

Sample Pages from

Exploring Government

by Ray Notgrass

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Introduction

*We must consider that we shall be as a city upon a hill,
the eyes of all people are upon us.*

—John Winthrop,
from his sermon “A Model of Christian Charity,” given in 1630
to those who were about to establish the Massachusetts Bay colony

When Governor John Winthrop led his small band of settlers to the shores of America, he understood that the entire world would be watching the outcome of this experiment in the wilderness. As it has turned out, it was not just the people of that generation who watched. For almost four hundred years, the world has studied the American experiment in governing. In many ways it has been a source of inspiration for learning how humans can live together in a civil society in peace and harmony.

It is our purpose in *Exploring Government* to educate, to inspire, and sometimes to warn you concerning the governments of the United States, the individual states, and our local communities. Special emphasis is placed on the Biblical basis for government and on understanding the U.S. Constitution. We hope that you will come to understand the background, basis, and operation of American government on all levels. We hope that you will remain prayerful, thoughtful, informed, and involved with regard to government throughout your life. We also hope that you will be a better Christian and a better citizen as a result of studying this material.

The curriculum has three parts: *Exploring Government*, a 75-lesson text; *We Hold There Truths*, a volume of historic documents, essays, and speeches that are to be read in conjunction with the lessons; and an optional *Quiz and Exam Book* that has review questions over the lessons and readings, quizzes, and exams. By working through the entire curriculum, we believe that you will gain a good understanding of the purpose and function of government.

We include historical information on government before the founding of the United States in 1776 and the formulation of the Constitution in 1787. Our purpose in doing this is to help you understand not only what government does but why our government came to be the way it is and why it does what it does. Ideas and events have causes. The American system did not just appear, nor was it inevitable. We have to understand why in order to understand what and how. When you understand why things happen (1) you learn something; (2) you are better able to discuss the subject with others, some of whom may not share your assumptions; and (3) you will be better able to bring about changes that need to take place.

We need to make two distinctions to help you understand what we present in the curriculum. First, there is a difference between government and politics. Government is not the same as politics and elections, although governments are formed by the political process and people in government can be and often are very political in their actions. Politics involves the electoral process, political parties, and trying to persuade voters about candidates and issues. Government officials often make decisions based on the political impact that those decisions will have (that is, how popular they will be with voters), not on whether the decisions are the best ones to make. Government, on the other hand, involves defending the nation, building roads, operating schools, collecting taxes, and other activities. Since

politics and government are two different functions, this explains why sometimes politicians who win elections aren't good at governing and why the best government workers are not necessarily concerned about politics.

Second, we need to understand the difference between what is and what should be. The Bible sets forth what government should be. The U.S. Constitution, state constitutions, and local laws have established how things should operate in our country. However, centuries of history show us that government does not always do what it should do. For example, black Americans for many years did not have the equal protection under the law that is promised in the Constitution. What existed was not what should have existed. Also, the Federal government has in recent decades taken oversight of areas that were originally reserved to the states. It is not what should be, but it is nonetheless what is happening. When we describe what government does today, we do not mean to say that everything it does is right and what it should be doing. We try to point out discrepancies we see between what the founding documents say and what government actually does.

God, the Creator of government, has given us a wonderful system of government in our country. It has provided the most personal freedom and the best economic opportunity for the most people of any government in history, with the exception of the government that God gave to Israel in the Old Testament. Our government deserves our respect, our involvement, and our prayers.

At the same time, our governments (local, state, and national) have not always been the city upon a hill that they should have been. Sometimes what American governments have done has been embarrassing and wrong. Still, we have always been on the hill: able to be seen and judged by ourselves and by the citizens of the world. We should help our country to be an example of truth, love, righteousness, and compassion.

I want to express a special thanks to my daughter Mary Evelyn for her excellent graphic design of the cover and for her work in editing and laying out the text. I would also like to thank my daughter Bethany for her editing work. I appreciate my family's support, encouragement, and assistance for this project.

A note about capitalization: A friend who is an assistant district attorney taught me that the word Federal, when referring to the national government, should be capitalized. That has been our usage throughout this text. Capitalization of the word president is troublesome. Technically, it is to be capitalized when referring to a specific President and lower case when referring to the president in general. We have tried to follow this rule, but I offer my apologies for any inconsistencies.

Those of us who follow the Lord are citizens of the kingdom of God even as we live as citizens of the country in which He has placed us. God has already assured us that His kingdom will win in the end, regardless of the form that human governments take. May God bless us in doing good for His glory.

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How to Use This Curriculum

Exploring Government is designed as a one-semester high school course that provides a half-credit in Government. Each unit is intended to be studied for one week. With 75 lessons, the material can be completed in one semester even with field trips, testing days, and other activities.

What the student is to do each day and each week is clearly outlined. The Unit Introduction page gives a brief overview of the unit, the lessons in that unit, and a suggestion for an activity that is relevant to that unit. Most of these activities are writing ideas, but some take a different form. The activities are designed to help the student think about and interact with the ideas that he or she is studying. For the most part it will be best to do the activity toward the end of the unit.

The readings from the accompanying document book, *We Hold These Truths*, are assigned at the end of lessons, except that, when studying the Constitution, the student should read the relevant portion of that document before studying the lesson.

The optional *Quiz and Exam Book* provides review questions over the lessons and readings; a multiple-choice quiz at the end of each unit; and three short-answer exams, each of which covers five units. An answer key to all of these exercises is also included.

You should plan to allow one hour per day to complete a lesson, although using the *Quiz and Exam Book* and doing the activities might add a bit more time to that total.

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Article I— Congress (Part 1)

The Constitution begins by establishing Congress. The methods for choosing members of Congress have changed over the years. Congress has developed its own rules and traditions by which it operates. It is helpful to understand who the members of Congress are, what Congress does, and how it does it. The committee system and political party alignments are crucial to an understanding of how Congress works—and sometimes why it doesn't work.

Lessons in This Unit

Lesson 16—Election to the House of Representatives

Lesson 17—Choosing the Senate

Lesson 18—The Operations of Congress

Lesson 19—Who They Are and What They Do

Lesson 20—Committee and Political Party Organization

Activity Idea

Here is an opportunity for you to think about something you don't like about how our government operates and to express yourself on it in a positive way. Is it the role that money plays in American politics? The petty political wrangling that paralyzes meaningful action? The power that incumbents enjoy? Write a two- to three-page speech in which you outline the problem, tell how things ought to be, and suggest a practical way in which things can change. Imagine that you are to give this speech before a civic club, homeschool debate society, or some other organization.

If you are using the optional *Quiz and Exam Book*, answer the questions for each lesson after you have completed the lesson and read any assigned readings in *We Hold These Truths*. After you have completed Lesson 20, take the quiz for Unit 4.

Lesson 16 – Election to the House of Representatives

You can not possibly have a broader basis for any government than that which includes all the people, with all their rights in their hands, and with an equal power to maintain their rights.

–William Lloyd Garrison (1889)

(As you study the various parts of the Constitution over the next several units, read in *We Hold These Truths* the section of the Constitution being discussed in a lesson before you read the lesson itself. Read Sections 1 and 2 of Article I before you study this lesson.)

Article I, the first substantive section of the Constitution after the Preamble, is the longest section of the document. The framers expected Congress, as the part of government closest to and most representative of the people, to be the most important and most powerful part of the new national government. As a result, they felt that the duties, expectations, and limitations of Congress had to be outlined in great detail.

The Bicameral Congress

The Constitution vests the legislative or law-making power of the national government in Congress, which is made up of two bodies, the House of Representatives and the Senate. A legislative branch that is made up of two bodies or houses is called bicameral, from the Latin meaning two chambers.

Congress has two houses for several reasons. The first is tradition. The British Parliament and most colonial governments set the precedent by having two houses. Second, the House and Senate reflect the political realities of the early national period. The two bodies gave representation both to the people and to the states. Third, bicameralism enables the two bodies to act as a check on each other in the consideration of legislation. It is less likely that both houses will be swayed to impulsive action in the heat of the moment the way a single legislative body might be.

Only Pennsylvania and Georgia had unicameral (one-body) legislatures before the Constitution was adopted. Both instituted the two-house approach by 1790. Today Nebraska is the only state that has one legislative house.

The House of Representatives

The more numerous of the two houses of Congress is the House of Representatives. Its members are also called Congressmen. In the original Constitution, the House was the only element of the national government that was elected directly by the people. Everyone who qualified to vote for the most numerous branch of a state's legislature can vote for members of the House. This distinction was significant in the early days of the country, when voting rights were somewhat limited; but today almost everyone who is eighteen or older can vote in the United States. Voters are called electors in the Constitution.

To be elected as a member of the House, a person must be at least 25 years old and have been a citizen for seven years. The age provision is fairly young and probably reflects the relative youthfulness of the delegates to the Constitutional Convention. In actual practice, Congressmen in their twenties have been rare. A Representative does not have to have been born in the United States. He or she can be a naturalized citizen.

A Congressman must also be a resident of the state from which he or she is elected. At first, some states elected Congressmen on an at-large basis; that is, all the Representatives were elected by all the voters in the state. Other states divided their population into districts and elected Representatives by those districts. In 1842, Congress required that all states elect Congressmen by districts and gave state legislatures the responsibility for drawing district boundaries. The Constitution does not require a Representative to live in the district he or she represents. However, it would be difficult to convince voters that someone who does not live in their district really understands their situation and their problems.



Number of Members of the United States House of Representatives by State

Apportionment

Seats in the House of Representatives are assigned or apportioned on the basis of population. States with relatively more people have more Representatives. Originally, states were to have no more than one representative for every thirty thousand people. The Constitution set out the number of representatives for the thirteen original states and provided for a census to take place every ten years to determine any changes in representation. The first census took place in 1790, and a census has been taken every ten years since then. Changes on the basis of a census take effect in the Congressional elections two years later (for example, results from the 2000 census were reflected in Congressional elections beginning in 2002).

As the population of the country grew and new states were added, the number of Representatives in the House increased. The first Congress had 65 members. The first census increased that number to 106. By 1912, the House had grown to 435 members; and effective action with such a large group was becoming difficult. Congress was faced with the dilemma of either adding even more seats after the 1920 census or reapportioning the existing 435 seats, which would have meant that some Representatives from states growing more slowly would have lost their seats. Faced with the need for political courage, Congress took no action after the 1920 census. Finally, in 1929 (just before the 1930 census), Congress passed the Reapportionment Act. This law stated that the permanent size of the House would be 435 members and that those seats would be apportioned to the states as fairly as possible following each census.

When Alaska and Hawaii became states in 1959, each new state received one House seat. This temporarily increased the membership of the House to 437, but the regular 435 seats were reapportioned among the fifty states following the 1960 census for the 1962 election.

States set their own qualifications for voting. Most states have a requirement that a person be a resident of the state for a period of time, sometimes as little as thirty days. Voters usually have to register a few weeks before the election, but in some cases voters can register on election day. Voter registration requirements are attempts to prevent people from voting several times in different places. Convicted felons are generally not allowed to vote. Some states used to have requirements that a person own a certain amount of property, pay a certain amount in taxes during a year, pay a poll or voting tax, or be able to read in order to qualify to vote. These requirements were defended as reserving the vote to those who were responsible citizens. In actual practice, the poll tax and literacy test were used to deny black people the right to vote. These practices are now outlawed.

