



# Backgrounder

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## LOBBYISTS CONTINUE TO USE TRAGEDY TO RAID AMERICAN TAXPAYERS: AN UPDATE

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Ordinary Americans discovered quite a bit about themselves in the aftermath of the September terrorist attacks. Selfless and self-motivated, individuals and families took the initiative and organized a fearsome relief force that locked arms with strangers to save lives and comfort the distressed. They also discovered an extraordinary capacity for sacrifice—of time, of money, and of lives. By November, private contributions to disaster relief had exceeded \$1.3 billion.<sup>2</sup>

But Americans also discovered a lot about some of their government leaders, and probably more than they wanted to know about Washington's peddlers of influence and favor, many of whom saw the calamitous events as an opportunity to profit from catastrophe by wrapping themselves in the flag or posing as victims. Where ordinary Americans saw the terrorist attacks as a challenge demanding a sacrifice of themselves for the good of others, many of Washington's elite saw an opportunity to sacrifice others for the good of themselves or of their influential constituents, as a previous Heritage Foundation paper has pointed out.<sup>3</sup>

### "AN OPEN GRAB BAG"

Several officials in the Washington, D.C., area were quick to prove they were not cut from the same cloth as the firemen who dug through the debris at the shattered Pentagon or the local schoolchildren who made sandwiches for those rescue workers and, with their mothers, delivered them to the crash site.

With as much as half of the \$40 billion federal rescue package dedicated to disaster relief in Pennsylvania, New York,

and Virginia, Representative Jim Moran (D-VA), who represents the Virginia suburbs, exclaimed, "It's an open grab bag, so let's grab." Virginia Governor James

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1. This report updates Ronald D. Utt, Ph.D., "Lobbyists Use Tragedy to Raid American Taxpayers," Heritage Foundation *Executive Memorandum* No. 781, October 2, 2001.
2. Jacqueline L. Salmon and Lena H. Sun, "Embattled Red Cross Rethinks Aid Fund," *The Washington Post*, November 9, 2001, p. A1.
3. Utt, "Lobbyists Use Tragedy to Raid American Taxpayers."

Gilmore has requested more than \$3 billion, including money for transportation infrastructure spending unrelated to damage from the terrorist assault.<sup>4</sup>

One Virginia state transportation official expressed hope that some of that money would be used to start the proposed \$3 billion light rail line connecting the Virginia suburb of Falls Church with Dulles airport, eight miles away.<sup>5</sup> In the assault's aftermath, local rail buffs argued that the line could help evacuate the District of Columbia should the need arise—a need that last occurred in 1814 when the British attacked the city and set fire to the Capitol and White House. The idea here, it seems, is that in a similar emergency, hundreds of thousands of D.C. workers would hop a train to Virginia and transfer to another heading for the airport. Once there, presumably well-connected evacuees would be able to fly to safety at remote hideaways while those of more modest means would have to mill around the long-term parking area until the all-clear siren sounded.

Although the federal relief package offered no dedicated set-aside for the District of Columbia because the District had incurred no direct damage, local officials are undeterred in their pursuit of money. D.C. Mayor Anthony Williams showed a rare and commendable measure of restraint when he asked for \$150 million in federal aid, but the City Council wants more. Republican Councilwoman Carol Schwartz demanded of the mayor, “We should be asking for billions with a B. I would run and grab as much as you can legitimately get.”<sup>6</sup>

Mayor Williams then increased his request to \$900 million,<sup>7</sup> including millions for the D.C. fire department—an understandable request given embarrassing allegations that some D.C. firemen stole costly high-tech equipment from a Virginia fire department while both fought the fires at the Pentagon.<sup>8</sup>

Not to be outdone, New York Governor George Pataki is asking for \$54 billion in relief for his state—more than two and a half times the \$20 billion Congress and the President set aside for the three states where planes had crashed. Although a majority of his request is said to be for direct disaster relief and damage repair, about \$20 billion is sought for economic stimulus and statewide transportation projects, including a new high-speed rail line to connect Schenectady with New York City.<sup>9</sup>

And not wanting to be left off the federal gravy train, Maryland Governor Parris Glendening wants \$200 million to beef up his state's security.<sup>10</sup>

## STILL OBSESSED WITH TRAINS

Perhaps for reasons related to the comforting sense of nostalgia that chugging trains evoke in times of stress, these requests also illustrate the surprising extent to which passenger rail spending proposals are in vogue as objects for disaster relief, economic stimulation, and/or defense security funding.

