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Address:**

**Cutting the
Government:
How is Reagan
Doing?**

Donald Lambro



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DONALD LAMBRO is a nationally syndicated investigative reporter who writes a twice-weekly column from Washington for United Features Syndicate.

Before launching his column on Oct. 1, 1980, Mr. Lambro was a Washington correspondent for United Press International, covering Congress, national politics, and the federal bureaucracy.

During his last four years with UPI, Mr. Lambro was assigned to uncover waste and mismanagement within the federal government. The Washington Post has described him as "a one-man search-and-destroy mission against government waste."

The author of two previous books on the government, Mr. Lambro has written a new work on wasteful and unnecessary federal spending titled *FAT CITY: How Washington Wastes Your Taxes*. His articles have appeared in hundreds of newspapers, and in numerous magazines and journals, including *Reader's Digest*, *Parade*, *The Washingtonian*, and *Policy Review*.

CUTTING THE GOVERNMENT: How Is Reagan Doing?

DONALD LAMBRO

Despite a widespread public perception that President Reagan has slashed federal spending and cut back a bloated bureaucracy, the truth is that government is still fat, and continues to grow at an unacceptable rate.

This is not to say that Reagan's 1982 budget cuts are insignificant or have made no dent in the growth of federal programs, agencies, and expenditures. They certainly have. But they have not cut the budget. They have only slowed its upward spiral—at least for the moment.

In an illuminating series of columns analyzing Ronald Reagan's budget, columnist M. Stanton Evans concluded that this fiscal year's \$740 billion budget (which is the Congressional Budget Office's projection) is actually going to be more than \$1 billion bigger than the spending total proposed by Jimmy Carter in his last budget request for fiscal 1982. So, notwithstanding the screams of agony from the news media and the special interests over the Reagan budget cuts, we are going to end up with a fiscal 1982 budget that is in fact larger than the budget sought by the previous Democratic administration.

To appreciate the continuing upward momentum behind federal spending, one only need understand that at \$740 billion, Reagan's current budget is \$45 billion greater than the budget figure he first proposed last year. In fact, his fiscal 1982 budget is nearly \$80 billion higher than last year's actual \$662.7 billion Carter budget for fiscal 1981.

This is why Congressman Philip Gramm of Texas, the co-author of last year's historic budget compromise, admits, "We didn't cut the budget under Gramm-Latta. What we did was slow down the rate of growth from 18 percent to 8 percent a year. But we're spending more in 1982 than in 1981. If every one of the President's proposals and all of the supplements that I and others have talked about passed, we're still going to be spending more in 1983 than we do in 1982, more in 1984 than in 1983. We're cutting growth, not cutting the budget."

When compared with the incredible growth in government spending over the past decade, when federal spending more than doubled between 1975 and 1980, the achievement the

President has made in slowing that growth is both historically significant and praiseworthy. Yet even within the Administration's own trumpeted figures lies the grim spending reality that the government is still out of control. Even though Reagan's proposed fiscal 1983 outlays of \$767 billion represent the smallest one-year increase since fiscal 1974, they would still boost the budget by \$38 billion over the Administration's estimated 1982 outlays of \$729 billion. And it goes without saying that even this figure is grossly unrealistic; as surging entitlements, supplemental appropriation bills, and Congress' own spending proclivities work their will in the remaining months of this fiscal period. Indeed, the fiscal 1983 budget is much more likely to be near \$800 billion, according to projections of knowledgeable budget analysts. (The Office of Management and Budget projects next year's outlays will hit \$827 billion if additional spending cuts are made by Congress.)

Bureaucratic Momentum

There are many ways to measure the growth of government, and, concomitantly, its reduction. The Administration and its foes have issued an array of figures, graphs, studies, and charts illustrating government's decline. All too often, however, this vast amount of information tends to obscure the continued existence (as well as the slow but perceptible growth) of programs, agencies, and expenditures throughout the bureaucracy. So vast is the size, complexity, and variety of this obese thing we call the federal government, that its myriad components tend to become diffused in the broad generalizations over their wum total. We see the degree to which the administration seeks to restrain the growth of government in the coming fiscal year (a 4.5 percent growth rate for fiscal 1983). Yet we also see the continued existence of programs and agencies that not only remain fat, undisciplined, and unaccountable, but in fact continue to grow in the midst of the very fiscal crisis they have spawned.