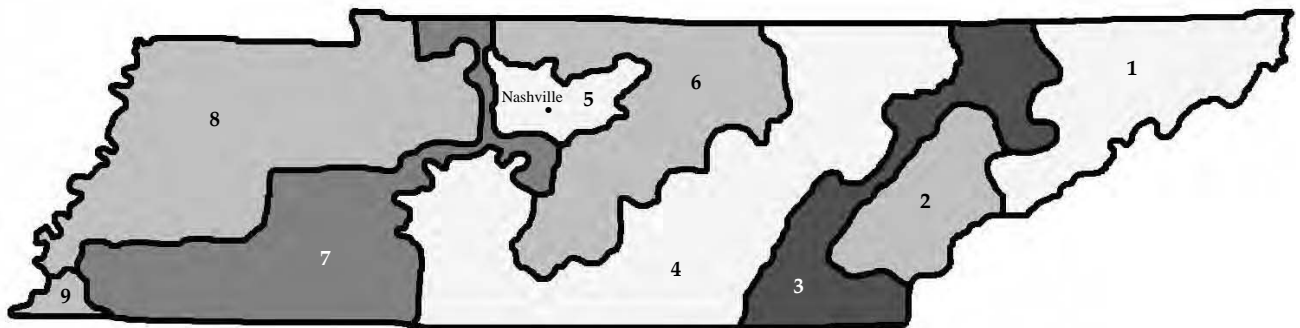


Ballot Boxes, 1927

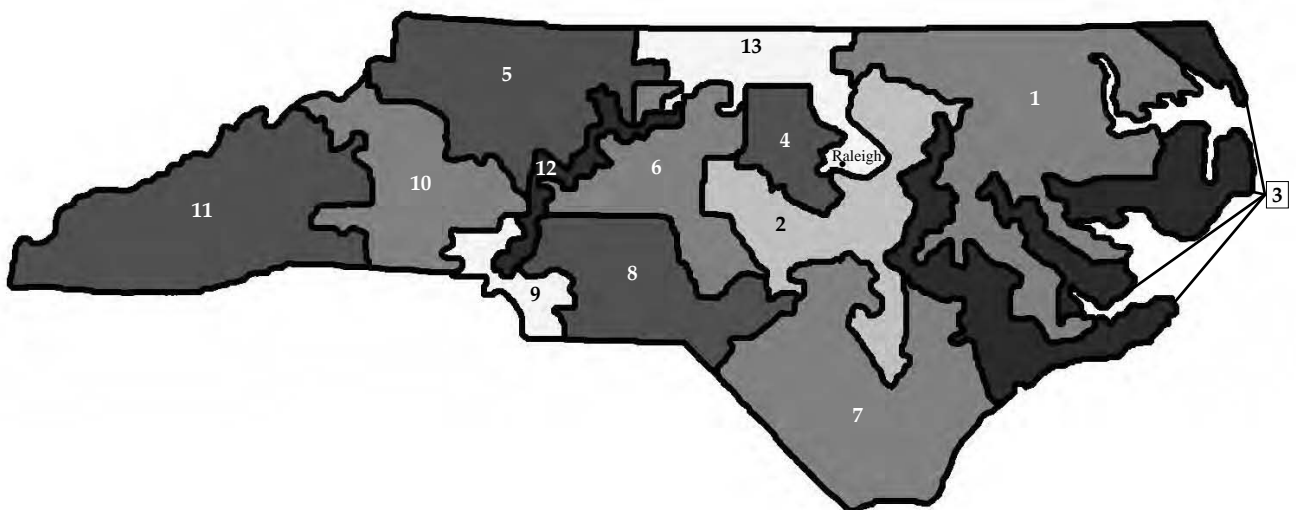
The 2000 census showed a U.S. population of 281,421,906 on April 1, 2000. This means that, ideally, each Congressman represented 646,946 people. However, each state is guaranteed one Representative, and the populations of the states do not divide out that evenly. Wyoming, the least populous state with a 2000 census of 493,782, had one Congressman. Delaware had 783,600 people, but it also had only one Representative. California had the most Congressmen with 53, meaning that the average district population there was 639,088. Michigan's Congressmen each represented an average of 662,563 people. Georgia's district average was 629,727.

The legislature of each state is where the real political battles occur over drawing congressional districts. Both Democratic and Republican parties in the states want to win majorities in the legislatures in census years, since the legislatures elected in those years oversee the redrawing of district lines for that state's Congressional seats. Reapportionment for seats in the state legislature happens at the same time. By law, Congressional districts must be contiguous (that means they cannot be separated into two or more areas that are not geographically connected); and they must have as even a population distribution as possible within the state. In theory, district lines would simply be drawn as fairly and equitably as possible; but politics is not always fair and equitable.

The majority party in the legislature wants to protect the Congressional and legislative seats held by its party. Thus, they might draw district lines in such a way that voters who might vote against their party are divided into several districts; or they might put as many friendly voters into the same district as possible. Consider the map of Tennessee’s Congressional districts, drawn by a Democrat-controlled legislature. Districts 1, 2, and 3 are considered safe Republican seats. To make the Fourth District more strongly Democratic, the legislature made the Third District a narrow band that stretches all the way from the Georgia border to the Kentucky border. The Fifth District includes Democrat-controlled Nashville and its largely rural (and Democratic) suburbs around it. The county to the south of Nashville, Williamson, has many Republican voters. By connecting suburban Williamson County to southern West Tennessee by means of a narrow strip, Nashville was kept safely Democratic. The Ninth District is urban Memphis, a traditionally Democratic seat, while the suburbs around Memphis are more Republican. Drawing the lines as they did, the legislature kept Republican voters out of the Ninth District and divided them between the Seventh and Eighth Districts, thus giving Democrats a better chance of winning in those districts.



Tennessee’s Congressional Districts



North Carolina’s Congressional Districts

In North Carolina, the Twelfth District snakes through the middle of the state to connect several urban, university-based, ethnically-mixed areas into a single district that will likely vote Democratic. This is an example of gerrymandering, or giving a Congressional district an odd shape for political purposes. The term is named for Massachusetts politician Elbridge Gerry. In 1812, with Republican Gerry as governor, the Republican Massachusetts

legislature drew an oddly-shaped state senatorial district that looked like a snake or serpent on the map. A political cartoonist added a head, wings, and claws to make it look like a dragon or salamander and called it a “Gerrymander.”

Groups of voters or representatives of the opposition party routinely challenge redistricting plans in court, but courts are generally reluctant to become embroiled in the political activities of legislatures unless an obvious violation of voting rights is involved. Even North Carolina’s Twelfth District has survived court challenges.

When a vacancy occurs in a House seat through death or resignation, the governor of that state calls a special election for the voters in that district to choose a new Congressman.

If the original standard of one Congressman for every thirty thousand people were still followed, the House would now have over 9,300 members!

*Now therefore, apportion this land for an inheritance to the nine tribes and the half-tribe of Manasseh.
Joshua 13:7*

Reading

- *Wesberry v. Sanders* (excerpt) (WHIT, p. 73)



Gerrymander Cartoon

Lesson 17 – Choosing the Senate

Although the Senate is much given to admiring in its members a superiority less obvious or quite invisible to outsiders, one Senator seldom proclaims his own inferiority to another, and still more seldom likes to be told of it.

Henry Adams, The Education of Henry Adams (1907)

(Read Section 3 of Article I and the Seventeenth Amendment of the U.S. Constitution.)

The United States Senate has sometimes been called the greatest deliberative body in the world. It is considered the upper or more prestigious house of Congress since it has fewer members than the House and since Senators serve for six years instead of two. It also is supposedly insulated from the whims of public opinion since Senators serve for six years and since only one-third of the Senate is chosen every two years. Although Senators represent individual states, they often speak as though they represent national interests and not just the interests of one state.

A person must be a little older to serve in the Senate than what is required to serve in the House. A Senator must be at least thirty years old and a citizen for nine years, as well as being a resident of the state he or she represents. Each state has two Senators, which gives less populous states the same power in the Senate as more populous states. Senators from less populous states have often been leaders in the Senate and have sometimes used their positions in that body to gain national prominence.

A Continuing Body

The Senate was established to be a continuing body, with only one-third of its members up for re-election every two years, as opposed to the House, where all 435 seats are contested every two years. This provides for greater continuity in the Senate than in the House.

When a Senate seat becomes vacant through death or resignation, the state governor appoints someone to fill the seat until the next Congressional election (except in Alaska, Massachusetts, and Oregon, where the governor no longer has this power). This appointed Senator is recognized as a full member of the Senate, but he or she is the most junior member of the body and has little power. Often the governor gives the appointment to a long-time public servant as a reward for his or her service. Usually the governor appoints someone from his or her own political party, even if the previous Senator had been from another party. It has occasionally happened that a governor has appointed himself to fill a Senate seat.

At the next Congressional election, candidates run to fill the remaining two or four years of the term. If the appointed Senator wants to run in the next election, he or she has at least some of the power and prestige of an incumbent. A state occasionally elects two Senators at the same time, if one Senator's six-year term is ending and the remainder of the other Senator's term is being filled in the same election. When a partial term is completed, the next campaign for that Senate seat is for the full six-year term.

Popular Election of Senators

In the original Constitution, Senators were chosen by state legislatures. This provision gave state governments a direct role in the formation of the national government and supposedly provided for more reasoned deliberation in the selection of Senators than if they had been chosen by popular vote. It also provided an inducement for state political leaders to support the ratification of the Constitution. As we have seen in this curriculum, state legislatures played an important role in the early national government.

However, during the nineteenth century support grew for the direct election of U.S. Senators by popular vote. Many people saw the direct election of Senators as a change that would be in keeping with the trend toward democracy. Moreover, state legislatures did not always handle well the responsibility of naming Senators. The continuation of state political battles, rather than the selection of the best person to be a U.S. Senator, sometimes became the main dynamic in a legislature. Occasionally, political wrangling in state legislatures caused Senate seats to remain unfilled for as long as two years (in Delaware around the turn of the twentieth century, a vacancy lasted four years).

One item in the Populist Movement agenda of the late nineteenth and early twentieth century was the direct election of Senators. The Populists maintained that the selection of Senators by state legislatures kept the process out of the hands of the people and left it in the hands of politicians, lobbyists, and special interest groups. State legislatures often proved themselves to be the protectors not of people's rights but of their own turf and privileges. Direct election of Senators, it was argued, would make the upper house of Congress more responsive to the people and less responsive to the intrigues of politicians.

In the years leading up to 1912, twenty-nine states adopted a form of popular election of Senators by holding primaries or referendums, the results of which were binding on state legislators. The Seventeenth Amendment to the U.S. Constitution, which provided for the direct election of Senators, was proposed many times but consistently defeated in the Senate. In 1912, however, the number of directly-elected Senators had increased to the point that the amendment was finally approved and sent to the states. The amendment was ratified in 1913 and took effect in the 1914 election.

It would be difficult to decide whether, on the whole, better Senators were chosen before or after the change. Good men as well as embarrassing men have been elected under each process. It is a certainty, however, that the direct election of Senators has lessened the influence of state legislatures in the national government.

Advice and Consent Role

According to Article II, Section 2 of the Constitution, the Senate has a special check-and-balance role with regard to certain actions of the president. The Senate must ratify by a two-thirds majority treaties that the president makes with other countries; otherwise the treaties do not apply to the United States. In addition, the Senate must give a simple majority approval to important appointments that the president makes: ambassadors, Federal judges, Supreme Court justices, heads of the executive departments (Cabinet members), and certain other appointments. This is called the advice and consent role of the Senate, after the phrase used in the Constitution.

The most controversial treaty consideration by the Senate involved the Treaty of Versailles that ended World War I. Democratic President Woodrow Wilson saw to it that the treaty included the creation of a League of Nations, a forerunner of the United Nations, as an

attempt to prevent such a terrible war from ever happening again. The Republican majority in the Senate, however, wanted to withdraw from involvement in world affairs and did not want the United States to be committed to taking part in a world organization. The Treaty of Versailles was defeated in the Senate, the United States never joined the League of Nations (which proved to be incapable of preventing World War II), and the United States concluded separate peace treaties with the nations against whom it had fought in World War I.

Generally the Senate approves those whom the president nominates, unless a nominee proves to be involved in a scandal or unless so many members of the Senate oppose a nominee for political reasons that approval is impossible. One issue that aroused a fair amount of controversy in the early years of the nation was whether the president could remove from office someone whom he had nominated and the Senate had confirmed. This issue arose during the presidency of Andrew Jackson, who fired a cabinet member that the Senate had approved. Jackson said that he had the right to get rid of those who served under him, while Jackson's political opponents said that the Senate's power to confirm also gave it the power to determine whether someone stayed on the job. The same issue was at the heart of the conflict between President Andrew Johnson and Congress over the Tenure of Office Act following the Civil War. In 1926, the Supreme Court in *Myers v. U.S.* declared the Tenure of Office Act to be unconstitutional and said that the president's right of removal was not subject to the Senate's approval.



Ballot Boxes in the Senate, 1929

The Constitution does give the president the power to make appointments during a recess of Congress (Article II, Section 2, Paragraph 3). These appointments can be made any time that Congress is in recess, even if that recess is only for a few days or weeks. The appointed person may serve until the end of the next session of Congress. During that time, the president can choose to submit that person's nomination to the Senate to hold the position permanently. This provision had more practical importance when Congress was not in session for long periods of time. Fifteen Supreme Court justices began their tenure as recess appointments. Recess appointments are politically risky for the president. They allow him to fill a post with someone he wants who might have a hard time winning confirmation by the Senate, but they tend to anger the opposition party in the Senate who might try to make confirmation more difficult.

*Upon hearing this, they entered into the temple
about daybreak and began to teach.
Now when the high priest and his associates came,
they called the Council together,
even all the Senate of the sons of Israel,
and sent orders to the prison house for them to be brought.
Acts 5:21*

Lesson 18—The Operations of Congress

A decent and manly examination of the acts of government should be not only tolerated, but encouraged.

—William Henry Harrison (1841)

(Read Sections 4, 5, and 6 of Article I and the Twentieth and Twenty-Seventh Amendments of the U.S. Constitution.)

