RSC Republican Study Committee
Rep. Jim Jordan (R-OH), RSC Chairman
Paul Teller, Executive Director
Budget and Spending Task Force
Weekly Report

**Congressman Scott Garrett (R-NJ), Chairman**

**June 15, 2011**

# $17.25 Billion FY 2012 Agriculture Bill on Floor


**Today**, the House is considering the FY 2012 Agriculture Appropriations bill. The legislation provides a spending level of $17.25 billion, $2.7 billion (13.4%) less than last year. Last month, the House Appropriations Committee approved the 302(b) allocations for the twelve appropriations bills. Under this plan, total appropriations spending will amount to $1.019 trillion—**a reduction of $30.4 billion or 2.9%** compared to last year. The RSC budget resolution (see here for more information), would lead to a discretionary spending total of $978 billion, which is $71 billion less than the last year and $41 billion less than the committee's 302(b) allocations. Highlights of the FY 2012 Agriculture bill:

**Special Supplement Nutrition Program for Women, Infants, and Children (WIC)**: $6.05 billion—$685.8 million or 10.2% below last year, and $1.342 billion or 18.2% below the request.

**Food and Drug Administration (FDA)**: $3.654 billion—$3.4 million or 0.09% above last year, and $567.5 million or 13.4% less than the request.

**Distance Learning, Telemedicine, and Broadband Program**: H.R. 2112 provides a loan level of $0 ($400 million below last year), a subsidy level of $0 ($22.3 million below last year), and an appropriation for grants of $15 million (compared to $45.8 million last year). Many conservatives have argued that this program duplicates what is already provided by the private-sector.

**Foreign Agriculture Service (FAS)**: $175.0 million—$10.6 million or 5.7% below last year, and $54.7 million or 23.8% below the request. The FAS maintains attachés at 97 foreign posts to assist overseas development of markets for U.S. farm commodities—largely through collecting information regarding a foreign government's policies, market conditions, etc. This function could be performed by the private sector that benefits from such services.

**Quote of the Week:**

"I'm pledging to cut the deficit we inherited by half by the end of my first term in office."

**-President Obama**, February 2009

**Food for Peace Program (PL 480 Program)**: $1.04 billion—$457 million or 30.5% below last year, and $650 million or 38.5% below the request.

**Commodities Futures Trading Commission (CFTC)**: $171.9 million—$30.3 million or 15.0% below last year, and $136.0 million or 44.2% less than the request.

**Commodity Assistance Program**: $192.5 million—$53.6 million or 21.8% below last year, and $57.1 million or 22.9% below the request. Previous Bush Administration budgets requested no funding for this program on the argument that the program duplicates two other federal nutrition assistance programs: the WIC program and the Food Stamp program.

**Purchase of Cars**: The bill allows the Department of Agriculture to purchase up to 461 passenger vehicles.

# RSC Amendment to Agriculture Saves $1.8 Billion

**Today,** the House will vote on the RSC Amendment (offered by Representative Chaffetz) to the FY 2012 Agriculture appropriations bill. The RSC amendment would increase this savings total to $4.5 billion—an increase of **$1.8 billion.** The amendment would cause total appropriations in the bill to be lowered to an amount consistent with the RSC budget's discretionary spending allocation. The amendment achieves this savings by: **1)** reducing duplication in the Department's research agencies, and **2)** by eliminating the "Food for Peace" foreign aid program.

**For more information, please contact Brad Watson at x69719**

THE WALL STREET JOURNAL.

# A Welfare State or a Start-Up Nation?

*After one generation, a one percentage point difference in growth rate becomes a 25% difference in per capita income.*

By Allan H. Meltzer


Who you vote for in the next election will largely be determined by how you answer the following question: Should we encourage more productive use of resources or more social welfare? Higher taxes to support a larger welfare state means a larger share of national resources pay for a Medicare system that everyone recognizes as expensive and inefficient. More spending reduction, especially for Medicare and Medicaid, allows a more productive use of resources for growth.

Rep. Paul Ryan's proposed budget—which would cut $6.2 trillion in spending from President Obama's budget over the next 10 years—is a great step in that direction. Mr. Obama has chosen to campaign for re-election as the defender of the welfare state and a woefully inefficient health-care system.

Neglecting the benefits of using resources more productively misses one of the main economic lessons of the past half century. Transfers, grants and redistribution did little to raise living standards in Asia, Latin America and Africa. Capitalist development and open economies lifted vastly more people out of poverty in a decade than welfare state policies had achieved in 50 years. Japan in the 1950s began to force its producers to compete in world markets. That forced its firms to use resources more productively. Korea, Taiwan, Hong Kong, Singapore and eventually China and India followed the Japanese growth model. Chile was an early successful convert; now we have Brazil and parts of Africa.

The lesson applies here in the U.S as well. The welfare of the citizens—poor, middle-class and wealthy—is best improved by using resources more productively. Of course, increased productivity isn't an instant cure for what ails us; there is no instant cure. Administration and Federal Reserve policies have tried mightily, and wastefully, to get quick gains—with few results to show. Despite near-zero interest rates and almost a trillion dollars in "stimulus" spending, unemployment remains stuck at 9% and a true recovery is elusive.

The Obama administration argues that the economy would have been much worse without its actions. But progress would have been far greater by now if the administration had simply copied the successful Kennedy and Reagan policies and permanently cut marginal income tax rates while eliminating burdensome regulations. Instead, the administration is promising higher taxes while regulation has increased and become even more arbitrary. Investment and productivity wilt under heightened uncertainty about future returns.

Mr. Obama and his followers claim they want a solution that is "fair." Why is it fair to distribute more welfare to today's voters at the expense of their children and grandchildren who will pay for this less productive use of resources? This is the same "fair" approach that Europeans chose decades ago, and which led to chronic low growth and high unemployment.

After 1990, France, Germany and Italy gave up the goal of bringing their per capita incomes to equality with the U.S. Germany spread its welfare state to the east. Italy and France pushed redistribution and fairness. From 1990 to the start of the crisis in 2006, the U.S. economy grew on average 1% a year faster than France, Germany or Italy, according to the Organization for Economic Cooperation and Development. After one generation, a one percentage point difference in growth rate becomes a 25% difference in per-capita income. Low growth significantly lowers real wages and living standards for everyone, which in turn lessens tax receipts and resources for redistribution.

As in the U.S., wealth accumulation in post-Thatcher Britain and pre-crisis Ireland also showed that gains in living standards from productivity growth more than compensate for limiting redistribution. The reaction in France is that Ireland should not have the lower tax rates that fostered investment and productivity growth. Is that fairness or envy?

It isn't fair to tax future generations just because they can't vote. We have a choice between a brighter future for our descendants and more social spending now. The missing words "more productive use of resources" are critical for a rational choice. To realize the promise that the U.S economy has always offered, we must choose less social spending, less intrusive regulation, and more efficient use of resources in both the public and private sectors.