In a moment of obvious frustration, Ronald Reagan acknowledged the difficulty of curbing the growth of the bureaucracy during an interview with this reporter. "You know, just between us," he confided, "one of the hardest things in a government this size is: How do you get . . . no matter what our peo-

ple way on top are trying to do . . . to know that down there underneath is that permanent structure that is resisting everything you're doing. How do you get the management going?"

And then, shaking his head, he sighed, "How long it takes to get clear down there."

Such frustration is not uncommon among recent presidents. Kennedy, among others, complained that it was quite easy to declare one's intentions about controlling the federal behemoth, but quite another thing to tame it.

Still, a survey of what has occurred thus far under Reagan's administration reveals that despite the fiscal 1982 cuts and his proposed fiscal 1983 reductions, the bureaucracy is still *very* obese. Indeed, in spite of the current fiscal emergency brought on by the recession, a detailed examination of Reagan's fiscal 1983 budget suggests there is little change in store for many programs. For numerous bureaucracies fiscal 1983 will be just another year—with prospects of substantially fatter budgets or, in the very least, retention of what they received last year.

For example, the State Department's budget under Reagan's spending proposals would rise to nearly \$2.7 billion from its current budget authority of \$2.5 billion. The National Aeronautics and Space Administration's budget would go from \$5.9 billion to a hefty \$6.6 billion. The Veterans Administration jumps from \$24.7 billion to \$25.6 billion. The National Science Foundation would grow by \$77 million over its current \$1 billion budget. The Office of Personnel Management, which funds all civil service pensions, is seeing its budget skyrocket from \$33.9 billion to nearly \$36 billion.

Other examples abound. The Department of Justice—an agency that has managed for years to escape a thorough oversight cleansing from Congress—would be given an additional \$200 million on top of its \$2.4 billion this year. The Interior Department would be increased from \$2.9 billion to a fat \$3.3 billion next year. The budget of the Department of Health and Human Services, swollen by the rapid growth in entitlements, would jump from \$251.3 billion to a massive \$268.4 billion—hardly turning one's back on the poor. The Census Bureau, whose primary reason for being is to conduct a head count once every decade, will see its budget hiked by \$10.4 million over its current \$145 million allowance.

Other agencies and expenditures, whose budgets deserve to

be substantially cut if not eliminated, are being held at current spending levels. Still other programs, considered "politically untouchable," are being preserved to serve some special interest constituency even though their reduction or elimination would substantially reduce an unacceptable deficit.

Candidates for Cuts

Within the Department of Housing and Urban Development, for example, nearly \$4 billion is consumed by the Community Development Block Grant and the Urban Development Action Grant programs—expenditures which, among other things, are helping upper and middle income communities to build downtown plazas, swanky hotels, and parking garages, and to refurbish middleclass homes. A House investigation said that UDAG grants, begun under the Carter administration and protected under Reagan, were considered "the gravy in the deal" by big commercial real estate developers. A White House aide said of both grant programs, "These grants yield a lot of political capital for the Administration among the mayors, and we couldn't afford to offend them." Reality dictates, however, that in the current fiscal crisis both programs should be zeroed out.

Another expensive untouchable is revenue sharing, a no-strings \$4.5 billion handout to nearly 39,000 government jurisdictions throughout the country—*regardless of need*. Why are we sending \$21 million a year to the city of Houston, a community of unbelievable wealth whose local government each year stashes away a healthy budget surplus? Why are we sharing revenue annually (which the U.S. Treasury doesn't have) with wealthy communities like Beverly Hills (\$600,000) or Palm Springs (\$300,000)? Through this highly expendable program Washington is pouring billions of dollars into thousands of wealthy and middleclass communities who do not need it. Yet revenue sharing escapes even so much as a slight decrease, while other programs and agencies of arguably higher priority are cut.

