year. In the profligate thirties, every year ended in the red.

The significant fact in the development of our federal system is that during the Great Depression, through its taxing and borrowing authority, the federal government was established as the country's preeminent money machine. That status quo held, with happy consequences for Democrats, into the 1960s, when the rising tide of strong economic expansion boosted the federal ocean liner with all other boats, providing steady increases in revenues. The domestic activities of the federal government, and the Democrats who sponsored them, still met with general approval.

Then, like Prometheus, we Democrats brought about our own downfall. In the 1970s, the economic prosperity that had fueled the activism of the 1960s slowed. But the interaction of high inflation and a multi-bracketed, unindexed tax code pushed families into higher tax brackets, bringing a new windfall in federal revenues. The inflation bonus of the tax structure, coupled with increased reliance on deficit spending, created the fire we could not resist. It offered the illusion that we could continue to pursue new program initiatives.

Just as Prometheus had tried to deceive Zeus, we tried to fool ourselves. Our punishment was as sure as that of Prometheus. We have been bound to the rock of Washington, condemned for our excesses. Unlike the Greek god, however, who was freed only when Hercules came to his aid, Democrats can free themselves by recognizing the shifting realities of fiscal federalism.

The basis on which we divide financial responsibility between state and national government has been reversed. The wellspring of federal largesse--the individual income tax--has gone dry, its waters dammed by two enormous boulders. One is the reduction of inflation and the indexing of the tax code to offset inflationary bracket creep. The other is the increasing claim of the Social Security payroll tax.

In the debate over how tax and spending policies have combined to create today's deficits, conservatives are fond of noting that federal taxes, as a percentage of GNP, are almost exactly what they were under John Kennedy. Referring to summary tables in our worn copy of "The Collected Lunch Napkins of Arthur Laffer," we note that the federal government collected 18.6 percent of GNP in 1985, compared to 18.2 percent in 1982.

Unfortunately, another piece of information has been obscured. From 1960 to 1985, Social Security taxes as a percent of GNP tripled--from 2.2 percent to 6.7 percent, which means that general revenues have dropped by more than 4 percent. In effect, we paid for Social Security not by raising new revenues, but by shifting tax receipts from general revenues into the trust fund.

In the context of today's budget, the missing 4 percent in general revenues accounts for about $165 billion, or about three-fourths of the deficit. I do not think the creators of Social Security intended to fund it by eroding the fiscal base of other government activities, but that is how it has worked. In any case, the federal government's two principal sources of funds, the individual income tax and the Treasury's loan window, are closed. Tax reform, with its dramatically lower rates, may tantalize some with the prospects of paying for new programs or restoring old programs by ratcheting the rates back up. I would comment only that such an illusion is politically nihilistic and economically mad. If there are tax increases next year, they will be dedicated to deficit reduction.

But if the opportunities are limited in Washington, business is booming in state capitals. States have demonstrated enhanced flexibility and willingness in raising money. From 1970 to 1985, total state revenue collections increased by more than 300 percent, from $48 billion to more than $213 billion. Excluding Social Security, state revenues increased 50 percent more over that period than federal revenues.

I came to Congress after serving fourteen years as a state legislator, the last six as Chairman of the State Senate Ways and Means Committee. I have found the differences between the two arenas striking. While state legislatures are exploring the frontiers of public policy, Congress is mired in legislative quicksand.

State lawmakers must look on Congress the way the philosophers of the Renaissance era viewed St. Thomas Aquinas and his theological contemporaries. Looking back across the centuries, the Renaissance thinkers regarded Aquinas's exhaustive and convoluted elaborations on the nature of angels with scorn. That is how Congress must look to the states. While they balance budgets and provide public services, we sit up here irrelevantly and irreverently debating how many loan asset sales can fit on the head of a pin. Every issue is smothered in partisan squabbling and ideological posturing. It is like a sports event, or maybe a war game. Somebody attacks, somebody else defends. Nobody keeps score, but that is because nobody remembers what the game is.

On the state level, the game is doing the real work of government.

In Washington, the crisis of welfare dependency remains a matter for seminars, panel discussions, symposia, conferences, hearings, and departmental reviews. But in the states, liberals and conservatives alike are engaged in developing and implementing innovative plans for putting people to work.

We can disagree about why people wind up on the welfare rolls, and how many of them are willing and able to work, but ultimately, to govern is to act. By offering employment and training choices in Massachusetts, and by imposing workfare in California, states are acting. And the results are a better quality of life for participants, lower welfare costs for the states, greater economic activity in the community, and the realization of the American Dream for more Americans.

As Chairman of the Massachusetts Democratic Party, I believe the shifting realities of fiscal federalism represent a challenge for national Democrats. After six years of a Republican President and a Republican Senate, we Democrats are still condemned by our words and deeds as the party of Washington.

Activist state governments offer a chance for clemency. The do-nothing days of "state's rights" have given way to a new march for "state's responsibilities." For progressive Democrats, the change permits us to adjust to limits on federal resources by targeting truly national priorities. Many federal activities that once made sense have outlived their usefulness. They are kept in place by habit and inertia and should be terminated.

The states' increased ability to raise money erases one of the central rationales for many New Deal programs. In Roosevelt's day, the federal government's ability to raise and spend money was vital in building the economies of less developed states.

A comparison of regional per capita income figures between 1930 and the present day shows dramatic differences. In 1930, per capita income in the mid-Atlantic states was nearly three times that in the southern states. Today, every region is within 15 percent of the national average. And when you add in cost-of-living factors, like housing and heating costs, the gap narrows further.

