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SUBSIDIZED

How Big Government underwrites your life

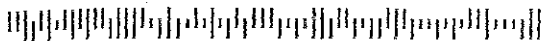
By Michael Grunwald

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ONE NATION SUBSIDIZED

Cotton subsidies approach \$1.3 billion a year

At least \$15 billion goes each year to farm supports

Guide dogs are tax deductible; hyperactive Boston terriers are not

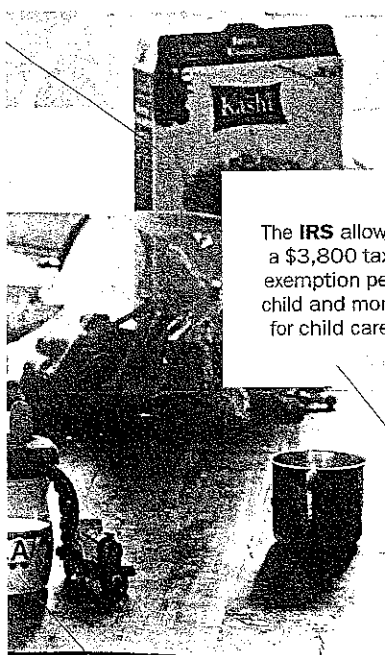
My subsidized life
Grunwald at breakfast in Miami Beach with Max, 4, and Lina, 2

Photographs by Adam Geller for TIME

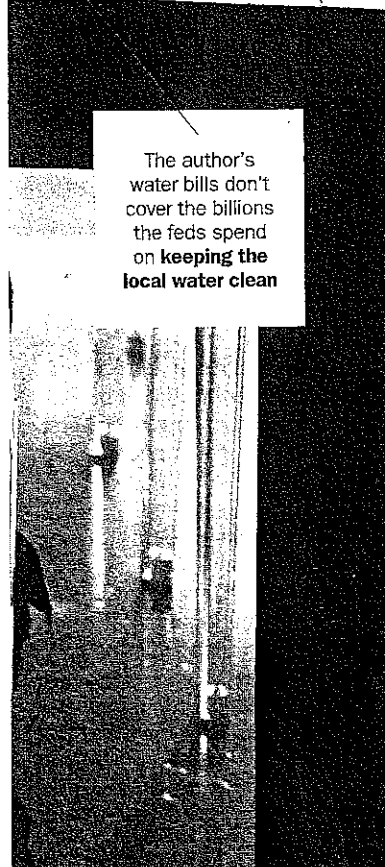




ONE NATION CARE SUPPORTING YOUR LIFE ON THE



The IRS allows a \$3,800 tax exemption per child and more for child care



The author's water bills don't cover the billions the feds spend on **keeping the local water clean**



The sun is shining on Miami Beach, and I wake up in subsidized housing. I throw on a T-shirt made of subsidized cotton, brush my teeth with subsidized water and eat cereal made of subsidized grain.

Soon the chaos begins, two hours of pillow forts, dance parties and other craziness with two hyper kids and two hyper Boston terriers, until our subsidized nanny arrives to watch our 2-year-old. My wife Cristina then drives to her subsidized job while listening to the subsidized news on public radio. I bike our 4-year-old to school on public roads, play tennis on a public court and head home for a subsidized shower. Then I turn on my computer with subsidized electricity and start work in my subsidized home office.

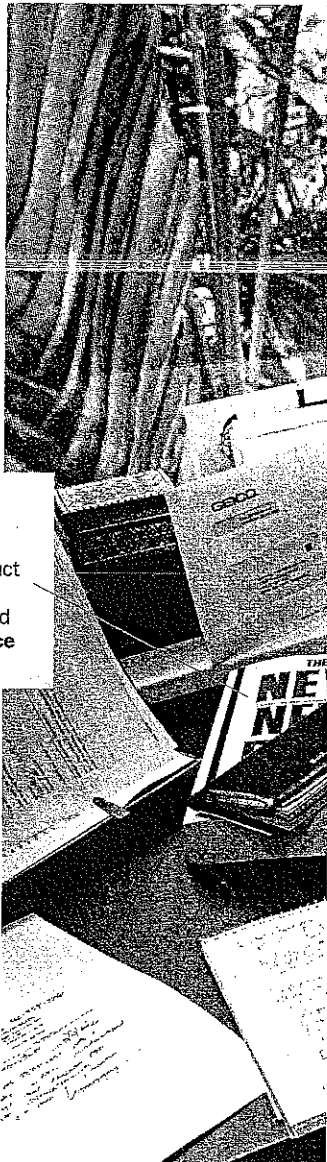
It's just another manic Monday, brought to us by the deep pockets of Big Government. The sunshine is a natural perk, and while our kids are tax-deductible, the fun we have with them is not. The dogs are on our dime too. Otherwise, taxpayers help support just about every aspect of our lives.