Still other fiscal 1982 budgets that would escape additional cuts include the \$500 million Maritime Administration's subsidies for big American shipping companies; the \$600 million National Railroad Passenger Corporation, which allows

middleclass Amtrak passengers to enjoy cutrate fares courtesy of the American taxpayer; the \$1 billion Bureau of Indian Affairs, which does nothing more than replicate existing social programs solely for the nation's Indian minority; the Department of Education, whose still-swollen \$11.2 billion budget would simply be shifted under the Administration's proposals into a newly created foundation; and the Commerce Department's \$10 billion budget with its bloated subsidies for big business.

Dozens of other programs, many of which were deservedly cut during the fiscal 1982 budget reductions, continue to litter the bureaucratic landscape. The Civil Aeronautics Board, at \$65.9 million, is slated to be reduced to \$48.8 million, but why should it exist at all? Its scheduled elimination under the airline deregulation law should be accelerated.

The Consumer Product Safety Commission has been almost universally condemned as an impotent agency that has had little if any impact on consumer safety. Yet its dwindling \$31.6 million budget—hardly a vote of confidence from Congress—is in line to be hiked to \$33.5 million under Reagan's 1983 budget.

Other aged, inefficient, and useless regulatory vestiges of a bygone era, such as the \$70 million Interstate Commerce Commission and the \$69 million Federal Trade Commission, are to be modestly cut when their elimination would in fact contribute toward economic renewal and greater job creation. Tragically, it is more difficult to obtain an interstate transportation license today than in the final year of the Carter administration. The big trucking lobby couldn't be more pleased with this state of affairs, but the victims are consumers who must pay more for everything they buy because of excessive, noncompetitive trucking rates. Hurt in a much more insidious way are the small entrepreneurs (particularly minorities) who are locked out of a major business market because of this government-sanctioned cartel.

The National Endowments for the Arts and Humanities were each spending \$150 million a year as of 1981. Their budgets have been cut to \$143 million and \$130.5 million respectively. Reagan proposes cutting them to \$100 million each in the coming year. Yet with the budget debate so heavily focused on the needs of the poor, who would deny that these two agencies have a lesser social priority than, say, providing kidney dialysis

treatment to the needy? Thus, shouldn't they be defunded?

The International Communications Agency, the government's propaganda arm, would expand under Reagan's budget from \$509.2 million this year to \$652.6 million next. But as important as building more powerful telecommunications facilities to beam our message into the communist-block countries is, restoration of our country's economic health must come first.

The Federal Emergency Management Agency's budget would be hiked from \$509.2 million to a whopping \$617.1 million, largely as a result of major increases in the civil defense program. Even an increase of this size is not going to provide any effective protection against a nuclear attack. Far better to put greater effort into the search for meaningful and verifiable strategic arms reductions.

The outmoded Rural Electrification Administration, which was supposed to be shut down years ago, would be increased slightly to \$41.6 million even though nearly 100 percent of all American farms now have electricity.

The Economic Research Service, which lavishes free commodity and market analysis reports on the nation's rich and powerful agribusinesses (who pay nothing for this service) finds its budget going up by \$1 million to \$40.5 million. Let those big agri-corporations provide this service for themselves.

The \$20 billion Synthetic Fuels Corporation, which is nothing more than corporate welfare for big energy companies, survives under Reagan's fiscal 1983 budget relatively unscathed.

The Food and Drug Administration's \$328 million budget would be raised by Reagan to \$356 million, though there is little justification for this sizeable increase.

Millions for Defense

But what about the defense budget?

Except for incurable defense spending critics, there is widespread support for the view that America's military preparedness has been seriously weakened over the years, and that a program of rebuilding is badly needed. Toward this end, Reagan has raised last year's anemic \$156 billion defense budget up to \$182 billion this year. He proposes that it be raised to \$216 billion in outlays in 1983.