The first three sections of Article I establish the Congress and tell who may be elected to each house. Each chamber is to organize itself, but only limited guidelines for this are given in the Constitution. We will discuss in later lessons how the House and Senate are organized as well as matters related to the process of impeachment.

Section 4: Elections and Sessions of Congress

The Constitution left the carrying out of elections in the hands of the states. The states already had a framework for conducting elections that could be expanded to include the choosing of Federal representatives; and the Congressmen and Senators were, after all, representatives from the states. The Constitution did give Congress the right to legislate on elections except on the subject of the place where Senators were chosen (namely, the state legislatures).

Congress was to meet at least once every year, with the sessions to begin on the first Monday in December. In the early years of the country, this led to a year or more passing after some elections before elected officials took office. Senators and Representatives who were elected in the fall of 1866, for instance, did not actually take office until December of 1867 (not



U.S. Capitol, c. 1871

all states held elections at the same time; some states conducted their elections in the odd-numbered years). This passage of time was acceptable when travel and communication were slow and when state elections took place at different times.

Over time, however, travel and communication became faster and state elections came to be held at the same time of year. The Twentieth Amendment, ratified in 1933, brought both the inauguration of the president and the convening of Congress up

to date. Instead of the president waiting until March 4 after his election to take office, the inauguration was moved up to January 20. The new Congress now convenes on January 3 following the election, instead of waiting over a year after the election.

Each Congress has two sessions, one for each of the two years in which it meets. The first session of the first Congress convened in 1789; the second session of the first Congress met in 1790. The first session of the 110th Congress began on January 4, 2007; the second session of the 110th Congress convened on January 3, 2008.

A session is adjourned when Congressional leaders decide that no further work can be accomplished. In the early days of the country, Congress met for only a few months out of the year and almost always was in recess during the hot days of summer in swampy, un-air-conditioned Washington. Today, Congress meets for almost the entire year but takes long breaks from time to time. In election years members of Congress try to be finished (or at least to be able to take a recess) in time for the fall campaign. Meetings of Congress that occur after an election and before the new Congress begins are called lame-duck sessions, since some of the members will be retiring or have been defeated in the elections.

The Constitution allows for the president to adjourn Congress and to call it into special session in extraordinary circumstances (Article II, Section 3). Since Congress is now almost always in session, special sessions are rare. No president has ever adjourned Congress. Presidents have sometimes called the Senate into special session to consider pending treaties or appointments.

Section 5: Proceedings

Each house of Congress is given the right to judge the fitness of its own members. The House does not sit in judgment on the Senate, nor vice versa, nor do the president or the Supreme Court have the right to question who sits in Congress. The positive side of this rule is that neither the House nor the Senate

have to bow to the wishes of any other branch of government on who its members are. The negative side is that the members of each body are extremely reluctant to question the fitness of fellow Congressmen or Senators. If the members of one party go after a member of another party and call for his expulsion, the same process might come down on one of their own at some later time. Only with a two-thirds majority can a body expel one of its members. In other words, there must be clear and convincing evidence of the need to expel a member.

Each house must have a majority of members present to conduct business. This is called a quorum, the number needed to take official action. The quorum requirement prevents a small group from meeting to do something that the majority would not want to do. However, the minority has rights too. It can compel members to come to the chamber for business to be conducted. This is known as a quorum call. The right to call a quorum enables the minority to compel at least the possibility of taking action that it sees as necessary, if the majority is trying to avoid doing so.

Neither house may adjourn for more than three days during a session without the consent of the other. This keeps one body from paralyzing the work of Congress by simply refusing to meet. In actual practice, the leaders of both houses work together to determine



U.S. House of Representatives Chamber

the length of the sessions, when Congress will recess for vacations, and when the House and Senate will adjourn to end a session. The House and Senate may not decide to meet in a location other than where both have agreed to meet. This again prevents one body from meeting secretly or pulling away to disrupt business. These provisions have prevented the shenanigans that sometimes occur in the legislatures of other countries.

Each house is to keep a journal of its proceedings and must publish the journal on a regular basis. This is the origin of the *Congressional Record*, which helps the American people keep up with the work of Congress and the speeches and debates in Congress. However, the *Congressional Record* has now ballooned to such an extent that the average citizen can hardly keep up with what Congress does. The House and the Senate allow members to revise their speeches before they appear in the *Record* and to include material in the *Record* that has never been spoken on the floor of either chamber. Members can simply insert into the *Record* what they want to have published under their names.

If you have ever watched the proceedings of Congress on C-SPAN or visited the Capitol while Congress was in session, you will have noticed that much time is spent with few members actually present on the floor of the House and Senate. Members can make speeches from the floor that will go on the public record, but the other members don't have to listen to them.

Section 6 (Part One): Salary

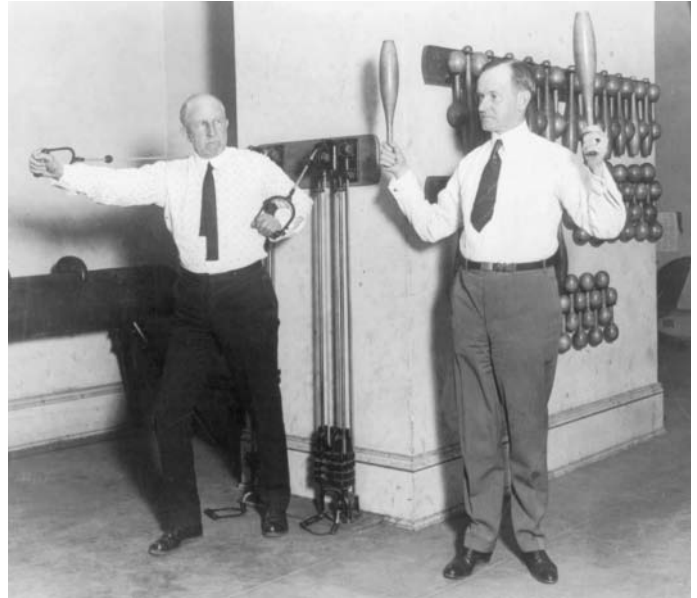
Members of Congress receive a salary and the payment of expenses from the United States Treasury. Under the Articles of Confederation, the states paid their own representatives in Congress. At first, members of Congress received \$6.00 per day while Congress was in session. In 1815, the pay was increased to \$1,500 per year. As of 2006, the salary for a member of Congress was \$158,100 per year. The majority leader and minority leader in each house was paid \$175,600, while the Speaker of the House received \$203,000. A cost of living adjustment is made each year unless Congress votes not to accept it. These are good salaries, but salary is not by any means the entire picture of the financial benefits that accrue to a member of Congress.

Each member of Congress receives an allotment of about \$1 million per year to hire staff workers, pay for office expenses in Washington and in their home district or state, and pay for other expenses related to their roles. Included in the expense account is the mail or franking privilege, which allows Congressional mail to be sent at government expense. In addition to regular correspondence and responses to constituent requests, the franking privilege allows for what are called informative mailings from members of Congress to addresses in their districts. These mailings inform residents (i.e., voters) about what a Senator or Congressman has accomplished. You might especially notice these as election time draws near; it's one of the perks of an incumbent. In all fairness, we should note that purely political campaign mailings must be paid for by campaign contributions.

Congress employs thousands of staff personnel. Members of the House have a total of over seven thousand staff members, while Senators hire over four thousand. Another twelve hundred workers are staff for the standing House committees, and about seven hundred more people work for the standing Senate committees. The political leaders (Speaker, majority and minority leaders, and so forth) in the House and Senate have even more staff available to them. These staff members do not include security and maintenance personnel, Library of Congress employees, and others whose work directly relates to Congress.

In addition, members of Congress receive health insurance coverage and participate in the Federal Employees Retirement System. If someone serves in Congress for at least five years, he or she is eligible to receive a pension. Members can receive a pension beginning at age 50 if they have twenty years of service, or at any age after twenty-five years of service, or after the age of 62 regardless of his length of service. The pension is based on years of service and the highest three years of salary. The starting pension cannot be more than 80% of the retiree's final salary. In 2004, 413 retired members of Congress were receiving government pensions based at least in part on service in Congress (some had held other positions in the Federal government as well). These pensions averaged about \$3,900 per month each.

Members of Congress may earn up to fifteen percent of their salary from outside sources, such as speaking fees and legal fees; and they have no limit on what they can make from book royalties. Senators and Congressmen also enjoy many unofficial financial benefits from contributors, lobbyists, and special interest groups that want to influence how he or she votes. Congress has passed laws that eliminate blatant bribery, but the laws also carefully allow certain benefits (such as a company or contributor paying for a vacation as long as it is disclosed). Some former members of Congress work for Washington lobbying or consulting groups after their tenure in Congress and do quite well financially.



*House Speaker Gillett and Vice President Coolidge
Exercising in the House Gym, 1923*

The 27th Amendment to the Constitution, first proposed in 1789 and finally ratified in 1992, says that a pay raise passed by Congress (a "law varying the compensation for the services of the Senators and Representatives") cannot go into effect until a Congressional election has taken place. The amendment was an attempt to prevent a sitting Congress from giving itself a pay increase. The automatic cost of living increases that Congress receives every year (enacted by Congress a few years ago) have been challenged in Federal court as a violation of this amendment, but Federal courts have held that such adjustments are not new salary laws and therefore do not violate the amendment. Of course, it should be noted that Congress sets the salaries for Federal judges; and pensions for retired Federal judges are based on the pensions for retired members of Congress.

Section 6 (Part Two): Immunity and Limitations

History tells of many times when kings had their political opponents arrested and executed. The framers wanted to protect members of Congress from this kind of political intimidation. As a result, Senators and Representatives cannot be arrested while attending a session of Congress or while going to or returning from such sessions, except if the charge is treason, felony, or breach of the peace. In addition, they cannot be made to face any criminal charges for anything they say in any speech or debate in Congress. This results in

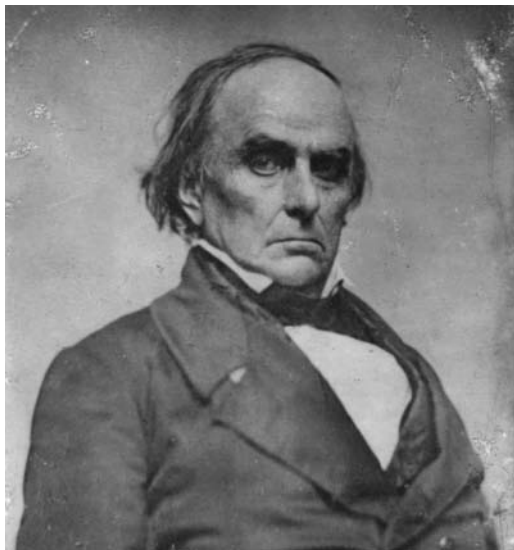
some outrageous statements, accusations, and outright lies being expressed on the floor of Congress with complete impunity.

A Senator or Representative while in office may not hold an appointed government position that was created or the pay for which was increased while he or she was in office. This prevents a member of Congress from helping to create a position or increasing the pay of a position and then filling that position. Likewise, no civil servant may serve as a Congressman or Senator. In the British Parliamentary system of government, ministers in the Cabinet are members of Parliament; but in the United States the branches of government are kept more separate.

It is not unusual, however, for a former member of Congress to be appointed by the president to a post in the executive branch. Bill Brock, for instance, was a Republican U.S. Congressman and Senator in the 1960s and 1970s. He later served as Secretary of Labor and then as

U.S. Trade Representative in the Reagan Administration. Democratic Senator Jim Sasser was named Ambassador to China by President Clinton after Sasser was defeated for re-election.

For many years, Congress exempted itself from some of the laws that it passed. For instance, members of Congress were not part of the Social Security system until 1984. They participated in the Civil Service Retirement System, which was started fifteen years before Social Security began. In addition, members of Congress were not subject to civil rights laws in the hiring of their office staff. When Republicans regained control of Congress in 1994 after forty years of one or both houses having Democratic majorities, the first law passed by the new Congress in 1995 made Congress subject to the same laws that it enacts for the American people.



Daniel Webster

These rules about what members of Congress may and may not do have been more carefully defined in recent years. In the past, the regulations were not so sharply drawn. Daniel Webster, for instance, while serving in Congress, argued cases before the Supreme Court as a private attorney. In addition, he also was for several years retained with pay as an attorney for the Bank of the United States. His role with the Bank came as the result of his support for the Bank and his national prominence. His income from the Bank (not to mention several favorable loans he received from the Bank) no doubt influenced his continued support of the Bank in Congress. Neither of these roles that Webster held actually violated the terms of this section of the Constitution, but the possibility for conflict of interest in such a situation is obvious.

*He who profits illicitly troubles his own house,
but he who hates bribes will live.*

Proverbs 15:27

Lesson 19—Who They Are and What They Do

Government is too big and too important to be left to the politicians.