Of course, we're taxpayers too, and we don't exactly fit the stereotype of entitled welfare queens. Cristina is an attorney and until recently was a small-business owner. I'm a journalist, an economic red flag these days, but I work for the company behind the *Harry Potter* and *Batman* movies, so at press time I was still getting paid. My family's subsidies are not the hand-outs to the poor that help fuel America's political culture wars but the kind of government goodies that make the comfortable even more comfortable. Our federally subsidized housing, for example, is a two-story Art Deco home in the overpriced heart of South Beach. But our mortgage interest is a personal deduction, my home office is a business deduction, and federal subsidies keep our flood insurance cheap. Even our property taxes are deductible. So thanks for your help.

The 2012 election is shaping up as a debate over Big Government, but it is only loosely tethered to the reality of Big Government. The vast majority of federal spending goes to defense, health care and Social Security plus interest payments on the debt we've run up paying for defense, health care and Social Security. Nondefense discretionary spending—Washingtonese for “everything else,” from the FBI to the TSA to the center for grape genetics—amounts to only 12% of the budget.

Still, it's a big government. The U.S. did not spend even \$1 billion in 1912; it will spend \$3.8 trillion in 2012 on everything from Missing Alzheimer's Disease Patient Assistance (\$593,842) to Snow Survey and Water Supply Forecasting (\$9,409,400), from mortgage insurance for manufactured homes (\$64,724,187) to ironworker training on Indian reservations. There will be an additional \$1.3 trillion in tax expenditures, federal benefits (like the deductions for my 401(k) and my nanny's salary) that are basically identical to those normal spending programs except that they happen to be provided through the tax code.

The rise of the Tea Party and the weakness of the Obama economy have fueled a Republican narrative about Big Government as a threat to liberty, redistributing wealth from honorable Americans to undeserving moochers, from taxpaying “makers” to freeloading “takers.” In fact, most Americans are makers and takers—proud of our making, blind to our taking. Republicans often point out that only half the country pays income taxes, but just about all Americans pay taxes: payroll taxes, state and local taxes, gas taxes and much more. The problem