While there can be honest differences of opinion over what the Pentagon's rate of spending growth should be, there can be no disagreement that there is waste and fat in the Defense Department that has yet to be dealt with effectively.

For example, the department is spending more than \$2.6 billion annually on private consultant contracts. Many of these consultant reports, according to both auditors and consultants alike, are militarily worthless. Many more, according to the GAO, could be done in-house. Various sources within the defense consulting industry as well as in the department suggest that at least 50 percent of this spending is wasteful and unnecessary.

The military's twenty-year-and-out retirement system—saddled with an unfunded liability of nearly half a trillion dollars—is no longer affordable. Defense personnel expert Kenneth Coffrey warns that “Unless changes are made, there is doubt we will be able to afford a continuation of the present system without sacrifice in other areas.” Billions could be saved by altering retirement incentives and extending the years of service required to qualify for a pension.

The military pay system is a Rube Goldberg contraption in need of substantial reform. The General Accounting Office says it is so complex that few servicemen know exactly what they are being paid. Legislative reform of this Byzantine system of special allowances and tax-free, in-kind benefits into a straight pay system would save billions. Equally important, it would help to improve recruitment.

There are many other areas in which defense savings can be made, including reform of needless and costly procurement regulations, targeting pay increases to areas of critical personnel shortages, and consolidating military base support services as well as overall purchase and distribution of supplies. Unfortunately, the administration has not aggressively sought the kind of legislative reforms needed to achieve these savings and thus to improve the way the department is run.

Budget Survivors

Soon after Reagan took office, he abolishes the Council on Wage and Price Stability, which eliminated hundreds of jobs

and saved nearly \$6.2 million a year. However, he soon learned that the ease with which he swept out an unnecessary and wasteful White House bureaucracy could not be applied to the rest of the government without the assent of Congress.

There are only 19 agencies proposed for elimination in Reagan's fiscal 1983 budget, according to the Office of Management and Budget. The two biggest are the Departments of Education and Energy. Unfortunately, dismantling them does not mean eliminating their component programs.

The Department of Education, as noted earlier, would essentially be moved lock, stock, and barrel into a proposed Foundation for Educational Assistance. Secretary Terrel Bell's proposal for reconstituting the department would produce 38 combined programs instead of the 149 departmental fiefdoms inherited by the Administration in January 1981. But as far as substantially reducing the department's core bureaucracy, guess again. A good part of the Administration plan calls for the transfer of 28 programs—such as impact aid, Indian assistance, and college construction subsidies—to other departments. While the proposal does call for abolishing 23 federal education programs and repealing 11 needless boards and commissions, a careful examination of these programs shows they are largely minor ones—such as the “Wayne Morse Chair of Law and Politics”—that would yield little savings.

Overall, the department's \$13 billion budget authority would be cut to nearly \$9 billion under Bell's plan—yet its true cost would really be \$1 billion more if those transferred programs were included. Moreover, since education programs are forward-funded, those cuts in budget authority would not significantly alter short-term outlays. Thus, \$13.4 billion in education outlays this year will drop, under Reagan's budget, to only \$11.4 billion next year. This is “abolishing” the Department of Education?

The Department of Energy, which the Administration also seeks to dismantle, is spending over \$12 billion a year, which helps to pay for a workforce of 17,000 employees. As with Education, the proposal to dismantle the department and transfer most of its functions to the Departments of Commerce and Interior does not seem to be going anywhere in Congress. This is in part due to Congress' inherent resistance to the idea of dismantling any Cabinet department, particularly one for which

there is a politically powerful lobby that is well organized and well funded. But blame must also be placed on the Administration's own inability to produce persuasive arguments as to why the department should go. In this regard, Energy Secretary James Edwards has been spectacularly ineffective. Moreover, despite the fact that Reagan announced his plan to abolish the department last December, the Administration (as of early April) has yet to submit legislation to bring this about.