Early on, for example, Senator Harry Reid (D–NV) touted a spending package that included \$12 billion for Amtrak and another billion or so to start “magnetic levitation” rail service between Las Vegas and Los Angeles.<sup>11</sup>

4. Craig Timberg, “VA Seeks \$3 Billion in Disaster Assistance,” *The Washington Post*, October 13, 2001, p. B1.

5. *Ibid.*

6. Carol D. Leonnig, “DC Council Pushes Mayor to Seek More Relief Funds,” *The Washington Post*, October 6, 2001, p. B1.

7. Sewell Chan and Carol D. Leonnig, “District Boosts Request for Anti-Terrorism Aid,” *The Washington Post*, October 10, 2001, p. B1.

8. “Burned at the Pentagon,” *The Washington Post*, October 4, 2001, p. B1.

9. Office of the Governor, New York, “Governor Pataki Proposes ‘Rebuild NY–Renew America’ Plan to Help New York Recover, Rebuild & Revitalize,” press release, October 9, 2001.

10. Jeff Barker, “State Seeks Aid in Event of Attacks: Glendening to Ask for \$200 Million in Federal Money; Creating 6 Security Teams; Governor Considers Establishing Office Similar to Ridge’s,” *The Baltimore Sun*, November 2, 2001.

11. “Democrats Coalescing Around \$40 Billion Plan,” *CQ Daily Monitor*, October 2, 2001. Magnetic levitation trains would “float” on a magnetized space separating the train from the roadbed. Laboratory experiments have demonstrated the feasibility of the concept, but not necessarily its cost-effectiveness, and no such trains are now in operation.

**NOTE: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.**

Senator Ernest Hollings (D–SC) introduced the Railroad Advancement and Infrastructure Law for the 21st Century (“RAIL–21”), which would give Amtrak an additional \$4.4 billion in up-front cash subsidies and \$42 billion in federal loans.<sup>12</sup> This bill encourages Amtrak to become perpetually dependent on federal handouts by eliminating the existing statutory obligation that Amtrak become financially self-sufficient—an objective met by nearly 2 million former welfare families in the past few years, but one that has escaped the grasp of Amtrak’s management since 1970.

Encouraging these and similar budget-busting rail proposals are the tens of thousands of rail enthusiasts who see the terrorist attacks as an opportunity to secure the survival of Amtrak, which faces imminent insolvency because of operating losses that worsen year after year and a market penetration rate that hovers around one-half of 1 percent of all inter-city passengers.

Within two days of the attacks, for example, the director of the National Association of Railroad Passengers (NARP), an Amtrak support group, e-mailed members that “The tragedy and its aftermath raise the possibility that more Americans will see the need for more modern passenger trains. We will be pointing this out.”<sup>13</sup> Apparently, Americans did not see it as clearly as NARP had hoped, because Amtrak was not included as part of the airline bailout package. Moreover, Amtrak’s efforts to portray itself as a safer form of travel than airplanes have been largely ignored by the traveling public. Its September 2001 ridership levels actually fell from those of a year ago, and October’s level was up only slightly.

NARP’s next e-mail to its members tried to make things clearer with the accurate but strangely perverse assertion that “Amtrak took on unusual importance right after the tragedy.” “Unusual” was

certainly a fitting description of its special role that day: Within hours of the attack, Amtrak had canceled all trains scheduled to leave Washington, D.C., as well as those of Amtrak-operated Virginia Railway Express, stranding more than 5,000 commuters in a city under terrorist attack.