—Chester Bowles (Twentieth century American diplomat & economist)

Members of Congress are not a cross-section of the American public in terms of race, gender, and wealth. Of course, the Constitution does not say that they have to be. Leaders are often the exception to the norm. By and large, Senators and Representatives are people who can afford long and expensive campaigns and who have accomplished a great deal in the legal, business, and political fields.

Statistics About the Members

The average Congressman is about 55 years old. The average Senator is about 60. Both of these averages are many years older than the minimum age requirements in the Constitution. This average age has increased in recent years, which perhaps is an indication that members of Congress are serving longer in office and that candidates are older when first elected to serve.

Of the 435 Representatives in the 109th Congress (which began in 2005), 65 were women; and of the 100 Senators, 14 were women. These numbers were the highest in history. About two-thirds of the women were Democrats, one-third Republican.

The 535 members of the House and Senate included 55 African-Americans, 25 Hispanics, five Asian-Americans, one Native American and one Asian-Indian. Just over half of the members of Congress listed their religious preference as Protestant Christian. About a third were Roman Catholic. There were 35 Jews and 15 Mormons in the 109th Congress. About half of the members of Congress were lawyers. One-third of the Senators listed their profession as businessman. In a recent Congress, about seventy Representatives and thirty Senators were millionaires, some of them multi-millionaires. It is highly unusual for a salaried or wage-earning man or woman to be elected to Congress. They usually don't have the time or money to conduct a campaign that can last for as long as a year. In a contested House race, the incumbent might spend \$2 million and the challenger \$1 million. The cost of Senate campaigns often runs into the multiple millions of dollars.



Redecorating the U.S. Senate Chamber, 1925

Most members have held elective office prior to being chosen to serve in Congress. Many Senators used to be Representatives, many Representatives used to be in state legislatures, and so forth.

Incumbency and Length of Service

Congress usually sees little turnover in its membership. The rule of thumb is that incumbents, those who are already in office and are seeking re-election, almost always win. Over the years, about 90% or more of incumbents have been re-elected. In 1996, for example, 361 of 384 House incumbents won re-election, and 19 of 21 Senators were re-elected.

Most House districts and Senate seats are considered safe for one party or the other. In a safe seat, the incumbent often has no or only token opposition because the opposition party does not want to waste its resources on what it sees as a hopeless cause. Even when an incumbent retires from a safe seat, someone from his or her party usually wins the next election. The drama that unfolds on election night concerning which party will control Congress usually centers on a relatively few races. A change in the party that holds a House or Senate seat often occurs (1) when a Congressman or Senator retires, creating what is called an open seat, (2) if a controversy has weakened the popularity of an incumbent, (3) if one political party targets a seat for defeat, or (4) if a presidential candidate enjoys a landslide victory and carries his party's Congressional candidates along on his coattails.

In the 106th Congress (1999-2001), only 41 or about ten percent of Representatives were freshmen (in their first term). Over half (236) had served between two and nine years, 104 had served between ten and nineteen years, 46 had served over twenty years, and seven

Term Limits

One issue that has received a fair amount of discussion is whether members of Congress should have term limits, a maximum number of terms or years that they can serve. The offices of President and state governors have term limits; but of course, it is the legislative bodies (not the executives) who propose term limits, usually in the form of constitutional amendments. Legislators are not likely to vote themselves out of a job.

The arguments in favor of term limits include the fact that incumbents have a great advantage over challengers in elections in terms of name recognition and in terms of what they can do and what they can promise to do for voters. This helps to make a real contest between an incumbent and a challenger quite rare. In addition, incumbents can become more concerned about taking care of themselves and their power than about doing what is best for the people. Long-term service seems to be a far cry from the citizen-representative ideal of everyday people serving only a few years, doing what they believe is genuinely best for the populace as a whole, and not building a personal power base for themselves.

Against the idea of term limits is the argument that voters should have enough sense and enough freedom to elect whom they want. If they want to re-elect the same person campaign after campaign, they should be able to do so. Previously holding an office should not be a disqualification for holding that office. In addition, representatives with long tenure have the seniority within the system to be given important positions and to get things done. All else being equal, an elected official who has been in office for a long time in the current system can do more for his home state or home district than a freshman can.

Perhaps the most convincing argument against imposing term limits is that we already have term limits. They are called elections. Every term of every elected office has a limit to it, and the person who holds that office has to run again or retire from it. The best solution to problems in the system is for the populace to stay informed and involved and to support good candidates.

had served for over thirty years. In the Senate, eight had served less than two years, 39 had been in the Senate between two and nine years, 33 had held their seats for ten to nineteen years, fourteen had served from 20 to 29 years, and six had served for over thirty years.

What Representatives and Senators Do

Senators and Congressmen represent their constituents in Congress and in the operation of the Federal government. This involves speaking and voting in official sessions, but it also means being an advocate in the Federal bureaucracy when a constituent has a need or a problem.

The most obvious work that a Senator or Congressman does involves considering and voting on legislation that comes before them on the chamber floor, but that is by far not all that they do. Much of their time is spent in committee work: attending hearings and considering research for bills that are before their committees. They also have informal discussions with their staff and with other members of their chamber (especially those of the same party) as they consider the merits of legislation and suggest changes. Members of Congress want to make sure that their districts are included when expenditures are planned in the Federal budget, so they or their staff will take time to talk with sponsors of legislation or members of the appropriations committees. They also meet with lobbyists who want to influence how he or she votes on a particular piece of legislation.



Members of the U.S. House of Representatives, c. 1920

Contact with their constituents is an important part of the work of a Senator or Representative. The offices of Representatives and Senators receive thousands of letters, phone calls, and emails every week from the folks back home. Some give praise while others offer criticism or ask questions. Often a constituent will seek help from his Congressman or Senator about a problem involving a Federal agency. Perhaps a Social Security payment has not been received, or someone needs help with an application for a loan from the Small Business Administration, for example. Congressional offices can provide passes to the visitor galleries if a constituent is planning a visit to Washington. Many times this correspondence is handled by the staff. The percentage of people who care enough about issues to write their representatives is very small; and these genuine, individualized letters do have an impact (probably even more than e-mail).

It is good to know who your Senators and Congressman are. Make a note of their names, party affiliation, phone numbers, mailing addresses, and websites.

Always in the back of a member's mind is the next election. Members of Congress have to be involved in fund-raising; making calls and sending letters to stay in touch with

party workers back home; developing publicity for newspapers, mailouts, and their websites; and meeting with visiting groups. A considerable amount of time can be spent in traveling between the home state and Washington.

Members sometimes go on international trips (called junkets) to meet with foreign political leaders, visit troops stationed at overseas bases, or engage in fact-finding work regarding trade, immigration, or other topics. These trips are regulated

as to length and cost, but Congressmen can extend their trip at their own expense. If several members travel together, it is called a congressional delegation trip. Some travel by members can be paid for by private companies. For example, if a company wants to build a factory in another country, it can pay for a trip by the relevant committee chairmen in Congress to get their support if any regulations or treaties will be needed.



Senate Page Boys at School, c. 1920

*A good name is to be more desired than great wealth,
favor is better than silver and gold.
Proverbs 22:1*

Reading

- “On a Visit to the Senate When He Was Twelve” from *The Education of Henry Adams* by Henry Adams (WHIT, p. 99)



Washington Monument

A visit to Washington, D.C. is a wonderful experience. Historic sites and historic monuments are everywhere, and you can learn a great deal about the operation of your Federal government. In addition to being able to get passes to visit the galleries of the House and Senate, you might be able to attend a committee hearing. It is best to contact the Representative's office several weeks in advance. Members want to be available to constituents who visit Washington, so you might even be able to arrange a brief visit with your Senator or Congressman.

Lesson 20—Committee and Political Party Organization

Anyone who is unfamiliar with what Congress actually does and how it does it, with all its duties and all its occupations, with all its devices of management and resources of power, is very far from a knowledge of the constitutional system under which we live.

– Woodrow Wilson, *Congressional Government* (1885)

Two realities, neither of which are mentioned in the Constitution, have a profound influence on the way Congress operates. These realities are political parties and the Congressional committee system.

The House chooses its Speaker or chairman along with its other officers. The vice president of the United States is the president or chairman of the Senate, and the Senate chooses a president pro tempore and other officers. Nothing in the Constitution suggests that these positions of leadership are to be political prizes, but that is what they quickly became and what they remain today. In fact, many of the Founding Fathers feared the influence of what they called factions, or groups that align themselves together to promote a certain candidate or agenda. Today we call those factions political parties.

The Party Spirit

Party alignment developed in the earliest days of the government. Representatives and Senators who favored a strong central government tended to combine themselves around leaders such as John Adams and Alexander Hamilton and were called Federalists. Those who favored strictly limiting the power of the central government and who promoted the power of the states gathered around Thomas Jefferson and came to be known as Republicans. The Federalists began to lose power after Thomas Jefferson became President in 1801, and the party eventually faded away. As the idea of democracy became more acceptable, the Republicans came to be called Democratic Republicans and finally, by the time of Andrew Jackson, Democrats. For a time it was the only major party, but factions within the party still allowed for plenty of political competition.

Opponents of Jackson came together as the Whig party in the 1830s. The Democrats generally favored protection of slavery in the states and wanted to have the freedom to expand slavery into the territories, while the Whigs were against the expansion of slavery outside of the states where it already existed. In the 1850s the Whig Party fell apart and a new party, the Republicans, was formed that took a harder stance against the expansion of slavery. From just before the Civil War until today, the two major political parties in the United States have been the Republicans and the Democrats. Minor parties have occasionally emerged, and



Political Cartoon Showing a Democratic Donkey and a Republican Elephant

several exist today, including the Constitution Party, Green Party, and Libertarian Party; but they have not as yet been able to challenge the power of the two main parties.



In 2007 Nancy Pelosi became the first female to serve as Speaker of the House.

The Speaker of the House

The Speaker is the most powerful member of the House. Since the Representatives generally vote along party lines, the majority party in the House is able to name the Speaker. The Speaker presides and maintains order during House sessions, but on a practical basis the Speaker often does not use his or her time this way. This role is frequently filled by a temporary chairman who is also chosen by the House. Most of the Speaker's important work is done behind the scenes. The Speaker decides which committees consider bills that are proposed, and he or she has a major influence on which bills come to the floor for a vote.

The Speaker can vote on all matters that come before the House, but to participate in debate he must appoint a temporary chairman to take his place. The Constitution makes no other provision for organization in the House.

President of the Senate

The vice president of the United States is the president of the Senate. In his absence, the president pro tempore (from the Latin meaning *for a time*) presides. Since the vice president is not a member of the Senate, he cannot vote except to break a tie.

In practical terms, the vice president rarely presides over meetings of the Senate. John Adams regularly served as chairman of meetings in the first Senate while he was Vice President, but today the vice president has many more pressing (and many more politically valuable) obligations to perform. The routine sessions of the Senate, like those in the House, are usually not that electrifying or pivotal. The vice president will preside if a close vote is expected or in other extraordinary circumstances.

The Role of Parties in Congress

Party alignment has come to be the way the House and Senate are organized and how legislation is considered. The Speaker is the leading member of the majority party in the House. In addition, each party has a leader (called the majority leader and the minority leader) and assistant leaders (called majority and minority whips) in both the House and in the Senate. These leaders determine what bills will come to the floor for consideration, and then they try to influence the members of their respective parties to vote in a particular way when those bills come up.

The party's plans are discussed at a meeting of the party's members in a given chamber, which is called a caucus (House Democratic Caucus, Senate Republican Caucus, and so forth).

To encourage members to vote the party line, party leaders might appeal to party principles (or to the dire consequences of the opposition's success), or they might offer to see about funding a program for a Congressman's district, or they could agree to appoint a Senator or Representative to a particular committee in exchange for his vote. If a member decides not to vote the way that the majority of his party votes, he or she might be overlooked when funding for programs is planned or when a committee position becomes vacant.

The Committee System

Much of the work of the Senate and the House takes place in committees. Committees study bills that are introduced, conduct investigations that might lead to new legislation, and hear testimony from Administration officials and other experts regarding matters of interest. Each standing or permanent committee and its subcommittees has a subject area on which it works, such as trade, immigration, crime, or homeland security. Sometimes a bill might be examined by more than one committee.