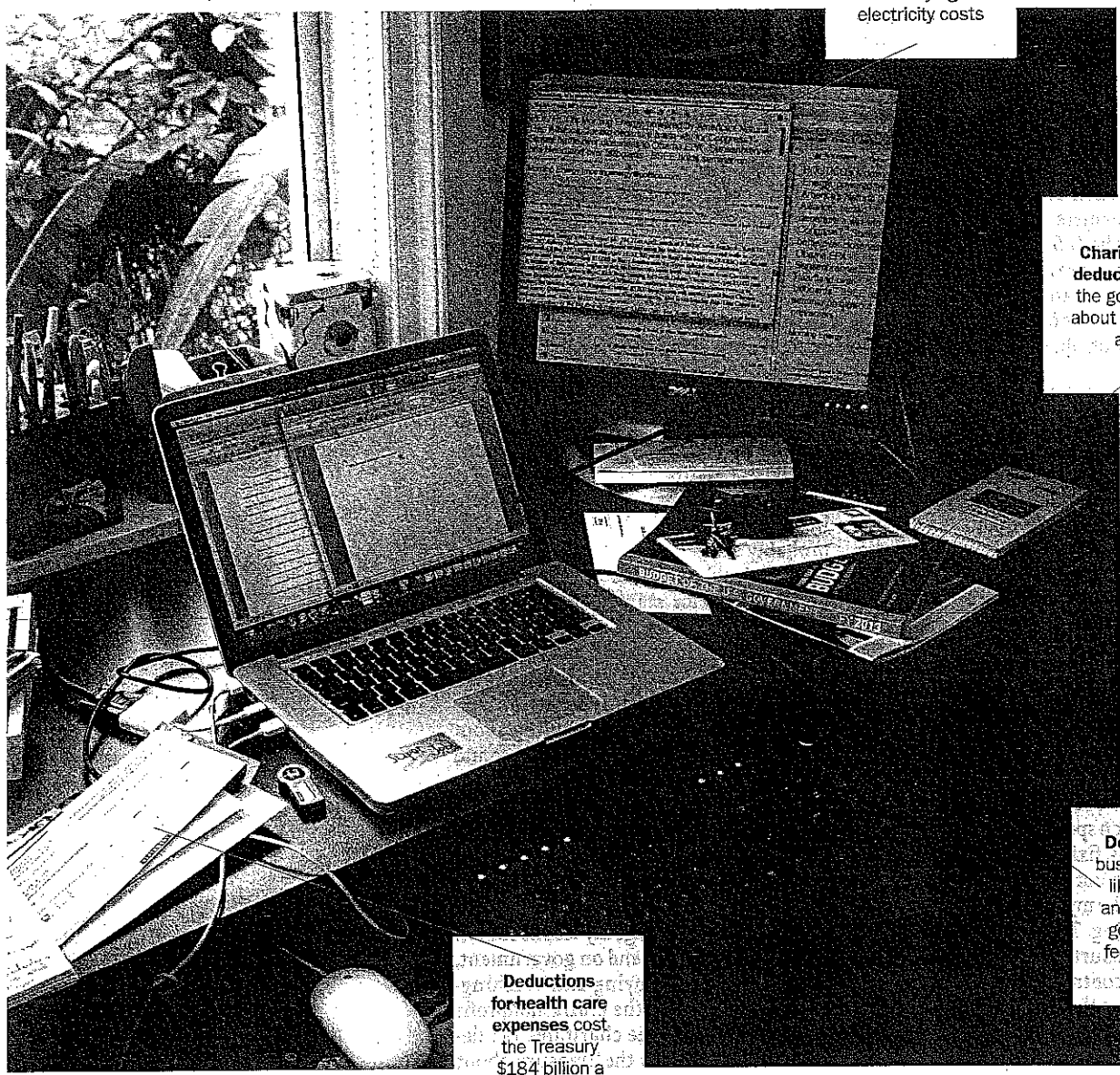
Uncle Sam allows the author to deduct 17% of his utilities toward his home office

is that we pay in \$2.5 trillion and pay out \$3.8 trillion. And those trillions of dollars don't all go to undeserving moochers, except insofar as we're all undeserving moochers.

7 a.m.: *Subsidized food, water, electricity and clothing*

THE RIGHT ROUTINELY PORTRAYS GOVERNMENT as a giant mess of Solyndra failures, lavish agency conferences in Vegas and pork for society's leeches. But my taxpayer-supported morning didn't feel like mooching at the time.

For example, my family pays for that



Energy subsidies totaled more than \$138 billion in 2011, defraying electricity costs

Charitable tax deductions cost the government about \$40 billion a year

Depreciation of business property like computers and other capital goods cost the feds \$5.7 billion in 2011

Deductions for health care expenses cost the Treasury \$184 billion a year

water I use to brush my teeth, about \$100 a month. But that's a small fraction of the true cost of delivering clean water to our home and treating the sewage that leaves our home. And it certainly doesn't reflect the \$15 billion federal project to protect and restore the ravaged Everglades, which sit on top of the aquifers that provide our drinking water. Most Americans think of the water that comes out of our faucets as an entitlement, not a handout, but it's a government service, and it's often subsidized.

Similarly, my family pays more than \$200 a month for the electricity that

powers our toaster at breakfast. But that number would be much higher if the feds didn't subsidize the construction, liability insurance and just about every other cost associated with my utility's nuclear power plants while also providing generous tax advantages ("depletion allowances," "intangible drilling costs" and so forth) for natural gas and other fossil fuels. The \$487 we're paying this year for federal flood insurance is also outrageously low, considering that our low-lying street floods all the time, that a major hurricane could wipe out Miami Beach and that the Property Casualty Insurers Association

of America estimates that premiums in high-risk areas would be three times as high without government aid.

Some federal largesse—tax breaks for NASCAR racetracks (\$40 million) and subsidies for rum distilleries (\$172 million) and rural airports (\$200 million)—is just silly. There's no reason my poker buddies should be able to deduct the gambling losses I inflict on them once a month. (Just kidding, guys!)