The upshot is that the Energy Department's budget has not been significantly reduced, and its excessive and wasteful bureaucracy is still intact—including a bloated \$10.6 billion in research and technology funding.

Although many budgets have been cut, in some cases deeply, the fact of the matter is that like Energy and education, no agency or program of any size and significance has as yet been eliminated. It is as if Congress evaluated every program it has created in the last four decades, and then gave virtually all of them a passing grade. Surely in all that Congress has wrought over many decades, there must be some programs that do not justify reauthorization. Yet Congress is asking us to believe, once again, that there just aren't any candidates worthy of the axe.

Ducking the Axe

Much to its credit, the Reagan administration has come up with worthy candidates for execution, though not nearly as many as are warranted. Thus far, though, Congress has ferociously resisted eliminating any of them.

True, the Labor Department's Comprehensive Employment and Training Administration (CETA) has been heavily cut back by the Administration. Overall employment and training funding in the department now stands at about \$3 billion, down from \$7 billion last year. The Administration proposes erasing most of the budget authority next year, though it is highly doubtful that Congress will give its approval.

The misguided and ineffective Economic Development Administration is also on the Administration's termination list, but not for 1983. EDA is spending nearly half a billion a year. The Administration would still allow it \$300 million in outlays

next year, though its budget authority would be almost eliminated.

With a few major exceptions, however, the list of agencies the Administration proposes be abolished in fiscal 1983 is largely composed of tiny bureaucracies that would yield little savings: the U.S. Metric Board, \$2.4 million; Water Resources Council, \$5.9 million; the Institute for Museum Services, \$11.5 million; the President's Commission for the Study of Ethical Problems in Medicine, \$1.5 million. With a possible deficit of \$130 billion staring the government in the face, one would have expected more from this Administration in the way of proposed program terminations within the coming fiscal year.

The Administration proposes, once again, the elimination of the Legal Services Corporation, which it has successfully trimmed down to \$147 million in outlays from \$324 million in fiscal 1981—a considerable reduction. Even so, Congress has successfully resisted zeroing it out completely. Better to keep the agency going at sharply reduced spending levels, diehard supporters argue, and wait for a more sympathetic administration to begin restoring its funding.

The Community Services Administration is the only Great Society program that has been eliminated. Unfortunately, the elimination of this tiny anti-poverty agency through block grants to the states represents the exception rather than the rule.

It goes without saying that in numerous cases the Administration is seeking significant cuts in programs cited here. Yet at the same time, the Administration's budget seeks to preserve many marginal programs of dubious value and effectiveness. Thus, the Administration is proposing that the Commerce Department spend \$146 million in outlays next year to promote "industry and commerce," a small but deeply symbolic part of the government's more than \$30 billion in yearly corporate welfare. The Administration is also calling for the expenditure of \$211 million by the U.S. Travel and Tourism Administration to promote "fun and sun" in the tourism industry—hardly a high-priority social program.

Uncle Sam's Employees

While much has been made of the Administration's freeze on federal employment and the hardships enforced by RIF (Reduc-

tion in Force) notices, overall executive branch employment figures do not show that the bureaucracy is being gutted. When Reagan took office in January 1981, the Carter administration handed him an official civilian federal workforce, minus the legislative and judicial branches, that totaled 2,853,767. As of January, 1982, Reagan had brought that figure down to 2,804,777, or a drop of only 49,000 workers (most of the decrease coming from attrition and retirements).

It should be noted, incidentally, that even these figures are at best suspect because they do not accurately reflect the total number of people who work for the federal government. The Office of Personnel Management does not count hundreds of thousands of federally-paid personnel such as the Peace Corps and VISTA volunteers, Amtrak employees, the Corporation for Public Broadcasting workers, Legal Services attorneys, National Science Foundation researchers, and many more quasi-government agencies. When consultants, contractors, and those local and state government employees whose salaries are paid with federal funds are added to the base totals, the true size of the federal workforce is many millions more than we are led to believe. Thus, the reduction in federal employment under the Reagan administration, while moving in the right direction, is relatively small indeed.