<p style="text-align: center;">Standing Committees of the Senate</p> <p>Agriculture, Nutrition, and Forestry Appropriations Armed Services Banking, Housing, and Urban Affairs Budget Commerce, Science, and Transportation Energy and Natural Resources Environment and Public Works Finance Foreign Relations Health, Education, Labor, and Pensions Homeland Security and Government Affairs Judiciary Rules and Administration Small Business and Entrepreneurship Veterans Affairs</p> <p style="text-align: center;">Special, Select, and Other Senate Committees</p> <p>Indian Affairs Select Committee on Ethics Select Committee on Intelligence Select Committee on Aging</p>	<p style="text-align: center;">Standing Committees of the House of Representatives</p> <p>Agriculture Appropriations Armed Services Budget Education and the Workforce Energy and Commerce Financial Services Government Reform Homeland Security House Administration International Relations Judiciary Resources (Natural Resources and Environment) Rules Science Small Business Standards of Official Conduct Transportation and Infrastructure Veterans Affairs Ways and Means Permanent Select Committee on Intelligence</p>
<p>Joint Committees (with members from both the House and Senate)</p> <p>Joint Committee on Printing Joint Committee on Taxation</p> <p>Joint Committee on the Library of Congress Joint Economic Committee</p>	

Members of Congress want to be appointed to committees that have special relevance to their home districts and states. Many Midwestern Congressmen, for instance, want to serve on the Agricultural Committees. Representatives from Florida, Texas, and California might want to be named to committees that deal with immigration policy.

A few committees are considered the most prestigious. The Armed Services Committees in both houses work on military policy. The Senate Judiciary Committee, among other tasks, considers nominations for Federal judgeships. The House Ways and Means Committee handles revenue and spending legislation and serves as a steering committee for much of the legislation that comes before the House. The role of chairman of a committee usually goes to the member of the majority party who has served the longest on that committee.



House Judiciary Subcommittee Hearing, 1974

The committee system is one way in which the majority party exercises great power in the House and Senate. The majority party chooses all of the committee chairmen and a majority of committee members. Obviously, legislation that the majority party supports will be what is actively considered. Each committee also has what is called a ranking member, who is the committee's longest-serving member from the minority party.

In the next unit we will see how bills that are introduced in Congress make their way through a set process in order to become law. We will also see the role that committees and political parties play in passing and defeating proposed legislation.

*And there occurred a great uproar;
and some of the scribes of the Pharisaic party stood up
and began to argue heatedly, saying,
“We find nothing wrong with this man;
suppose a spirit or an angel has spoken to him?”
Acts 23:9*

Reading

- “The House of Representatives” from *Congressional Government* by Woodrow Wilson (WHTT, p. 101)

12

Taxing and Spending

This unit considers government and money: how government gets money and how government spends it. We look at the budget process, typical government expenditures, sources of revenue for government, and what government tax policies can and should do.

Lessons in This Unit

- Lesson 56—Government Budgets
- Lesson 57—Sample Government Budgets
- Lesson 58—Sources of Federal Revenue
- Lesson 59—State and Local Taxes
- Lesson 60—Tax Policy Issues

Activity Idea

Should property ownership play any role in who has a voice in government? In the early days of the republic, voting rights and qualifications for holding office were based on property ownership. It was believed that those who owned property had a vested interest in doing what was best for society and that only they were responsible enough to be trusted with the right to vote and to hold office. Those who did not own property could be too immature or too irresponsible to have an interest in the well-being of society. Daniel Webster warned that if non-propertied citizens could vote, they might think that they ought to get a share of what the propertied people had and might vote accordingly. Is there any truth to this idea? How might this principle of responsibility in government be maintained when the only significant requirement for voting is that a person be eighteen years old? Write a two-page response.

If you are using the optional *Quiz and Exam Book*, answer the questions for each lesson after you have completed the lesson and read any assigned readings in *We Hold These Truths*. After you have completed Lesson 60, take the quiz for Unit 12.

Lesson 56—Government Budgets

Republics are created by the virtue, public spirit, and intelligence of the citizens. They fall, when the wise are banished from the public councils, because they dare to be honest, and the profligate are rewarded, because they flatter the people, in order to betray them.
—Supreme Court Justice Joseph Story (1833)

Budgets, Income, and Expenses

A budget is a plan of income and expenses, usually for a year's time. Responsible families plan their income and expenses. If an individual family's expenses exceed their income, they have to borrow money, find other sources of income, or reduce their spending.

A government budget is in many ways the same as a family budget. Every government entity, from the smallest agency to the entire Federal government, operates on the basis of a budget. The government tries to anticipate the revenues it expects to receive in the coming year. It also makes an estimate of the expenses it will have for salaries, equipment, and programs. Generally speaking, a government, like a family, should try to make its expenses about equal to its revenues. If revenues far exceed expenditures, the government is collecting too much money that could be staying in the pockets of its citizens. If expenses far exceed revenue, the government is spending beyond its means and should reassess its priorities to bring expenses in line with revenue or find additional sources of revenue.

A family has necessary expenses and discretionary or optional expenses. Most families find it necessary to spend money to provide housing, utilities, food, clothes, and medical care. Examples of optional expenses might include a new car, a vacation, or a new computer. Admittedly, sometimes the line between necessary and optional is hard to determine. If the old family car is constantly breaking down, buying a newer car might be the wiser choice. Internet service can be seen as optional; but if the family operates an Internet business, then Internet service is essential for what the family wants to do. This illustrates how family priorities are reflected in the family budget.

A government makes choices about how it spends its revenue. Spending for defense is the most essential expense, since without a defense budget the country might cease to exist. Law enforcement is essential for state and local governments, since a society must have peace and order to be able to function. Many Federal programs involve what is called mandatory spending because the government chose at some point to guarantee that those programs would be available. This is a choice or a priority that government makes which is reflected in its budget. The government also has discretionary expenses, meaning budget priorities that are not mandated by law but are reconsidered to some extent every year, at least in terms of how much money will be allocated for those programs.

Many people want the government to spend money on them or on their favorite projects; and since government does not have unlimited revenue, government decision-makers have to decide which ones it will approve. This too is like what a family experiences. A family receives advertisements from companies that want to sell them things and requests from people or groups who want the family to donate to them. The family has to decide what they can and want to do. In the same way, governments receive hundreds of requests each

year, from day care centers, schools, universities, the military, the space program, farmers, veterans, the poor, the elderly—and the list goes on and on. Elected government officials often sincerely believe that the government should spend money on what they believe to be high and valid priorities. At the same time, these office holders also usually want to be re-elected; and so they do not want to tell people, “The government cannot or should not pay for your request. You will have to find another source of money or do without.” Government programs are often enacted so that elected officials can say to the voters, “See what I did for you? This is why you should re-elect me.”

However, the government cannot say yes to every request for funding without exceeding its revenues. When a family spends more than it receives, it experiences a deficit and has to borrow money. The amount that a family owes is called debt. When a deficit occurs month after month, the debt grows. The family has to develop a plan to pay off the debt, which might include generating more income and/or cutting expenses. If the family does not do this, it will be overcome by debt. More and more of the family’s income will have to be allocated to paying off the debt, which usually involves paying interest on the debt. In the worst case scenario, the family is unable to pay its debts and must declare bankruptcy. It must then go through a process to decide what debts can be canceled or reduced and what long-term plan will enable them to pay off the remaining debts. Those to whom the family owes money may receive less than the amount they have loaned the family. These creditors will want to regain what they have lost by forcing the family to sell off some assets, such as a car or other valuables. Another way that a creditor might compensate for his loss is by increasing interest charges to other debtors.

Government finds it difficult to say no to requests or perceived needs. As a result, it is easy for a government to go into debt. It is possible for cities, states, and countries to default on indebtedness and go bankrupt; but this is an extreme case. What is more likely is that the government will try to raise taxes or borrow money. If it borrows a great deal of money, its budget can become increasingly dominated by payments on the debt. Either way, the economy of the state or nation becomes increasingly influenced by the demands made by the government for more revenue.

Department or agency budgets are estimates of what they think they will need in the coming year. Sometimes the agency does not spend as much as it had anticipated before the budget year started. However, government agencies want to spend all of what has been appropriated for them this year lest they lose some of their appropriation next year. This means that government workers sometimes look around for something to buy or a conference to attend—even though they don’t strictly need it—just so they will spend all of their appropriation.

The Budget Process

The process for developing and adopting a budget by a government is roughly the same whether it is the local, state, or Federal government. First, the various executive departments and agencies prepare their estimates for expenses for the coming year. Many times this will include what the department sees as a minimum essential budget as well as a wish list for what the department would like to have. Second, the estimates are collected and reviewed by a central budget office. This office compares desired expenditures with expected revenues and comes up with a final budget proposal. Third, the executive (the president, governor, county executive, mayor, or city manager) presents the budget to the legislative body (Congress, legislature, county commission, or city council). The president submits his budget proposal to Congress in February, and most other governmental budgets

are also submitted in the spring for the upcoming fiscal year. The Federal budget year or fiscal year runs from October 1 of one calendar year to September 30 of the following year. Some states and localities use a July 1 to June 30 fiscal year.

The legislative body then considers the budget, usually by breaking it down for review by various committees. Congress makes a distinction between the budget resolution (the overall plan) and specific appropriations, through which money is actually committed to programs. Governments on lower levels do not necessarily make this distinction. As the proposed budget is being considered, the committees and other members of the legislative body will probably have their own ideas about department budgets and programs they would like to see implemented, so the figures in the executive's budget proposal will likely be changed before final passage.

Budget considerations in the legislative branch usually bring forth the same debates year after year. For instance, conservatives almost always say that we need more money for defense and point out the waste and fraud that occur in social programs. On the other hand, liberals almost always say that we need to spend more on social programs and point out the waste and fraud that occur in defense spending. What happens too often is that

both defense and social programs receive more funding and little is done to stop the waste and fraud anywhere.

After the budget is adopted, procedures are followed to oversee the accurate expenditure of and accounting for government funds.

State government budgets are formulated under stricter guidelines than the Federal budget. The national government does not ever have to balance its budget, but forty-nine states have balanced budget requirements. These state requirements take different forms. Thirty-five state constitutions require a balanced budget, while the other states only have a law or resolution that can be easily amended from year to year to allow deficit spending. Another variation in state budgeting is that fifteen of them pass budgets for two years at a time. Some prepare a two-year budget, while others pass two separate annual budgets for the two-year cycle.

You can see that budget planning is a major part of what government departments do. In the next lesson we will look at sample budgets from various levels of government.

Sunshine, Sunset

It is easier to get a government program started than it is to get one stopped. Some states and localities have adopted what are called sunset laws for certain programs. This means that authorization for the program will end at a stated point in the future. The program must be reconsidered for it to continue. The sunset provision is intended to make programs have accountability. If an agency or program is not accomplishing what it was created to do, it needs to be changed or abolished.

Sunset provisions are not the same as sunshine laws. Sunshine laws require government bodies to hold their meetings in public, especially when votes are taken. They also require freedom of access to most government documents. This prevents secret or backroom deals that are attempts to avoid accountability.

*I give my opinion in this matter,
for this is to your advantage,
who were the first to begin a year ago not only to do this,
but also to desire to do it.
2 Corinthians 8:10*

Lesson 57—Sample Government Budgets

A billion here, a billion there, and pretty soon you're talking about real money.

— *Attributed to twentieth century Republican Senator Everett Dirksen of Illinois
(The statement reflects his attitude toward government spending,
though many doubt that he ever actually said it.)*

The elements of a family budget are usually easy to identify. Income is recorded on the W-2 form (or equivalent) issued by the employer or by careful record keeping if the family's income is from self-employment. Expenses can be fairly accurately recorded as well. The family spends so much on the house payment, so much on utilities, so much on food, so much on clothes, so much on medical care, and so forth. Some purchases might be difficult to classify. For example, do cleaning supplies come out of household expenses or out of groceries? Does eating with another family at a restaurant count as food or as entertainment? Nevertheless, most families can determine the best way to break down their spending accurately.

Government budgets, by contrast, are terribly difficult to nail down. They involve huge amounts of money in a large number of categories. The information is not easy to find or to break down line by line. This is exactly what many government officials want. They have less accountability this way.

- For instance, do Social Security payments come out of the regular budget or are they a separate item? Are benefits paid to veterans to be considered military expenditures or social program expenditures?
- In addition, government budgets are difficult to examine. You may have a hard time finding a copy, and budgets are such huge and complicated documents that studying them is a frustrating experience. The budget and tax levy document for a rural county, for example, might contain 50 pages with many lines of figures in small print. The budget for the Federal government runs to hundreds of pages.
- Finally, state and local governments have become so dependent on Federal funding for much of what they do that it is difficult to determine what is actually state or local revenue and what is provided by Federal grants. State officials like to talk about how much they are spending on certain programs, but they might not mention that much of what they are spending comes from the Federal government.

In the 2000 election, candidates George W. Bush and Al Gore argued about the Social Security "lock box," meaning a guarantee that Social Security taxes will only be spent on Social Security expenses. However, there is no such lock box. There is a trust fund of excess Social Security tax collections from the past. The trust fund is used to buy government bonds as investments to increase the funds available for Social Security payments. Social Security contributions by individuals and employers are taxes, and payments to recipients come out of the Federal budget. If Social Security payments ever exceed Social Security revenue, the trust fund will have to be used to help make Social Security payments.