Fifty years ago, major federal ventures like the Tennessee Valley Authority, the targeted construction of military facilities, and massive Army Corps of Engineers projects helped ease disparities in regional wealth. They helped build a unified nation. Today, with much greater balance between the regions, that kind of activity is no longer justified. Today, economic disparities between communities are more pronounced within states than between states. And state governments can and should direct local economic development within their borders.

Federal leadership may be necessary to give activities, such as wastewater treatment, priority status. But differing local design and planning requirements make federal micromanagement inefficient. States and localities should determine which specific projects are most worthy. Decisions about how much funding to devote to mass transit as opposed to community development should be in local hands.

Of course, as an incumbent Congressman seeking reelection, and a former Member of the House Public works Committee, I would caution against undervaluing the civic value of having federal officials participate in ribbon cuttings. But even so, when federal dollars cause state or local governments to accept Washington's priorities, or to accept policies that would not be tolerated if local tax dollars were at stake, the public interest is not served.

I was astounded, as a state legislator, by some of the effects of federal transit policy. We built a subway line and, for the money we spent, we could have put the riders in stretch limos. And we grimaced at the provision of federal law that forbids local transit officials from seeking productivity increases during collective bargaining.

Sometimes, federal aid absolutely jars the senses. General revenue sharing, the Francisco Franco of federal programs, died last year. We killed it in the budget process, drove a stake through its blackened heart. But now, under cover of darkness, it is back, threatening to suck the blood out of living programs. The Appropriations Committee has voted $3.4 billion to keep revenue sharing alive. Because the continuing resolution was already over budget, the only way to fund revenue sharing is to cut everything else, across the board, Gramm-Rudman style.

Across-the-board cuts are, in the view of virtually every Member of Congress, a bad idea--a mindless substitute for thoughtful, deliberate governance. To avoid Gramm-Rudman's across-the-board cuts, we are willing to sell billions of dollars of government assets, many of which are moneymakers. Only the most urgent national need could justify across-the-board cuts, like saving revenue sharing.

This program was created by Richard Nixon--which may explain its annoying survivability--at a time when federal red ink was less abundant and the states' fiscal posture was more tenuous. The ruse was that the program would help poor communities. In reality, it sprayed $4.5 billion a year on rich and poor alike. Bloomfield, Michigan, West Deerfield, Illinois, and Westport, Connecticut, all have two things in common. Their median household incomes are above $40,000, and they receive revenue sharing.

The Rules Committee has forced Appropriations to drop revenue sharing from the continuing resolution. Later today, the House will vote on the issue. The Appropriations Committee vote on revenue sharing is a crucible for Democrats. It is our opportunity to demonstrate that we have priorities--that we are capable of making choices.

Democrats should take up President Reagan's invitation to craft the proper federal role in domestic policy. The "New Federalism" was simply a slash and burn operation to cut domestic spending and free up money for defense. The theory of federalism it advanced was to assume that cities and states would compensate for the federal withdrawal, in exchange for which the federal government would relieve local governments of their responsibilities in the areas of national defense and foreign military assistance.

The Democratic posture, meanwhile, has been to cling to the remnants of the New Deal and the Great Society as to a tattered quilt that has been in the family for generations. It is time for a selective pruning of federal responsibilities. All programs are not created equal, and some depreciate much more quickly than others. At the same time, we must define those areas in which federal leadership is warranted. Following the standards of the New Deal, we must apply federal remedies to society's needs in cases where states cannot meet the challenge.

First, our country derives enormous prestige and takes great pride from its acknowledged leadership in research and development. Federal support for basic research has played a vital role in keeping our economy on the cutting edge in the global competition for high-tech supremacy, in biomedical research, in agricultural productivity, and in national defense.

Second, the spectacular rejuvenation of the economies of many regions of the country has been spurred by the large number of outstanding colleges and universities in those regions. Federal investments in higher education are crucial to producing young people who can give our industries the competitive advantage they need in the world marketplace.

Third, the magnitude of some threats to our water and air demands federal attention. Pollution, whether from dirty smokestacks, contaminated aquifers, or a malfunctioning nuclear power plant, is no respecter of state borders. Only the federal government can effectively protect public health against these environmental dangers.

Fourth, basic income support should be a right of American citizenship. Only the federal government can make Social Security available to the elderly. The dramatic reduction in poverty among retired Americans is directly attributable to Social Security and Medicare. If federal income support is good enough for the elderly, it is good enough for all low-income Americans. With each state setting assistance levels, the accident of birth that places a child in poverty can be aggravated by the place of birth. We should also make basic medical care available for pregnant women, infants, and children below the federal poverty line. The United States of America ranks seventeenth in the world in infant mortality.

I believe the federal role in these and other areas should be expanded. But that can only happen if those of us who believe that government has a positive role to play are willing to end other federal commitments and abide by some limitations.

If an issue is not a national priority, we should leave it to the states and be prepared to accept it when some states handle it in ways we do not like. By advocating a greater role for state governments and concentrating federal resources on truly national issues, Democrats can reclaim the legacy of Franklin Roosevelt. FDR summoned the country to the "bold experimentation" of the New Deal in a speech two months into his presidency. He said, "It is common sense to take a method and try it. If it fails, admit it frankly and try another."

As Roosevelt's political descendants, we can continue to fight a losing war of attrition, whittling away at the entire range of domestic programs. Or we can set priorities based on an enlightened sense of the national interest and an enhanced awareness of the capabilities of state governments. Common sense dictates that we follow the latter course.

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