Meanwhile, by my own count the Administration is seeking to eliminate about 140 programs and agencies between now and 1986. This, certainly, is to be applauded. At the same time, a budget-wide examination of the hundreds of agencies and programs that they seek to preserve, and in many cases fatten, strongly suggests that there are still politically-sacrosanct expenditures—from low-priority and outdated billion dollar pork barrel projects to billions more in corporate welfare subsidies—which this Administration should be attacking tooth and nail.

In the last several months I have undertaken an extensive review of several other areas of federal spending involving grants and contracts to special interest groups, audio-visual programs, government publications, consultant contracts, and public relations programs. At a minimum, these expenditures total more than \$5 billion annually. While the Administration has achieved some cuts in these government-wide expenditures, they are nowhere near the kind of spending reductions that could be made administratively. (One of the major reasons for

the Administration's failure in this regard must be laid to the Cabinet secretaries and agency heads, who have shown no appetite for cutting their own budgets in these self-promotional areas.)

My own examination of countless computer printout listings of contracts and grants being let by Cabinet-level departments for a variety of "software" procurement—from studies, reports, films, conferences, and other projects—reveals enormously wasteful expenditures continue to be made simply because Congress continues to give them the money.

For example, the Administration has reduced funding that for years has been poured into thousands of special interest organizations by agencies such as ACTION, Legal Services, and the Federal Trade Commission, as well as departments such as Labor and Health and Human Services and Education. Nevertheless, the contract and grant lists for this fiscal year show that this pipeline to special interest groups has hardly been turned off. Thousands of organizations continue to receive grants and contracts, many of whom use these funds to lobby on behalf of further federal program expansion.

Shortly after Ronald Reagan came into office, he issued an executive order calling for substantial cutbacks in consultants, in the publication of government magazines and other periodicals, and in film and audio programs. Here, too, my review of what government continues to spend in these three areas strongly suggests that much more needs to be done. Auditors say that consultant contracts are still excessive, unmonitored, and frequently duplicative; that while the Administration has eliminated numerous publications, hundreds of other expensive, slick, and largely unnecessary promotional periodicals continue to be published by the departments and agencies.

During the present fiscal crisis, the president should order an immediate moratorium on all except those publications, films, and consultant contracts needed to protect national security and public health and safety. Everything else must stop. At the same time, the Administration should order a 50 percent cut in all executive branch press and public information facilities and staffs. The news media will no doubt complain over such action, but the taxpayers will cheer that this \$1 billion expenditure is being trimmed back.

It is impossible to deal with all of the expenditures that make

up the federal bureaucracy within the constraints of this evaluation. There are, for example, the deindexing reforms that need to be made in entitlements if their growth is to be brought under control. There are billions of dollars in low priority or unnecessary public works projects that need to be eliminated or at least postponed. There are salary and pension benefits which need to be frozen, and in some cases rolled back.

The Reagan administration has made some effective strides toward curtailing the growth and the cost of government. Yet the overwhelming evidence also suggests not only that spending continues to race out of control, but that much of it is within the power of our chief executive and our legislators to bring under control quickly. That is the task that now lies before President Reagan and the Congress as they struggle to rein in a government that will be spending over \$1 trillion annually within the next three years.

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The Heritage Lectures

From the headlines on the morning newspapers, and the lead stories on network news broadcasts, anyone would think that the Reagan administration has pared federal spending to the bare bones.

Not so, says veteran Washington investigative journalist Donald Lambro. In fact, Uncle Sam still spends tax dollars at a spectacular rate. In this, the Annual Distinguished Journalism Fellow Address, the author provides numerous examples of government spending—some of them shocking, some disturbing, and some downright funny.

Donald Lambro, the 1981-1982 Distinguished Journalism Fellow of The Heritage Foundation, is the author of *Fat City* and a nationally syndicated columnist.


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