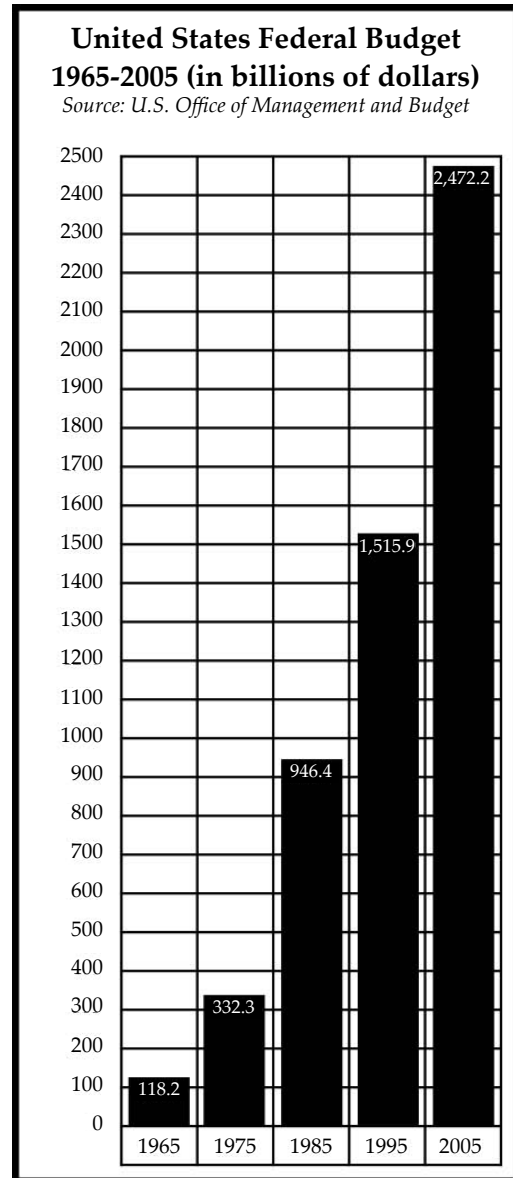
In addition, government budgets rarely decrease. Governments do not usually spend less one year in actual dollars than they did the previous year. A major part of the increase in the Federal budget is because of entitlement programs that are automatically increased year by year with at least a cost of living adjustment if not an actual increase in appropriations. When elected officials talk about budget cuts, they are often talking about a smaller increase than had been proposed, not a truly lower dollar amount from the previous year.

The chart shows the growth of the Federal budget from the 1960s. Major increases took place with Lyndon Johnson's Great Society programs in the 1960s and at other times. Even though Republicans have often complained about runaway government spending, the Federal budget continued to increase under Republican presidents and a Republican-controlled Congress.

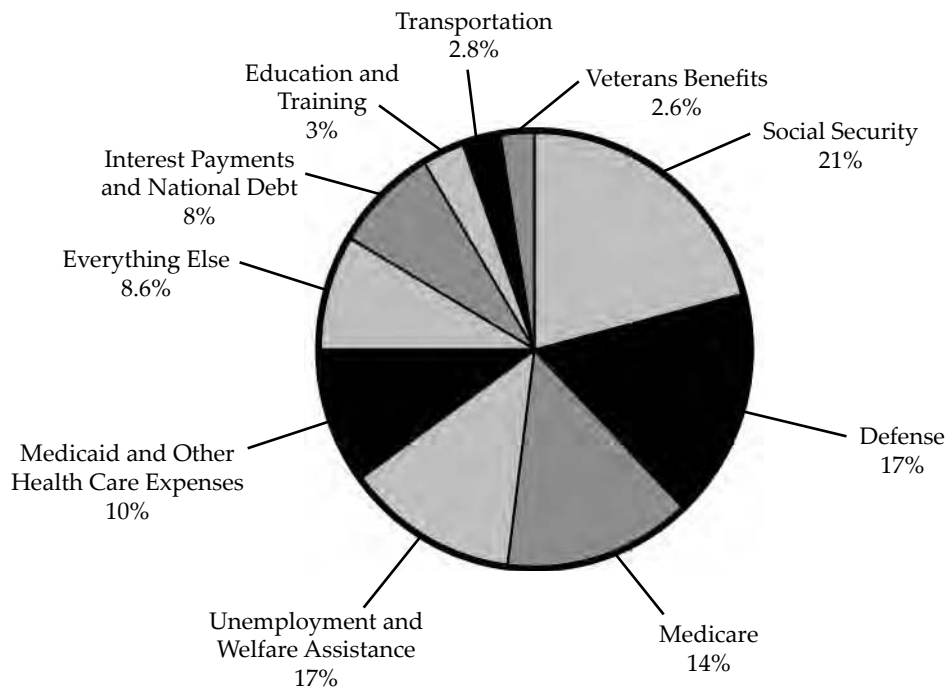
The Federal Budget

The Federal budget for fiscal year 2007 that President Bush submitted to Congress in February 2006 called for \$2,770,000,000,000.00 (that's \$2.77 trillion) in spending. The general categories were as follows:

- Social Security: \$586 billion or 21%
- Defense: \$466 billion or 17%
- Medicare: \$394.5 billion or 14%
- Unemployment and welfare assistance: \$367 billion or 13%
- Medicaid and other health expenses: \$276.4 billion or 10%
- Interest payments on the national debt: \$244 billion or 8%
- Education and Training: \$90 billion or 3%
- Transportation: \$77 billion or 2.8%
- Veterans benefits: \$72.6 billion or 2.6%
- Everything else (including justice, environment, agriculture, community development, energy, and governmental expenses—a \$20.1 billion budget line in itself): the remaining 8.6%



All categories were increased over the previous budget except foreign affairs and energy.



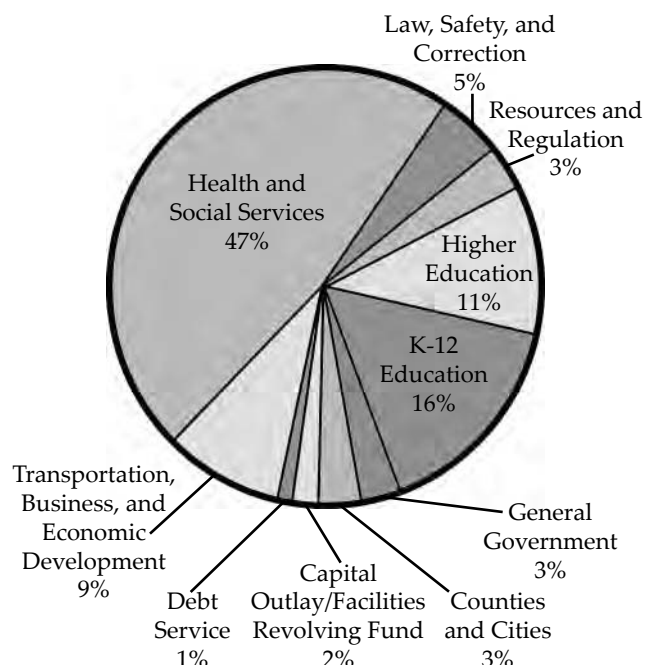
Within these general categories lie expenses for an almost endless list of programs. Here is one example. The community of Mt. Pleasant, Tennessee saw the construction of a community center that cost \$1.2 million and was funded by the U.S. Department of Agriculture Rural Development Agency (*The [Columbia] Daily Herald*, February 10, 2006, page 1). If the Federal government is spending over a million dollars for one project in one small town in one county in Tennessee, we can begin to see why the entire Federal budget amounts to over two and three-quarters trillion dollars.

State Budgets

The budgets for state governments vary widely. The state government of New York planned to spend \$110.7 billion in fiscal 2007. California’s proposed 2007 budget called for almost \$98 billion in spending. The Wyoming state budget, by contrast, was about \$2.4 billion. Once again, we will consider the Tennessee state government’s budget in more detail as our example.

The 2005-2006 budget for the state of Tennessee called for \$25,927,600,600 in spending. Of this amount, 47% was on health and social services. The major part of this category, over \$8 billion, was for the TennCare health care program (Tennessee’s form of Medicaid) that provides health coverage for the poor and many others who do not have

Tennessee State Budget
Total Expenditures: 2005-2006

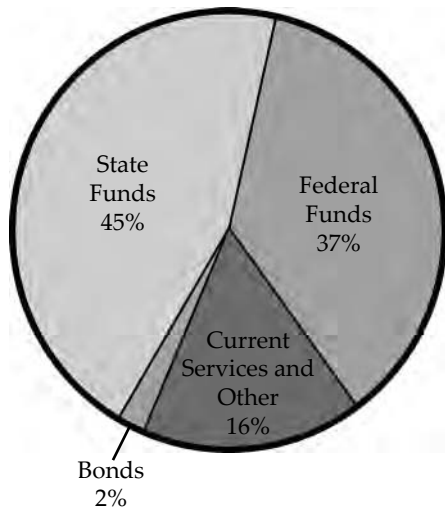


Source: Tennessee State Legislature

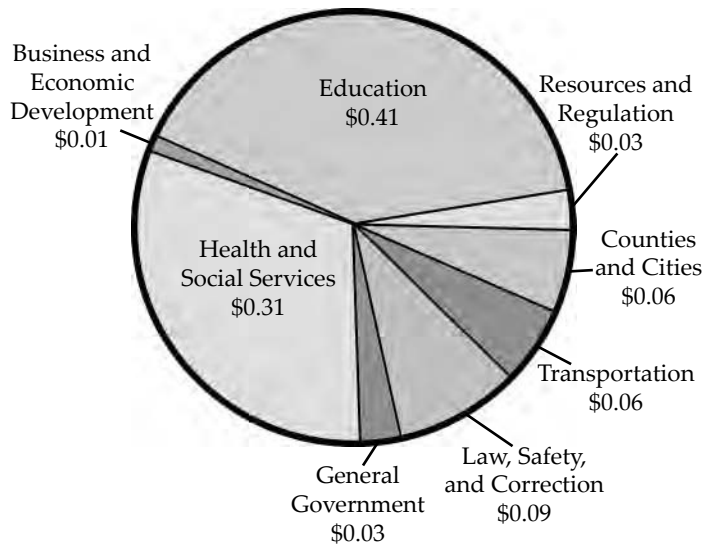
traditional health insurance. Another 27% (almost \$7 billion) was allocated to education, from kindergarten through college. Transportation, business, and economic development received a total of 9% of the state's expenditures. Law, safety, and correction accounted for 5% of the state's spending. The expenses of operating state government totaled 3% of the budget. Another 3% was money sent to county and city governments.

The state's expenditure picture was a bit more complicated than this, however, because of the money provided by the Federal government. Of the \$25.9 billion state outlay, a little less than \$9.8 billion or about 37% came from the Federal government. Tennessee collects 45% of its funds through state taxes. The rest of its funds come from fee-based services and sale of long-term bonds. Of the Tennessee tax dollar, 41% is spent on education; 31% on health and social services; and 9% on law, safety, and correction. Since Tennessee receives significant Federal funds to help pay for the TennCare health program, proportionally more of the tax revenues generated by the state goes to education.

**Tennessee State Budget:
Total Revenues: 2005-2006**



**Where a Tennessee
State Tax Dollar Goes**



Source: Tennessee State Legislature

Some of the revenue that a state receives from the Federal government is called "pass through" money, because it enters the state treasury but is earmarked for specific purposes and passes through directly to that expense. The state has no discretion on how it spends this money.

County Budgets

Jackson County, Tennessee is a rural area. The county population is about 11,000 people. The largest community is Gainesboro, which has a population under 1,000. For the period July 1,

2005 to June 30, 2006, Jackson County government planned to spend just over \$18 million. Of this amount:

- \$10.6 million was for schools and another \$903,000 was for cafeteria services.
- \$3.3 million was earmarked for the broad category of general services, which includes county offices, the sheriff's department, and most other county expenses.

- \$2.1 million funded the county's roads and public works departments.
- \$577,000 was designated for the county's debts (such as school construction bonds)
- \$354,000 paid for the county's solid waste and sanitation programs.

As with the state, an examination of the county's expenditures has to take into account funding from other sources. Fifty-nine percent (\$9.4 million) of the county's revenue came from the state. Direct Federal grants accounted for just under one million dollars. Only 35%, or just over one-third of expenditures (\$5.7 million), came from the county itself. Of the county's portion, over half was provided by the county property tax, while the rest came from the county's general fund that had \$6.5 million in reserve (expenditures exceeded income in this budget by about \$2 million). Thus, some of the state budget was included in the Federal budget, and some of the county budget was included in the state budget. These figures came from the Jackson County 2005-2006 budget document.

