

A Half a Million Federal Dollars Earmarked for Lexington:
A Local “Boon” Feeds the National Boondoggle

John Garen

Department Chair and Gatton Endowed Professor of Economics, University of Kentucky
September 12, 2007

Last month, the Lexington Herald-Leader reported that \$.5 million of federal funds had been earmarked for Lexington.¹ Many local leaders seemed very pleased, as I suppose they ought to be. After all, this suggests that Lexington is getting a share of federal largesse. But before you begin celebrating, read on. This little piece of the federal pie is part of an unfortunate picture that feeds overall boondoggle spending. Rather than cause for celebration, it's part of a sad tale that generates a lot of pork barrel projects that we all end up paying for.

Let's take a simple example to see how we can end up with this regrettable outcome. Suppose you and your fellow local citizens live in a Congressional district accounting for 1% of federal tax revenue. If your Congressional representative obtains \$1 million of federal funding earmarked for the district, district taxpayers pay only \$10,000 to obtain the \$1 million of funds. The remaining \$990,000 is borne by taxpayers elsewhere. Sounds like a pretty good deal for you and the district, so members of Congress frequently support this type of thing. And it is a good deal for the district . . . if that's the end of story. But it isn't the end of the story.

Every other member of Congress, representing the remaining 99% of taxpayers, faces a similar temptation: “If I can slip in earmarked funding for my district, most of the cost will be borne by people outside my district.” Thus, if all representatives yield to this temptation and obtain similar earmarks, you and those in your district pay only \$10,000 for your \$1 million earmark . . . but also end up paying \$990,000 for everyone else's earmarks. Now it's not such a great deal!

It would be a great deal if your representative got the earmark and nobody else tried to do so. But that won't happen. If everyone else is getting earmarks, your representative had better be in there getting yours . . . otherwise you wouldn't get your piece of the pie. Notice that regardless of what other representatives do, your representative ought to be seeking earmarks. And every member of Congress faces similar incentives, so there is a strong likelihood that we will have the outcome that everyone obtains earmarks . . . and the taxes that go with them.

It gets worse. Because you and other residents in your district pay only one cent of taxes for every dollar of additional federal funding for the district, there's an incentive to fund projects that are not really worthwhile. Projects that cost \$1 million but are only valued by local citizens at \$100,000 will be favored by the district and sought by the Congressional representative. Even though its value to the local district is only \$100,000 it appears to cost district taxpayers only \$10,000. Thus, there's a tremendous incentive

for wasteful federal spending, i.e., boondoggles. The problem, of course, is that you also get to pay for everyone else's boondoggle. Your district pays only \$10,000 in taxes for your boondoggle but also \$990,000 in taxes for everyone else's boondoggle. If each \$1 million pork project has only \$100,000 of value to each district's citizens, we're squandering a lot of money. So we end up getting projects like the infamous and highly-publicized "bridge to nowhere." (See <http://www.washingtonpost.com/wp-dyn/content/article/2005/10/20/AR2005102001931.html>.) Bad publicity eventually killed this project, but one can rest assured that there's plenty more pork out there that's just not quite so obvious.

Excessive earmark spending was a big issue in the 2006 election. Despite claims that Congress has cleaned itself up in this regard, the same story seems to continue. The Club for Growth reported on the outcome of up-or-down votes on the removal of fifty spending earmarks from the budget. (See http://www.clubforgrowth.org/2007/08/the_2007_club_for_growth_repor.php.) None of them went down and most members of Congress voted "down" very few times.

This is not a good outcome. But how can it be avoided? That's a hard question to answer. Somehow, political parties need to be able to commit to *no one* getting earmarks to avoid the bad outcome described above where *everyone* gets their earmark. In the past, the administration has sometimes disciplined excessive Congressional spending or Congress has reined in administration proposals for big spending programs. However, this hasn't worked lately.

Frequently, we applaud our local Congressional representatives for federal funding they bring to our district while condemning the same in other locations as pork barrel projects. But you can't have it both ways. If their pork is bad, so is ours. The choices are committing ourselves to nobody getting it or the outcome where everyone gets it . . . and we're better off with the former.

(A version of this article appeared *Business Lexington*, September 2007.)