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State-Local Job Rolls Continue to Outpace Population Growth

While the overall U.S. economy may be undergoing a severe slump, state-local employment continues to be a "growth industry," Tax Foundation economists report. Despite some recent and scattered slack-offs, due to resistance from voters or creditors, state-local employment has risen by 34 percent over the last decade. This growth rate was almost four times as fast as that for the U.S. population (9.3 percent) over the same period.

In 1979, latest data available, 10.9 million full-time equivalent employees collected paychecks from state or local governments. Ten years earlier, only 8.2 million such paychecks were handed out.

Not only are more workers on state-local payrolls, say Tax Foundation economists, but they are making a great deal more money than they were ten years earlier. The average monthly pay for a state-local employee has increased from $644 in October of 1969 to $1,220 in October 1979, a 90 percent jump in ten years.

The ratio of non-Federal public workers to private-sector employees has also changed. In 1969, there were 6.1 workers in private industry for every worker collecting a state or local check; in 1979, there were only 5.6 private-sector employees per state-local worker.

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Federal Tax Bite and Inflation Eating Away at Workers' Earnings

To the American earner who feels increasingly strapped for cash, recent analysis by the Tax Foundation indicates one thing: U.S. taxpayers are earning larger dollar amounts than ever before but are ending up with less after-tax real income. This perverse example of Buckminster Fuller's "more-is-less" philosophy can be traced to at least two root factors: a growing Federal tax burden and a steadily increasing erosion of the dollar by inflation, Foundation researchers say.

U.S. median family income (the kind of family most people think of when asked to picture a "typical" family) is higher than ever—$19,950 in 1980, compared to $9,750 a decade ago. However, after-tax income measured in constant 1970 dollars is lower than it was in any year of the last decade—$7,976 in 1980 compared to $8,412 in 1970.

In short, the prototypical U.S. family (median income for one earner employed full time, year round, with two children, filing jointly) is now earning more and enjoying it less—or at least ending the year with less to enjoy.

As analyzed by Tax Foundation economists, direct Federal taxes have delivered the first blow of the one-two punch that is keeping the Amer-

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Median Family Incomes Before and After Direct Federal Taxes and Inflation
1970-1980

Year	Median family income[a]	Direct Federal taxes: Income tax[b]	Direct Federal taxes: Social security	Direct Federal taxes: Total	After-tax income: Current dollars	After-tax income: 1970 dollars[c]
1970	$ 9,750	$ 964	$ 374	$1,338	$ 8,412	$8,412
1971	10,314	937	406	1,343	8,971	8,601
1972	11,152	985	468	1,453	9,699	9,006
1973	11,895	1,100	632	1,732	10,163	8,884
1974	13,004	1,271	761	2,032	10,972	8,639
1975	14,156	1,179	825	2,004	12,152	8,768
1976	15,016	1,408	878	2,286	12,730	8,683
1977	15,949	1,472	933	2,405	13,544	8,649
1978	17,318	1,732	1,048	2,780	14,538	8,653
1979	18,645	1,803	1,143	2,946	15,699	8,398
1980	19,950	2,028	1,223	3,251	16,699	7,976

[a] Median income for all families with one earner employed full time, year round as reported by U.S. Department of Commerce, Bureau of the Census, for 1970 to 1978; 1979 and 1980 estimated by Tax Foundation.
[b] Married couple filing joint return, two children.
[c] Adjusted by consumer price index of Bureau of Labor Statistics.

The Front Burner

By Robert C. Brown
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"Even Ripoffs Have to End"

Rep. Robert N. Giaimo, Chairman of the House Budget Committee, furnished the title of this month's "Front Burner." It's a column we wish did not have to be written, for the events Chairman Giaimo was discussing did not bear out his statement. The "ripoff" to which he was referring did not end, raising serious doubts about whether Congress can ever get a handle on Federal spending.

In essence, this is what happened. The House obeyed its own mandate to reconcile revenues and spending by adopting a $9.1 billion package of budget reductions and revenue-increasing measures on September 4. The Senate had passed a similar package in July. The reconciliation measures were required by the spring budget resolution passed earlier this year by both Houses of Congress in a frenzy of budget balance fever.

House Majority Leader, Jim Wright of Texas, called the September reconciliation vote, "an important achievement in the field of fiscal responsibility." Would that he were right. Essentially, the Lower House traded cuts in some entitlement programs for increases in others. The remaining spending reductions and revenue increases were achieved mostly by fancy footwork in Federal bookkeeping and juggling the tax collection calendar.