The silliest handouts that brighten my morning are the boondoggles that funnel billions to America's cotton and grain farmers and maybe knock a few

cents off the price of my T-shirts and my kids' breakfast waffles. Uncle Sam sends at least \$15 billion every year to farmers and agribusinesses in the form of grants, loans, crop insurance and other goodies. The farm lobby is so omnipotent in Washington that when the World Trade Organization ruled that U.S. handouts give our cotton farmers an unfair advantage over Brazil, the U.S. cut a deal to shovel \$147 million a year to Brazilian cotton farmers rather than kick our own farmers off the dole. Our food and clothing may seem cheap, but, oh, we pay for them.

9 a.m.—1 p.m.: *Subsidized transport, shelter, exercise and jobs*

REASONABLE PEOPLE CAN DISAGREE ABOUT most government aid. I enjoy NPR, even though I don't really see why it needs about \$3 million a year of our tax dollars to produce good journalism; public-radio stations receive only about 15% of their revenue from the government anyway. On the other hand, I think my \$500 Florida tax rebate for the energy-efficient water heater that warms my shower made great sense, promoting economic, environmental and national security by reducing fossil-fuel use.

Unless you're a hardcore libertarian, it probably doesn't bother you that the city of Miami Beach spends \$500 million a year building roads, fixing potholes, picking up trash, putting out fires and creating bike lanes that make my cycling somewhat less life-threatening. The city also owns my local tennis courts, which are receiving a somewhat controversial \$5 million upgrade, as well as the playground my 2-year-old visits frequently and the track where Cristina and I work out much less frequently. My mayor, Matti Herrera Bower, told me tennis players are the city's most aggressive and obnoxious special interest. We're the farmers of Miami Beach.

When I spoke to Bower, a former dental assistant and PTA mom who got into politics after years of community activism, the FBI had just busted a bunch of city code inspectors for shaking down a nightclub owner, and the city manager had just quit. MIAMI BEACH SINKING IN A VAST SWAMP OF DISHONESTY, a Miami *Herald* column declared. Citizens notice the bad news, Bower said with a sigh, but they don't appreciate that government keeps them safe and cleans their streets. They're not too interested in learning more, either; Bower holds regular Mayor on the Move forums to bring City Hall to Miami Beach's neigh-

borhoods, but only two residents showed up to the last one. "There's this perception that government is all dirty, and perception is 99% of what matters," Bower says. "People are busy living their lives. They don't understand where their taxes go and what they get."

One thing my family gets from government is Cristina's paycheck from an advocacy group called Americans for Immigrant Justice, which is nearly 30% funded by the feds. Cristina is paid less than she would make at a private law firm, though more than most Americans, to represent undocumented minors in detention centers—in other words, kids in jail, some as young as 6, many victims of gang rape, gang terror or horrific family abuse. Cristina helps save the time of judges and immigration officials by advising these kids about their rights, and she probably saves taxpayers money overall by advising her clients when they have no legal case for staying. That said, it's unlikely that her job would exist without Uncle Sam's help.

This is true for huge numbers of Americans. Government is still America's largest job sector, directly employing about 22 million workers at the federal, state and local levels—which means teachers, cops, prison guards, park rangers, coroners, prosecutors, you name it. It is impossible to estimate how many jobs the federal government creates indirectly through contracts for everything from fighter jets to the guys who manage my tennis courts. Other industries depend on government, like health care, lobbying and Washington real estate. And the entire nonprofit world depends on the charitable tax deduction, which costs the Treasury about \$40 billion a year. Obama proposed to limit it for rich donors, but charities went berserk, and with antitax Republicans running the House, Congress isn't eliminating tax breaks these days.

That's especially true of the tax breaks that deprive the Treasury of the most revenue because they tend to go to taxpayers with the most income. Take that mortgage-interest deduction, the third-costliest tax expenditure at \$94 billion a year. It's available only to homeowners, who tend to be better off than renters. And since it's a deduction from your income, it's worth more to taxpayers who earn more. That's because the higher your income, the higher your tax bracket. And if you are in the top brackets, you can deduct a bigger portion of your mortgage

Energy-efficient windows lower the price of the author's state-subsidized insurance

The home-mortgage-interest deduction costs the Treasury \$84 billion a year



interest from your taxes. Politicians love providing benefits through the tax code because it makes them look like tax cutters rather than spenders. And a politician who tried to get rid of the mortgage deduction would probably become an ex-politician.