According to press reports, the multitude of costly Amtrak bailout proposals led Office of Management and Budget Director Mitch Daniels to ask sarcastically, “Why not? The fences are down and everyone is running loose.”<sup>14</sup>

## LOBBYISTS PILE ON

Amtrak is not the only transportation industry to seek taxpayer money, by claiming that the request is for the good of the country. As the congressional focus shifted from helping victims of the attack—both real and feigned—to stimulating the economy, elected officials, trade associations, and unions also discovered an opportunity to loot the federal Treasury for their constituents.

Associated General Contractors joined state highway officials in urging Congress to support a proposal by Senator James Jeffords (I–VT) to spend an additional \$5 billion on highways. They identified 2,277 projects that could be started within 90 days.

Highway supporters claim that each billion dollars spent on roads would create 42,000 new jobs<sup>15</sup>—nearly twice the number of jobs that a teachers union promised would materialize by building new schools. In seeking an additional \$20 billion in federal spending on school construction, the National Education Association (NEA) argues that each billion dollars invested in school construction would create 24,000 jobs.<sup>16</sup>

Like the teachers union, the National Low Income Housing Coalition—which includes for-

12. Railroad Advancement and Infrastructure Law for the 21st Century (S.1530), 107th Cong., 1st Sess., October 1, 2001.

13. All references to NARP are derived from e-mail messages dated September 13 and September 25, 2001, and sent from NARP Executive Director Ross Capon to association members.

14. Alex Keto, “OMB’s Daniels: Quite Possible Govt to Run Deficit in FY 02,” Dow Jones Newswires, October 11, 2001.

15. “Survey Says 2,277 Highway Projects Ready; Waiting for Funds in Economic Stimulus,” *BNA Daily Report for Executives*, Bureau of National Affairs, October 22, 2001, p. A16.

16. National Education Association, “NEA President Bob Chase Remarks: News Conference on Economic Stimulus Package,” press release, October 24, 2001, at <http://nea.org/nr/nr011024.html>.

profit developers and builders as well as advocacy groups—is seeking billions in additional taxpayer money to stimulate the economy through subsidized construction. The group wants an extra \$5 billion allocated to the U.S. Department of Housing and Urban Development’s HOME program for housing construction and preservation.<sup>17</sup>

Amtrak and the road builders were not the only transportation industries seeking subsidies. Scheduled bus service initially received a boost from passengers whose flights had been canceled, yet the American Bus Association claimed that the “U.S. motorcoach industry is in the midst of an economic crisis.” Bus owners are asking Congress for a grant program, low-interest loans, tax credits, repeal of the federal fuel tax, and a new government program to promote tourism.<sup>18</sup>

Not to be outdone by the bus industry, some (but not all) car rental companies are seeking \$1.5 billion in federal assistance to offset their losses caused by reduced travel.<sup>19</sup> And Washington, D.C.’s subway system is asking Congress for \$190 million to boost security, including \$40 million for a back-up command center.<sup>20</sup>

Travel agents, too, want a sizeable amount of taxpayers’ money. The American Society of Travel Agents (ASTA) pompously declared that “Without travel agencies, the nation’s travel industry cannot function.” The ASTA is seeking \$4 billion in grants and no-interest loans.<sup>21</sup>

National security concerns are being used to help advance a \$171 billion farm subsidy bill that insiders thought would be defeated because of its budget-busting impact. As currently written, this legislation would spend \$74 billion more on farm-

ers than would be spent under existing law, even though farm income this year is expected to be at an all-time high.

Supporters of the bill contend that the “terrorist attacks have bolstered the argument that food production is a vital national interest.”<sup>22</sup> Apparently unaware that the attacks were confined to urbanized areas, trade associations representing the growers of more than 20 federally subsidized agriculture commodities wrote Congress on September 24 that “farmers, like other industries that Congress has helped since the terrorist attacks, are suffering economically.”<sup>23</sup>

Introduced in July as the Agriculture Act of 2001, the House bill was renamed the Farm Security Act of 2001 shortly after the September 11 attacks. The name change apparently convinced enough Members of the legislation’s sudden worth, because it was passed by a vote of more than two to one.