City Budgets

Finally, we look briefly at budget averages for municipalities. According to the National League of Cities, across the country cities spend:

- 21% of their budgets for safety (including police and fire protection)
- 21% for housing, waste disposal, and other environmental issues
- 14% for transportation (such as street repair and subsidizing city bus service)
- 12% for education (a lower figure than in a typical county since many cities depend on county or special district school systems)
- 11% for health, hospitals, and welfare
- 7% for administration costs.

The other 14% covers various smaller programs which might vary from city to city.

As with a family, a government's budget reflects its needs and priorities. To spend money, a government has to receive money. In the next lesson, we will analyze from where government revenues are derived.

*Those deputies provided for King Solomon and all who came to King Solomon's table,
each in his month; they left nothing lacking.*

*They also brought barley and straw for the horses
and swift steeds to the place where it should be, each according to his charge.*

1 Kings 4:27-28

Lesson 58—Sources of Federal Revenue

Our Constitution is in actual operation; everything appears to promise that it will last; but in this world nothing is certain but death and taxes.

—Benjamin Franklin (1789)

When a family needs more money, the father might change jobs to one that pays better, or he might take on a part-time job. Other family members might go to work or produce things in the home to sell. When a government needs more money, however, it cannot go out and



Filing Income Taxes, c. 1920

govern more. Governments obtain more revenue by increasing taxes, enacting new taxes, or finding new sources of revenue such as imposing fees for certain services or creating a state lottery.

The sharp increase in government spending in recent years has meant that more and more money earned by Americans is being taken for government revenues. Americans have not always shouldered this heavy tax burden. In the early years of the country, the Federal government collected domestic taxes only on the production and sale of certain items such as alcoholic beverages, tobacco, carriages, and slaves. The War of 1812 was partly

financed by a national sales tax on certain luxury items such as silverware, jewelry, and watches. In 1817, Congress ended internal taxes and financed the Federal government with tariffs imposed on imported goods. Since 1913, the Federal government has collected taxes on personal and corporate incomes.

The Federal Income Tax

The greatest single source of revenue for the Federal government is the income tax. It provides about sixty percent of Federal revenue.

The income tax is collected on the honor system. For most Americans, payment of the income tax begins with the process called withholding. Workers tell their employers at what rate they want their taxes withheld from their paychecks. The employer saves that money and sends that amount to the U.S. Treasury on behalf of the employee every three months. After the year ends, the employer gives the employee a statement, called the W-2 form. The W-2 tells how much the employee has earned and how much has been withheld and sent to the government.

The Tax Foundation computes what the average American pays in all taxes each year, including income tax, Social Security tax, sales tax, corporate taxes that are passed on to the consumer, and so forth. Based on the average American's income, the foundation annually announces Tax Freedom Day, the day when the average American has earned enough to pay all of his taxes based on a five-day work week. In 2005, Tax Freedom Day was April 17. Everything that the average American worker earned from January 1 to April 17 went to pay his taxes for the year. After that, he was able to work for himself.

Each individual is responsible to file a tax return by April 15. The return reports the individual's income, amounts that can be deducted from taxable income, and how much he owes in taxes. If too much has been withheld, the taxpayer is entitled to a refund. If too little has been withheld, he must pay the government the difference.

Withholding eases the burden on taxpayers by letting them pay their taxes throughout the year instead of forcing them to come up with the entire amount at tax filing time. It also lets the government be sure that it will in fact receive the taxes that are due. The government does not pay interest on the taxpayer's money that it holds until the tax returns are filed.

Self-employed persons have to maintain their own records and must make their own quarterly estimated tax payments to the government. Corporations file profit and loss statements with the government showing their income or loss for the year. On the basis of that information, corporations pay corporate income taxes.

The government assumes that a business honestly reports its profit or loss and the salaries that it pays to workers. The government also assumes that self-employed persons report all of their income and that hourly and salaried workers report all of their outside income that is not subject to withholding (such as tips received by restaurant servers and income from craft fairs and mowing lawns). Employers must send copies of the W-2 to the Internal Revenue Service (IRS). Banks and investment companies send copies of earnings statements both to investors and to the IRS. The information reported by employers is matched with the information reported by employees on their tax returns. When someone does not tell the truth to the IRS, they are subject to fines, the payment of back taxes with interest, and in some cases prison terms.



Members of the U.S. Air Force Work on an Income Tax Return at a Military Base in Germany, 2001

The Federal tax code is a dizzying assemblage of forms, requirements, exemptions, percentages, and loopholes. When an individual taxpayer reports his earnings, he does so on the IRS Form 1040 (or variations of it) with accompanying forms that provide relevant information such as interest income, self-employment income, rental income, and legitimate deductions. The taxpayer is entitled to a personal exemption of a certain amount of income each year on which he does not have to pay income tax. He or she can also claim an exemption for his dependents, the people for whom he provides most of the financial support. This most often refers to a taxpayer's children. The taxpayer can also claim certain deductions to be subtracted from his income before his tax is calculated. Deductions include medical expenses paid during the year, property taxes, interest on a home mortgage, and charitable contributions. He can take the standard deduction that the government offers or he can itemize (list) his deductions if the itemized total is higher.

When all of the exemptions and deductions have been subtracted from a person's gross income, what remains is taxable income. The tax rate is greater on higher incomes. This policy is called a progressive tax. It is based on the assumption that those with greater incomes can afford to pay a greater percentage in taxes and still be able to live comfortably.

This philosophy has been carried to an extreme in the past. The highest tax rate in the early 1960s was 91%. After a series of reductions, the top rate is now 28%. Still, the wealthiest Americans pay the majority of income taxes and the poorest pay no income taxes at all.

Social Security and Medicare Taxes

As we showed in an earlier lesson, Social Security and Medicare are a major part of what the Federal government does. Taxes to support these programs are listed separately but are withheld along with income tax. Social Security and Medicare taxes are paid by both the employee and the employer. The worker and the employer each pays 6.2% of the employee's income, up to an income of \$94,200 per year, in Social Security (or FICA, Federal Insurance Contribution Act) taxes. Each also pays 1.45% in Medicare tax on all income (there is no income ceiling with Medicare as there is with Social Security). The employer portion is the government's way to make businesses contribute to retirement benefits for its workers and for all Americans. Thus a total of 15.3% of a person's income is paid to the government for Social Security and Medicare taxes (6.2% plus 1.45% of the worker's salary sent in by the employer; and 6.2% plus 1.45%—plus what he owes in income taxes— withheld from the employee's paycheck and sent to the government).



Keeping Individual Old-Age Insurance (Social Security) Records, 1930s

Self-employed persons must also pay Social Security and Medicare taxes, in accordance with the Self-Employment Contributions Act (SECA). At one time, self-employed persons paid a lower rate, but now a self-employed person is responsible for the entire 15.3% rate that covers both Social Security and Medicare. However, to ease the burden on self-employed persons, they pay this 15.3% rate on only 92.35% of their income, and they can subtract one-half of their self-employment tax as a deduction from their income before they figure their income taxes. I told you the Federal tax code was complicated!

Excise or luxury taxes are as close as we have come to a national sales tax. Countries such as the United Kingdom and Canada have a national sales tax called the Value Added Tax or VAT that can be as high as 18% of the purchase price. Supporters of a U.S. national sales tax (the rate of 23% has been suggested) to replace the income tax system say that it would be simpler than the complicated system we now have. A sales tax taxes consumption, not income. The more you buy, the more you pay. Most plans provide for poorer families to receive a rebate of the national sales taxes they pay. It would also be a way to tax the underground economy. No income tax is collected on illegal drug transactions, for instance; but when the persons involved in such activity make purchases, they would pay their fair share of taxes. One problem with creating a new avenue for the government to collect taxes is that the old avenues are still there. At some point both old and new will likely be used to generate revenue.

Other Sources of Federal Revenue

The Federal income tax provides most of the national government's revenue. The other 40% is generated by a wide array of sources.

- The government collects taxes on the sale of certain items, such as alcoholic beverages and tobacco products, gasoline, furs, jewelry, and guns.
- Customs or tariff duties are collected on items being imported into the country for sale.
- The capital gains tax is collected on the increased value that long-term investments acquire for the investor. This applies primarily to things like stocks and real estate owned for investment purposes. For many years, the increased value of a family home was taxed as a capital gain when the home was sold. This was quite a burden for the average American until the capital gains tax on the sale of residences under \$500,000 for a married couple (under \$250,000 for a single person) was repealed in 1997. The capital gains tax is seen by many as a way to generate tax revenue from people who have excess income to invest. Opponents of the tax say that it discourages investment.
- Estate or inheritance taxes are collected when an heir receives an inheritance from a deceased person in excess of \$2 million. Most inheritances are below this amount. The rate on taxable estates is about 45%. Supporters of this tax say that a person who receives income in this way should be taxed for it. Opponents say that the estate has already had taxes paid on it as the deceased person built his wealth over his lifetime and therefore it should not be taxed again when someone inherits it.
- A gift tax is to be paid by the giver when he or she gives someone over \$10,000 in one year. This tax is intended to prevent a person from shifting his wealth to someone else in order to avoid paying taxes on it or to avoid having it used to pay for such things as nursing home expenses. Some gifts are protected from taxes by certain laws, such as those governing education funds established by parents or grandparents.

- A Federal tax is charged on telephone service to help pay for Internet connections in public schools.
- A major source of Federal revenue is borrowing. For fiscal 2007, the government expected to spend \$354 billion more than it would receive in revenues. This money was mostly borrowed by the sale of government bonds. This policy provides money for the short term, but it pushes the Federal government deeper in debt over the long term.

*The rich rules over the poor,
and the borrower becomes the lender's slave.
Proverbs 22:7*

Reading

- "The Moral Case for the Flat Tax" by Steve Forbes (*WHTT*, p. 158)



*Aerial View of Washington, D.C., Showing the
Old Executive Office Building, the White House, and the U.S. Treasury*

Lesson 59—State and Local Taxes

The truth is that all men having power ought to be mistrusted.

—James Madison

State and local governments need revenue to carry out the services that they render to the public. To raise this revenue, these governmental units employ a wide variety of taxes and fees.

State Income Tax

Forty-one states have imposed a state income tax on the regular earned income of residents and corporations. Two states, New Hampshire and Tennessee, only tax dividend and interest income above a certain amount. Seven states—Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming—do not have a personal state income tax.

Just as with the Federal income tax, state income tax is withheld from paychecks and self-employed persons are required to make quarterly estimated payments of their tax liability. Residents (and others who earn income in the state, such as those who own rental property in one state but live in another state) send to the state department of revenue tax returns that are due the same time that Federal returns are due. States have lower income tax rates than the Federal income tax rate, and state returns are generally simpler to complete than the Federal forms. Montana's progressive rate runs between 2% and 11% of taxable income. California collects from 1% to 9.3% depending on the amount of income. Rates of 2% to 6% are common.

State Sales Tax

Taken as a whole, the fifty states collect about as much from personal income taxes as they do through state sales taxes. States that do not have a personal income tax rely more heavily on the sales tax for revenue. Sales taxes are collected at the time of purchase



Prudhoe Bay at the Northern End of the Trans-Alaska Pipeline

The state of Alaska receives substantial revenue from the sale of minerals exported from the state. The largest portion of this revenue comes from the oil sent through the Trans-Alaska Pipeline. A permanent fund has been created to invest and manage this income. Each year, the state gives a dividend from the fund's profits to every adult who has lived in the state for at least one year. In 2005 the dividend was about \$845.00 each. The highest dividend so far was \$1,963.86, which was the dividend paid for 2000.

by the seller, and the seller sends payments to the state revenue department once a month or once a quarter. Thus, those who conduct business in a state do the bulk of the work of collecting sales tax on behalf of the state government.

In most states, the state legislature sets a statewide rate but allows counties and cities to add an additional amount on sales occurring within their borders. Colorado collects only a 2.9% state sales tax, but localities can add up to 7% additional sales tax. Oklahoma's state rate is 4.5%. Local communities can add up to 6%, making a total possible tax rate of 10.5%. The Arkansas rate is 5.125% state and up to 5.5% local, giving a maximum combined sales tax of 10.625%. Counties receive all of the local sales tax plus a portion of the state sales tax collections. Hawaii has the lowest sales tax rate, charging a flat 4% statewide. The rate in Maine, Maryland, and Massachusetts is a flat 5% statewide. Alaska does not have a state sales tax, but localities may impose up to a 7% sales tax.



Grocery Store in Lincoln, Nebraska, 1942

Several exemptions to the sales tax are provided by the states. Churches and other charitable organizations are not generally charged sales tax on purchases they make. Some items, such as food and prescriptions, are in some states exempted from the sales tax or taxed at a lower rate. Professional services (doctor visits, plumbing calls, and so forth) are not taxed in all states, however some states do

collect tax on certain services. Wholesale purchases (when a retail company buys something from a manufacturer or distributor to sell to the public) are not subject to sales tax, since sales tax will be paid by the retail customer.