Where Congress greatly let down the U.S. taxpayer was in yielding to a well-organized, deeply imbedded special interest group and refusing to kill the twice-yearly indexing of Federal civilian and military retirement benefits. Changing this semiannual cost-of-living increase to once a year would have saved $747 million in hard-earned taxpayer's dollars. (Even by Washington's somewhat jaded standards, that's a lot of money.)

Chairman Giaimo led the charge, although he is retiring at the end of this session of Congress and would benefit personally from the twice yearly COLAs. He quickly had his horse shot out from under him in a remarkably lopsided 309 to 72 vote.

The Connecticut Democrat took defeat with good grace. *The New York Times* quoted him as saying, "I know the pressure that's been brought by the lobbies of the military and civilian retirees. It's disgraceful. They're so well organized, they've been crawling all over every member of this chamber."

When our nation's industrial capacity is in danger of coming down around our ears for lack of investment capital, when we lack the weapons to "provide for the common defense"—or the personnel to operate the obsolescent weapons we do have—when our much vaunted "en ergy dependence" is little more than a gleam in a politician's eye, it is distressing in the extreme to see our elected leadership knuckle under to such a blatant power play.

Where the political will and the political heart to stop the unrestrained growth of government giveaways are so evidently lacking, we must reluctantly question the validity of Congressman Giaimo's assertion that "even ripoffs have to end."

Immediate Tax Cut Would Be Dangerous, Henry Kaufman Tells Ways & Means

"There is less leeway today for error in governmental policy and in dealing with our present economic malaise than at any time in the post-war years," asserts Henry Kaufman in the September issue of Tax Foundation's *Tax Review*. Because of this, he urges the need for judicious selective tax cuts accompanied by nearly offsetting expenditure reductions as a way of reestablishing economic growth and public confidence in government.

Kaufman, a partner and chief economist of Salomon Brothers, a Wall Street investment banking firm, made these observations during testimony before the House Ways and Means Committee on July 30 when he also aired his views on fiscal policy in general and a tax cut for 1981.

"The Federal tax burden is too great," Kaufman told the Committee, pointing out that the long-run effect of the burden was to retard economic growth, inhibit private-sector initiatives and dampen the general well-being of "a sound and stable economic democracy." Conceding that it is essential "that measures be taken over a period of time that lift this burden," Kaufman nevertheless called any tax reduction at present "dangerous."

The current economic situation, he said, differs from previous ones because "many of the impediments to renewed economic growth are not cyclical in nature, but structural, and deeply imbedded." He urged the Committee to recognize these impediments in any formulation of economic policy. The impediments cited by Kaufman included:

- energy, which he said is not an issue separate from fiscal policy;
- flagging productivity, which has turned negative for the first time in the post-World War II years;
- research and development, from which future productivity gains will be generated;
- long-term capital projects, which tax policy must encourage if business is to commit long-term funds.

"The overriding impediment to vigorous economic growth," Kaufman asserted, "is the intransigent inflation that is haunting our society."

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About Tax Features

Tax Foundation, Inc., is a publicly supported, non-profit organization engaged in non-partisan research and public education on the fiscal and management aspects of government. Members of Tax Foundation are urged to pass their copies of *Tax Features* along to editors of their house publications.

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State-Local Jobs

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California is the largest employer among the states, with 1.1 million full-time equivalent employees. However, after taxpayers in the Golden Gate State dug in their heels with Proposition 13 in 1978, the growth rate in state-local employment has dropped by two-thirds. New York State holds the number two position with 951,000 full-time equivalent employees. Unlike California, the Empire State showed a higher rate of growth in public employment during 1977-1979 than in the ten years preceding.

Fastest growth in state-local public employment occurred in Alaska, with a 113 percent increase from 1969-79. South Carolina was second, with an increase of 72 percent from 1969-79.

The national average growth rate was 34 percent, according to Tax Foundation researchers. South Dakota and New York were tied for the slowest growth over the ten-year period at 6 percent.

Education, Tax Foundation researchers report, continues to account for the lion's share of public employment. Nearly half of all state-local employees—over 5 million full-time equivalent workers—are involved in that field. Educational employment has grown 30 percent, or by 1.2 million, in the last ten years despite a net decline of over 1.9 million (3.7 percent) in all public school and college enrollments nationwide.

Tax Foundation also reports that increases in employment at the county and special district level have been most dramatic—up 54 percent from October 1969 to October 1979 for county workers and 69 percent for the same period for workers of special districts (such as natural resources, fire protection, housing and urban renewal, cemeteries, school buildings, and hospitals).

The accompanying table gives more complete data for state-local employment patterns from 1969-1979.