Included in the bill is a provision to provide \$3.5 billion in subsidies to the nation’s peanut farmers, who until now had never been included in the government’s crop price support programs. Representative Terry Everett (R-AL), who sponsored the peanut provision and, as a peanut farmer, could personally profit from the bill, told colleagues that “The bipartisan Farm Security Act provides a strong safety net... and strengthens America’s national security.”<sup>24</sup>

Whereas most lobbyists are seeking money, elected representatives from steel-producing states pander to America’s troubled steel industry by demanding further restrictions on imports of less costly foreign steel. In defending the urgency of

17. National Low Income Housing Coalition, “Memo to Members,” p. 1.

18. American Bus Association, “Motorcoach Industry Status Report,” September 21, 2001, at [http://www.buses.org/status\\_report.cfm](http://www.buses.org/status_report.cfm).

19. Micheline Maynard, “Some Rental Car Companies Lobby for U.S. to Back Loans,” *The New York Times*, October 5, 2001, p. C1.

20. “Metro Seeks \$190 Million to Boost Security,” Associated Press, October 15, 2001.

21. American Society of Travel Agents, “Travel Crisis News & Information—Call to Action: Push Congress for Federal Aid,” September 26, 2001, at [http://astanet.com/travel/information/info\\_write.asp](http://astanet.com/travel/information/info_write.asp).

22. “Farm Bill Rises Early in House But Plods Along in Senate,” *CQ Daily Monitor*, September 26, 2001, p. 13.

23. *Ibid.*

24. John Lancaster, “Federal Farm Subsidies Are Hardy Perennial,” *The Washington Post*, October 2, 2001, p. A6.

such restrictions after the attacks, one steel-state Senator said, “Without steel, we cannot guarantee our national security. Without steel, we cannot build from our tragedy.”<sup>25</sup>

How these objectives would be reached by policies that create shortages and raise prices was never explained; but that mystery is also probably behind Senator Jeffords’ economic stimulus effort to get Congress to reauthorize the Northeast Dairy Compact. Jeffords’ “compact” would re-create a dairy farmer cartel and impose higher milk prices on families living in New England and New York, even as unemployment soars.<sup>26</sup>

### **A LESSON IN GOOD GOVERNANCE**

Confronted by these and similar requests from the well-heeled and the well-off, one can only wonder how the same country that produced the New York City firemen and policemen could also produce some of the Members of the 107th Congress and lobbyists that swarm around the Capitol. In an earlier Heritage report on this issue, Members of Congress were urged to ask, before each disaster-related decision, “Am I serving my coun-

try as well as the New York firemen and policemen served their city?”<sup>27</sup>

Judging by how few of the irresponsible requests have made it into actual legislation, most elected officials have been inspired by the sacrifice of others. So too have other business groups that have withstood pressure to join the melee for whatever could be grabbed.

The trade association representing hotels and motels is one such organization; its response to the pressure is worthy of emulation. While some of its members wanted the association to seek a bailout, others demurred, and the American Hotel and Lodging Association stated, “While the lodging industry has been negatively impacted to a severe degree, [the industry] realizes that the country’s needs as a whole greatly outweigh the needs of any one specific industry. Right now the country needs patriots, not profiteers.”<sup>28</sup>

Hear, hear.

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25. “National Security Concerns Underscored in ITC Hearing on Steel Import Surges,” *BNA Daily Report for Executives*, Bureau of National Affairs, Inc., September 18, 2001, p. A-10.

26. “Baucus Delays Markup to Allow More Time for Changes to Economic Stimulus Proposal,” *BNA Daily Report for Executives*, Bureau of National Affairs, November 5, 2001, p. G5.

27. Utt, “Lobbyists Use Tragedy to Raid American Taxpayers.”

28. American Hotel and Lodging Association, “AH&LA Proposes Economic Stimulus Package for Lodging Industry,” October 5, 2001, at [http://www.ahla.com/government/view\\_advisory.asp?mstr=125](http://www.ahla.com/government/view_advisory.asp?mstr=125).