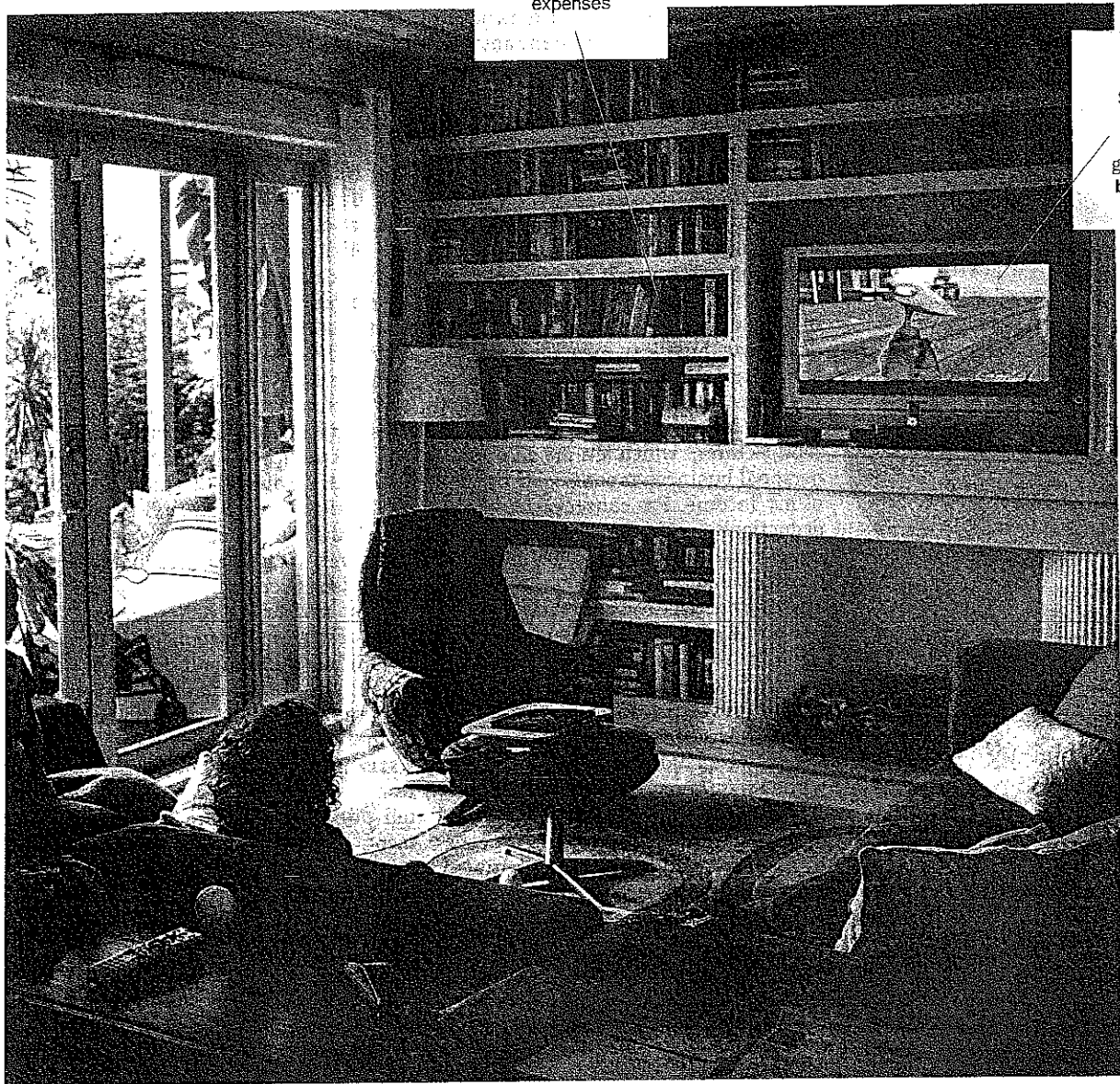
1 p.m.—6 p.m.: *Subsidized medicine, savings and businesses*

I USUALLY SPEND MOST OF THE AFTERNOON in my office, with occasional soccer breaks when 2-year-old Lina bangs on my door and shouts, "Kick ball me!" I often grab lunch with a friend—maybe

ADAM GOLFER FOR TIME

Books for research are tax-deductible business expenses

Some \$450 million in federal spending goes to public broadcasting



Xavier, a private-equity guy, or Damian, a developer, or Alan, an environmental activist. I do physical therapy twice a week for a bum shoulder. Except for my escape with Lina, who'd be a more convincing athlete if she didn't carry a doll onto the field, this is all subsidized too.