Cost of Congress Reaches $1.3 Billion; U.S. Senator's Share Is Now $2.4 Million

"Be glad you're not getting all the government you're paying for," the late Will Rogers is supposed to have quipped. However much government they're getting, U.S. taxpayers are paying a great deal for it, according to Tax Foundation economists. The cost of operating the Legislative Branch of the Federal government in 1980, they report, will top $1 billion for the third year in a row.

The tab for the Senate, the House of Representatives, and related agencies first broke the $1 billion mark in 1978 when the Legislative Branch cost taxpayers $1.05 billion. Tax Foundation researchers had cautioned about the exploding costs of supporting the Federal legislators in 1976, when the Foundation published "The Legislative Branch—The

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State and Local Government Employment and Payrolls

Month of October, 1969 and 1979

State	Employees[a] Number (000) 1969	Employees[a] Number (000) 1979	Employees[a] Percent increase	October payroll Amount (millions) 1969	October payroll Amount (millions) 1979	October payroll Percent increase	Employees[a] per 10,000 population Number 1969	Employees[a] per 10,000 population Number 1979	Employees[a] per 10,000 population Percent increase
TOTAL	8,160	10,944	34	$5,252	$13,349	154	404	497	23
Alabama	128	192	49	63	192	204	363	508	40
Alaska	15	31	113	13	60	356	524	775	48
Arizona	72	134	86	49	175	260	426	548	29
Arkansas	70	104	48	31	96	211	352	476	35
California	863	1,108	28	709	1,684	138	444	488	10
Colorado	100	146	46	60	185	209	478	528	10
Connecticut	110	137	24	77	168	118	366	438	20
Delaware	23	30	29	14	36	158	434	520	20
Florida	275	441	60	160	493	209	433	498	15
Georgia	181	298	65	90	280	213	391	583	49
Hawaii	35	48	36	26	59	130	441	520	18
Idaho	31	45	45	16	48	201	428	492	15
Illinois	410	506	23	282	680	141	371	451	21
Indiana	189	251	33	113	272	140	368	465	26
Iowa	118	144	22	71	169	138	424	497	17
Kansas	101	127	26	55	133	141	437	534	22
Kentucky	113	160	42	59	165	178	349	454	30
Louisiana	158	222	40	81	218	170	423	552	31
Maine	39	54	38	21	54	158	402	494	23
Maryland	159	234	47	106	292	175	422	565	34
Massachusetts	220	287	31	142	358	152	402	498	24
Michigan	350	448	28	260	662	155	399	487	22
Minnesota	153	201	31	106	260	146	413	494	20
Mississippi	89	128	44	38	111	192	377	528	40
Missouri	174	228	31	101	239	137	375	469	25
Montana	31	44	41	18	50	183	451	563	25
Nebraska	71	92	29	40	97	146	493	585	19
Nevada	24	40	69	17	52	211	524	576	10
New Hampshire	25	40	59	14	43	199	356	456	28
New Jersey	253	364	44	172	470	174	355	497	40
New Mexico	47	74	57	26	79	202	474	595	26
New York	896	951	6	657	1,290	96	489	539	10
North Carolina	183	292	59	102	301	196	352	520	48
North Dakota	28	33	19	16	39	148	448	500	11
Ohio	379	469	24	231	557	141	353	437	24
Oklahoma	103	152	48	53	151	186	401	527	31
Oregon	92	133	45	61	172	185	453	527	16
Pennsylvania	404	472	17	258	593	130	342	403	18
Rhode Island	34	45	33	21	58	175	371	486	31
South Carolina	95	162	72	46	158	244	351	553	58
South Dakota	32	34	6	17	35	105	489	496	2
Tennessee	158	220	39	80	220	177	396	502	27
Texas	422	666	58	232	721	210	377	498	32
Utah	45	66	47	27	76	182	428	482	12
Vermont	17	24	44	10	25	153	383	492	28
Virginia	181	269	49	105	292	179	387	518	34
Washington	154	198	28	110	282	155	453	504	11
West Virginia	68	97	42	35	98	177	375	516	37
Wisconsin	177	221	25	121	284	134	417	469	12
Wyoming	19	28	46	11	32	194	598	619	4
D.C.	45	49	9	32	85	169	562	748	33

[a]Full-time equivalent employees.

Source: Bureau of the Census, U.S. Department of Commerce, and Tax Foundation computations.

Cost of Congress

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Next Billion Dollar Bureaucracy."

