

# Perspectives

## WELFARE FOR THE RICH

BY AMITAI ETZIONI

**I**F YOU THINK that practically everybody favors getting people off the dole, breaking their dependence on the government and making them earn their own keep, think again. Our number one political cliché when it comes to social policies—"get them off welfare"—applies only to the poor, the weak and the vulnerable. Welfare for the rich is thriving in these days of giant deficits, shifts to users' fees and workfare.

The Federal government keeps users' fees low for private jets and high for the general public. Yachts enjoy a largely free towing service courtesy of the U.S. Coast Guard. And the current Administration has made clear its willingness to dig deep into taxpayer pockets to transfer wealth to many owners of savings and loan (S&L) banks.

Do you believe users' fees for landing in airports should favor general aviation over commercial aviation? The gut response of most people is, "Of course!"—until they discover that those terms confuse rather than elucidate. Somehow (nobody knows quite how) "general aviation" became the term for small, exclusive aircraft that serve mainly chief executive officers (CEOs) of big corporations as well as the rich and famous;

"commercial aviation" designates the jetliners for the masses, you and me.

Since landing fees are determined by weight, a Boeing 747 is naturally charged much more than, say, a Cessna. Yet more than half of an airport's actual landing costs—maintaining runways, providing proper lights, clearing snow, and so on—is roughly the same regardless of a plane's size. So there is good economic reason for changing the landing fee to a flat rate plus some additional weight-base charge. Economist Alfred E. Kahn of Cornell has testified that such a structure would be "an important step in the direction of achieving both economic efficiency and a greater measure of equity by imposing on each user fees more closely approximating the true costs that it imposes on the system."

There are other compelling reasons to raise the rates charged exclusive private jets. One is the congestion they cause at major airports. While commercial jetliners are limited to a couple of hundred fields, literally thousands exist where only small planes can land. When Massport, the agency that runs Boston's Logan International Airport, last year increased landing fees for private jets and lowered them for commercial airlines, congestion declined by 29

per cent, vaulting the airport from 21st to 12th in on-time arrivals among the nation's 27 busiest airports. (Private jets could still land *free* at nearby Hanscom Field in Bedford.)

Most important of all is the safety factor. There have been several tragic accidents in which a small, private airplane collided with a large, public-serving one. In 1986, for example, an Aeromexico DC-9 plowed into a tiny Piper PA 28 in Cerritos, California, killing 82 people. United States airlines report that 70 per cent of their near misses in 1987 involved private aircraft. The problem is due in large part to the lack of safety technology on many small planes.

As of June 1988, 130,000 of the nation's 210,000 private aircraft did not carry equipment that reports their presence and attitude to air traffic controllers. These electronic beacons, known as transponders, are standard on commercial jetliners. (Congress has now increased the number of airports where transponders are mandatory.) To complicate the situation, many "general" aviation aircraft pilots merely use their eyes to steer clear of other planes.

Not long after Massport hiked its private aircraft landing fees, the U.S. Department of Transportation got the agency to back down by threatening to cut off more than \$10 million in Federal aid unless it ceased to "discriminate" in this fashion. If you think that runs against Ronald Reagan and George Bush's expressed commitment to state powers and users' fees, you're right. The White House and Congress were prodded by the Airline Owners and Pilots Association (AOPA), the powerful general aviation lobby known in Washington as the "National Rifle Association of the skies."

The AOPA's clout also extends to the private sector. Recently Robert Crandall, chairman and president of American Airlines, called for even greater

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restrictions on general aviation. The AOPA responded by urging its members to boycott American's flight service stations.

In its public relations efforts, the AOPA likes to stress that general aviation is an important business asset, allowing a CEO to zip here, zip there. But according to a Massport official, internal surveys show that those who suffer most from the congestion at Logan are businesspeople.

Anyone who doubts how difficult it is to wean the rich off welfare, even when Congress has put through the necessary legislation, merely has to take a look at the Coast Guard's free service to yachts and other recreational boats. In 1983 Congress passed a law declaring that where nonemergency help is required, private firms are to provide the tow, fuel, repair, or whatever. Eighty per cent of all "search and rescue" calls are nonemergencies, it should be noted; 72 per cent involve recreational boats within *three miles* of shore.

Aside from matters of philosophy (privatization) and deficit reduction, sheer efficiency is at issue here. The Grace Commission concluded that performing the same operations costs the Coast Guard 12 times more than the private sector. Admittedly, the commission's figures have sometimes been contested, but if merely half right they are nothing to blink at.

While there has been an increase in private services since Congress' 1983 action, the Coast Guard and Federally subsidized Coast Guard Auxiliary still handled 90.6 per cent of the 55,986 search and rescue calls in 1987. The private sector handled 5.4 per cent, with "other" accounting for the remainder. Studies by the General Accounting Office and the 1983 National Advisory Committee on the Oceans and Atmosphere had expected that the private sector would take over the nonemergency 80 per cent of the Coast Guard's search and rescue caseload.

One reason this has not happened might be that unless the private towers are on their way within 10 minutes, and reach the distressed boat within one hour, the Coast Guard is allowed to re-

spond. Apparently anxious to retain a highly visible image, and supported by (you guessed it) a wealthy lobby known as BOAT/US, the Coast Guard watches the clock. One might argue that its alertness assures against any one being left stranded on the high seas. Fair enough. But why not charge for nonemergency services? The rich say: If you need to ask about the price of a yacht (before purchase) you cannot afford it. Surely such people would not quibble about \$85.00, the cost of an average tow.

By the way, the United States—the only industrial democracy without comprehensive health care—is almost peculiar in offering free services at sea. Search and rescue is done privately in most countries; in the United Kingdom, Royal National Lifeboat, a private or-

ganization, has handled nonemergency calls since the 1800s.

**A** CLOSER LOOK at the savings and loan rescue story casts further light on our government's propensity for subsidizing the well-heeled, even as it reins in welfare for the poor and raises Medicare charges. The solution the Bush Administration finally settled on involves almost \$60 billion in "transfer" payments from taxpayers (including millions of the "new-poor" and workers without any savings) to S&L depositors. In addition, taxpayers will cover the as yet unknown cost of rescuing 350 insolvent S&Ls, and will pay part of the \$5 billion annual interest for the \$50 billion in bonds that are to finance other bank bailouts.

The greatest service to the rich is be-

ing done on a one-to-one basis, so it is lost sight of in the grand scale of things. The Federal government is dishing out hundreds of millions to investors who take over "ailing" S&Ls—*after* the government assumes responsibility for many of those institutions' bad loans *and* at the same time guarantees their future.

The same holds true for failing banks that come under the Federal Deposit Insurance Corporation (FDIC). The A. Robert Abboud Group, for instance, agreed to take over First City Bank Corporation of Houston. The FDIC provided notes worth \$970 million, bought \$43 million worth of the bank's shares, and picked up \$2 billion of bad loans. The rest of the deal is complex but its essence is, as economist A. Gary Shilling

pointed out, that the "investors" invested almost no capital and took no risks. Another group, Utley/Ford, put up \$315 million in capital—and got from the government a *guaranteed* return of more than \$600 million, thanks to at least \$1 billion of actual tax breaks. And so it goes. Alms to the rich.

It might be said that all this is a Reagan legacy. The Bush Administration, however, is advocating that Congress approve the largest transfer payment yet from the general taxpayers to the wealthy few: a tax cut for unearned income (capital gains). Although stock and bond ownership is not confined to the superrich, about half of the country's taxpayers own none of either. Most important, the real benefits would fall where the ownership is concentrated: yes, among the superrich.