The physical therapy is helping my aching shoulder, but it's also helping drive the U.S. toward insolvency. We're not Greece or anything like Greece, but we do have a long-term debt problem, and it's almost entirely a result of rising health care costs. On graphs of long-term government-spending projections, health care looks

like a ski slope, and everything else looks like a sidewalk. Most of the problem is Medicare and Medicaid, which spend about \$800 billion and rising a year to cover the elderly and the poor. But the tax advantages for health care are the country's costliest tax expenditure, draining the Treasury of \$184 billion a year. Health benefits provided by employers are tax exempt, which encourages Time Inc. to give me better benefits than it otherwise might have. That may have encouraged me to get my shoulder checked out earlier than I otherwise would have, which might save me from costly surgery. Then again,

my orthopedist might not have done an MRI in addition to an X-ray if I didn't have such comprehensive insurance; when the tax code rewards a behavior, like consuming health care, people do more of that behavior.

I also benefit from another huge loophole in the tax code: the exemption for 401(k)s and other savings plans, which costs the Treasury \$138 billion a year. Every \$500 I save for retirement depletes the Treasury of about \$135 it would otherwise take from me in taxes. Yes, there is a legitimate policy interest in promoting saving, but this is another example of the tax

The Army Corps of Engineers is spending \$15.75 million to preserve local beaches

Subsidy-free front yard: tropical plants grow naturally in Miami

Federal subsidies reduce the cost of the author's flood insurance by at least 66%

cuts after Republicans threatened to force the Treasury into default in 2011. But those cuts are still mostly theoretical, depending on what happens in the fall election. Meanwhile, the Republican Party has rallied around House Budget Committee chairman Paul Ryan's long-term blueprint for deep (and specified) deficit-expanding tax cuts paired with deep (but mostly unspecified) cuts in nondefense spending. GOP presidential nominee Mitt Romney embraced the Ryan plan during the primaries and then put Ryan on his ticket, but he has been even cagier about what he intends to cut beyond small-dollar Republican targets like Amtrak and NPR.

Independent analysts have suggested that if the U.S. actually followed the Ryan outline, by 2050 there would be no room in the budget for anything but defense, Social Security and health care. But even if Republicans take back Washington, cutting isn't a foregone conclusion; government spending exploded when they controlled the nation's capital in the Bush era. Every line item has lobbyists watching its back, and when you can get a repu-

tation as a fiscally responsible budget cutter without doing the politically difficult budget cutting, why bother?

10 p.m.: Subsidized delivery

MY FAMILY'S ASLEEP. I'M READING THE mail, courtesy of the U.S. Postal Service, which is hemorrhaging cash in the e-mail era. The USPS is a classic example of a problem Washington can't fix. It clearly needs to cut costs and raise revenues. But the obvious cost reducers, like ending Saturday snail-mail delivery and closing rural post offices, and the obvious revenue enhancer, increasing stamp prices, are DOA on Capitol Hill.

Liberals are correct that we rely on government much more than we realize. Conservatives are correct that government tries to do too many things. Republicans have seized on the Obama campaign's Life of Julia online tool—showing how one woman might benefit from Head Start, tuition aid, Medicare and other federal programs during her life—to accuse Democrats of viewing Americans as cradle-to-grave wards of the state. Democrats have portrayed Republicans as antigovernment absolutists in thrall to the Tea Party, eager

to deprive Americans of benefits we like and expect. There's some truth in those critiques too.

But those of us who think government has an important role to play in American life ought to support reining in the excesses that give government a bad name. When I asked analysts at the antigovernment Cato Institute and the liberal Center on Budget and Policy Priorities what was the most wasteful government spending, they all gave the same answer: farm subsidies. A coalition of taxpayer activists and green groups recently proposed axing \$700 billion worth of environmentally destructive federal largesse, from fossil-fuel subsidies to sprawl roads to pork-barrel water projects that drain wetlands. There is broad agreement among eggheads that tax perks for yachts, corporate jets and mortgage interest on mansions ought to go as well.

But it's hard to see the finger-in-the-wind political world following the wonk world's lead. The costliest spending programs affect the military and the elderly. And the costliest tax expenditures affect families like mine. We're the kind of moochers who vote. ■