Preliminary figures for fiscal year 1980 show that taxpayers will shell out over $1.3 billion to finance Congress. Of this, about $627 million will be appropriated for the Senate, the House, and joint activities of the two legislative bodies. The remaining $702 million will go for a broad range of support agencies as indicated on the accompanying table.

The growth in the cost of running the U.S. Senate has greatly outpaced that for the lower chamber, jumping nearly tenfold from 1960, when the Senate cost only $25.2 million, to almost $242 million in 1980, an average of $2.4 million per U.S. Senator. Paying, quartering, and providing staff and support services for the 435 members of the House comes to just under $324 million, about $745 thousand per Representative, and an eight-fold increase over the past two decades.

With two exceptions, the budgets of the legislative agencies also show a steady upward trend over the years. Declines have been registered since 1975 in the budgets for the Cost-Accounting Standards Board (from $1.39 million to $1.28 million) and the Government Printing Office (from $121.4 million to $111.7 million).

The Botanic Garden, charged, among other things, with providing legislators with potted plants and furnishing fresh-cut flowers for Congressional functions, cost more than $1.5 million in fiscal 1980, making a bunch of senatorial posies nearly five times more expensive this year than in 1960.

Outlays for the Legislative Branch of the Federal Government, by Unit
Selected Fiscal Years, 1960-1980
(Thousands)

Unit	1960	1965	1970	1975	1980[a]
Total	$165,158	$212,025	$343,147	$726,191	$1,330,648
Congress, total	69,882	97,857	179,159	326,214	627,081
Senate	25,176	33,261	57,585	102,237	241,870
House of Representatives	41,005	58,212	108,279	178,988	323,891
Joint activities	3,701	6,414	13,295	44,989	61,320
Legislative agencies, total	95,276	114,138	173,218	399,977	702,067
Architect of the Capitol	26,218	25,459	18,797	50,894	108,284
Botanic Garden	333	532	620	998	1,528
Congressional Budget Office	—	—	—	—	12,000
Cost-Accounting Standards Board	—	—	—	1,392	1,280
General Accounting Office	38,178	44,948	69,857	125,941	207,466
Government Printing Office	15,508	17,454	34,141	121,436	111,691
Library of Congress	15,039	25,745	49,804	100,795	246,031
Office of Technology Assessment	—	—	—	2,723	11,102
Other	—	—	2,972	11,168	17,188
Deductions for offsetting receipts	—	—	−12,203	−15,370	−13,003

[a]Preliminary.
Source: Office of Management and Budget.

Kaufman

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He predicted that the impact of inflation on the business recovery in 1981 "is likely to be devastating."

In such an inflationary setting, Kaufman said, across-the-board tax cuts are "exceptionally dangerous." He recommended that any cuts be accompanied by "nearly offsetting reductions in Federal expenditures" if they were to have credibility.

The so-called "uncontrollable" items in the Federal budget must be grappled with if Federal expenditures are to be brought under control. Otherwise, after allowing for defense and the "uncontrollables," the government would have only $59 billion, 9.3 percent of the total budget outlays in which to make spending reductions.

After sketching this broad overview of the economy and financial markets, Kaufman recommended that any tax reductions "should be significantly offset by cutbacks in Federal expenditures." He said that the rise in the share of national income going to Federal expenditures must be reversed—"especially the rise in the share of transfer payments, which increase consumption at the expense of savings and investment."

"Tax reductions next year," Kaufman told the Ways and Means Committee, "should be aimed mainly at revitalizing productivity and our capacity to produce efficiently without exacerbating a dangerous inflationary situation."

Taxes and Inflation

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ican taxpayer on the ropes. Ten years ago, Federal individual income taxes claimed $964 of this wage earners's pay, with social security payroll deductions taking another $374. This left median family income at $8,412 after taxes.

This year, that earner's $19,950 loses $2,028 to individual income tax and $1,223 to social security, a total of $3,251 taken in one way or another by Uncle Sam. Then, inflation makes its mark, reducing the remaining $16,699 to half its face value—$7,976 in constant 1970 dollars.

Foundation researchers point out a number of other comparisons for this prototypical family:

- median family income has more than doubled since 1970, rising by 105 percent;
- direct Federal income taxes have risen somewhat faster—110 percent—in that time period;
- social security taxes have more than tripled over the decade;
- inflation has averaged 7.7 percent for ten years, with the greatest acceleration being since 1973; today's dollar as compared to the 1970 dollar is worth only 47 cents;
- median family after-tax real income reached a peak at $9,006 (1970 dollars) in 1972; it has been trending downward in most years since.

The table on page 1 gives year-by-year information on the impact of Federal taxes and inflation on median family income since 1970.