Sales made in interstate commerce (a company in one state selling to someone who lives in another state) have traditionally not had to include sales tax, but this is changing. The practice of not charging sales tax on interstate sales has caused states to lose significant revenue from interstate sales made on the Internet. Because of this, some states have made an agreement to collect sales taxes on interstate Internet sales between participating states. Businesses will have to collect the sales tax for the customer's state of residence and send those revenues to the respective states on a regular basis.

The sales tax is often considered a regressive tax because it is not based on the person's ability to pay. Wealthy people pay the same sales tax on a loaf of bread or compact disc that poor people pay, but the sales taxes paid by a poor person make up a larger portion of their income than they do for wealthy people. This is why some states have exempted food and prescriptions from sales tax.

Other State Taxes

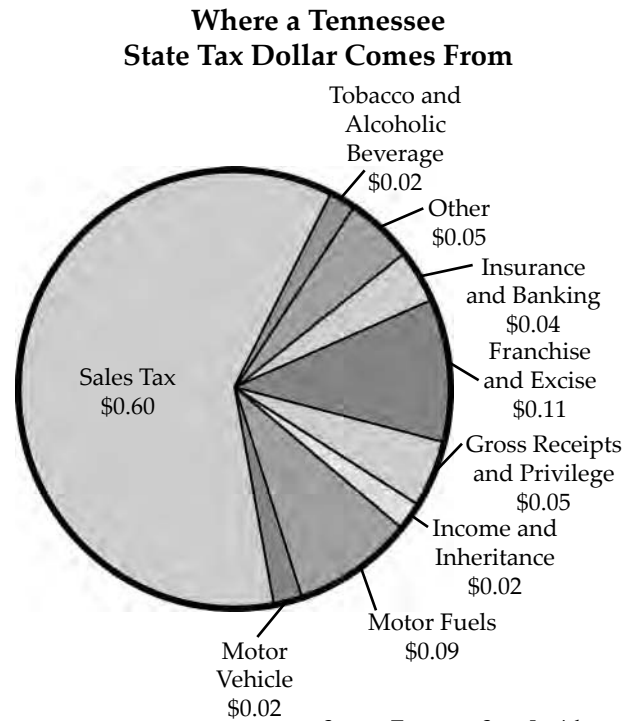
The next largest source of state revenue, after income tax and sales taxes, has to do with automobiles. Since vehicles play a big part of American life, and since they are such major purchases, states give special attention to how they can generate revenue from the sale, ownership, and use of vehicles.

States may impose their own sales tax on gasoline on top of the Federal gasoline tax. These revenues are generally used to help pay for road maintenance and construction. In addition, states charge a fee for registering vehicles and obtaining license plates. States

assume that if you can afford to buy a car, you must be able to afford to register it with the state. This process not only raises revenue for the state, but it also gives the state a record of the vehicle in case it is stolen or is involved in an accident or traffic violation.

State governments can be quite creative when it comes to generating revenue through their citizens' ownership of cars. For instance, in Mississippi, the cost of license plates or annual renewal stickers is based on the value of the car. This is called an ad valorem tax (from the Latin for "to the value"). Thus, owners of newer and more expensive cars can expect to pay several hundred dollars for their license plates. The ad valorem tax that a car owner pays each year decreases over time as the value of the car decreases.

Other taxes that generate a significant amount of revenue for states include taxes on the sale of alcohol and tobacco and taxes paid by utilities and insurance companies to do business in the state. Taxes that have become popular with state and local governments in recent years are an amusement tax that is charged at theme parks and restaurants and a hotel/motel tax that is added to the price of a motel room. In some cases the taxes for staying in a motel room can add 15-18% to the basic rate. Some cities impose these taxes whether the state does or not. These taxes are attractive to governments because they are often collected from tourists who come from out of state or from business persons who have expense accounts and therefore do not feel the tax personally. Thus, a government can benefit from visitors without having to impose another tax on its residents.



County and Municipality Revenues

The major portion of a county's revenue comes from the property tax (some states charge property taxes also). Real property is a community's most valuable asset, and since it is protected by the local government it is taxed according to its value. The property assessor must consider every parcel of land and determine a value for it. Usually this assessed evaluation is somewhat less than the fair market value of the property (the price for which the property could be expected to sell). If a property owner believes the assessment is too high, he can request a hearing before the board of equalization, which will reconsider the assessor's decision.

A portion of the property's assessed worth, perhaps 25%, is taxed at the rate set by the county government for each hundred dollars of taxable assessed value. For instance, the property tax rate for a rural county might be \$2.61 for each \$100 of taxable assessed value. A person who owns a home assessed at \$100,000 would pay \$652.50 in property taxes for the year ($\$100,000 \times 25\% = \$25,000$, then $\$2.61 \times 250 = \652.50). This rate is low compared to many counties in the country. Property tax rates in some places are three or four times this much.

Property taxes are always collected in arrears, or at the end of the period in question. In other words, the 2005 property tax was paid at the end of 2005 or the beginning of 2006.

Many home mortgages include an amount for property tax in each month's payment, and the lending institution pays the property tax on behalf of the property owner when it comes due.

Business property is also taxed. A store owner pays a higher property tax than a residence since the property is used to generate income. Business equipment (such as computers and printers) is taxed as real business property. Counties and cities might also collect a business tax, which is a small percentage of the total sales a business has during the year. Cities and counties can charge for a business license or a professional license, which is a fee for the right to conduct business in the locality.

According to the National League of Cities, the average municipality in the U.S. receives 29% of its revenue from charges and fees, 21% from property taxes, 21% from the state government, 5% from the Federal government, and the rest from other taxes and fees.

Cities and counties can be imaginative in how they collect taxes. For example, several years ago in Lexington, Kentucky, the city could not impose a city income tax (the state already had a state income tax). However, to generate more revenue, the city imposed what was called a licensing fee, which was a fee of 2% of a person's income for the privilege of having a job in the city. It wasn't an income tax, they said, but it taxed a person's income.

*For the love of money is a root of all sorts of evil, and some
by longing for it have wandered away from the faith
and pierced themselves with many griefs.*

1 Timothy 6:10



Harrisburg, Pennsylvania

Lesson 60—Tax Policy Issues

When more of the people's sustenance is exacted through the form of taxation than is necessary to meet the just obligations of government and expenses of its economical administration, such exaction becomes ruthless extortion and a violation of the fundamental principles of free government.

—President Grover Cleveland, 1886

It is generally assumed that a government will collect taxes and provide services. In this lesson, we will take a second look at what might be the best taxing and spending policies for a government to pursue.

What Should the Government Do?

It seems like the faint echo of a distant day and time to suggest that the Federal government was intended to be limited in its scope and powers and that it cannot do whatever Congress and the president might want to do. A few facts give us some historical perspective:

- A program of “internal improvements” (Federally-funded roads and canals) was hotly debated in the early nineteenth century as to whether it was an appropriate and constitutional undertaking by the Federal government.
- The establishment of a national bank was repeatedly a matter of political conflict during the same period. Its opponents (including President Andrew Jackson) believed that such a bank was unconstitutional since it was not specifically mentioned in the Constitution.



President Grover Cleveland

- President Grover Cleveland vetoed an appropriation of \$10,000 in 1887 to help farmers in Texas who were suffering from a drought. In his veto message he said,

I can find no warrant for such an appropriation in the Constitution; and I do not believe that the power and duty of the General Government ought to be extended to the relief of individual suffering which is in no manner properly related to the public service or benefit. A prevalent tendency to disregard the limited mission of this power and duty should, I think, be steadily resisted, to the end that the lesson should be constantly enforced that, though the people support the Government, the Government should not support the people.

- Cleveland believed that private charities should and would assist the struggling farmers. He was right. The farmers received ten times more financial assistance from private sources than they would have received through this Federal appropriation. Perhaps the charitable impulse has been squelched today because many people believe the government will take care of everyone.
- When the Great Depression hit in 1929, the Federal government under Herbert Hoover provided assistance to states but not to individuals because Republicans did not believe such individual assistance to be an appropriate function of the Federal government.



*President Herbert Hoover
Signing the Farm Relief Bill, 1929*

Today, few question whether a government should undertake the programs that it does. With this outlook, it is no wonder that our taxes are getting higher and higher.

What Is a Taxable Event?

Here again, it seems that government generally will try to tax anything it is not specifically prevented from taxing (for example, states are not permitted to tax Federal lands, and export tariffs are specifically prohibited in the Constitution). The earning of income by private citizens is accepted as a taxable event. The purchase of most retail items is seen as a taxable event. The inheritance of a large estate is seen as a taxable event. The increase in capital worth (as in stocks and, until recently, the rise in property value of a home) is seen as a taxable event.

Does Lowering Taxes Help the Economy?

When President John Kennedy proposed cutting taxes to stimulate the economy, he justified the proposal by saying that a rising tide lifts all boats. Cutting taxes would seem to hurt the government's ability to generate revenue, but in fact cutting taxes has been shown to stimulate the economy so much that the government actually receives more revenue. This was demonstrated with the tax cuts enacted under Presidents Reagan and George W. Bush.

The answer to economic problems and personal difficulties is not always more government spending. Many times more government spending means more government bureaucrats but little help reaching those in need. What will help most is less government spending, which enables people to save, invest, and spend more of their own money as they see fit.

What Should Be the Goal of Tax Policy?

The government's collection of taxes should be undertaken to provide revenue for government to render necessary services: military defense, police and fire protection, and so forth. However, governments often use taxing and spending policies to regulate the economy and to accomplish other goals. For instance, high import tariffs do not just raise revenue. They

provide protection for domestic companies against cheaper imported goods. This appears to be a good thing, but the result can be that domestic companies might not be motivated to produce goods economically or of high quality if they have no fear of foreign competition.

Tax policies should not attempt to reward or punish certain segments of the economy. The tax code is huge and complex because so many special provisions have been enacted that reward certain businesses and those with a certain level of income. What those businesses and individuals don't pay, average Americans (who don't have a strong lobby in Congress or luxury resorts to offer Congressmen) wind up paying. Sometimes attempts to punish by taxes backfire. As part of the tax increases enacted under President Clinton, a luxury tax was added to the price of yachts. This would seem a fair enough tax to the average American, but the added tax severely hurt the yacht-building industry and caused layoffs that wound up costing the government because it had to pay unemployment benefits.

Sometimes states, counties, and cities offer tax breaks to big companies in an effort to attract them to a particular location. The county government might offer to waive the business property tax for ten years, for instance. In return for this, the county hopes that having the business or industry there will create jobs and generate revenue in other ways. Places that are competing for businesses to come can get into bidding wars to see how attractive they can make the package offered to a prospective business. Some large companies have been known to demand such concessions and tax abatements before they will consider building in a locality. Of course, smaller businesses and local property owners do not get offers of tax cuts. In fact, they have to pay more for the services that the big company uses. Some companies make payments in lieu of taxes, and the Federal government makes payments if a large amount of county land is owned by the Federal government (such as a military base) and thus cannot be taxed by the local authority.

When the policy is complicated and is used to accomplish purposes other than generating needed revenue, it can adversely affect many people.



Fort Gillem Military Base near Atlanta, Georgia

How Big Should Government Spending (and Deficits) Be?

Indebtedness can be a heavy weight for a family to bear. It can come to dominate the thinking of the family and make a calm, peaceful life almost impossible. The debt of a home mortgage can be less of a problem, since most homes increase in value. However, buying too much house, being saddled with a huge mortgage payment, or having a long-term mortgage that requires paying the purchase price two or three times in interest can be financially paralyzing situations.

Yearly budget deficits and a constantly increasing debt would be indicators of fiscal irresponsibility for a family. It is no different with the government. We all should be willing to get by with less so that the government can regain fiscal soundness. Our government should not consistently spend more than it takes in. This means that hard choices have to be made and not every government program might be able to continue, but government action

is not the only way to get things done. Some other countries, such as Ireland, New Zealand, and Slovakia, have found that cutting government spending greatly helps the economy.



*President Warren Harding
Addressing Budget Committee, 1923*

On the other hand, Federal spending in the U.S. is about one-fifth of the gross domestic economy, and the deficit is an even smaller percentage. Government spending in the U.S. is a much smaller part of the economy than is the case in European countries. The situation in the U.S. is not as dire as it could be, but the trend is not favorable.

Should Churches Be Tax-Exempt?

The exemption that churches receive from paying most taxes has been an element of the freedom of religion that we enjoy in this country.

As John Marshall pointed out, the power to tax involves the power to destroy. However, the tax-exemption of churches has allowed certain individuals to build huge financial empires from which they derive enormous personal gain (which is usually taxed). Some religious groups own valuable pieces of property and pay no taxes on them. To have churches pay their fair share of property taxes and sales taxes might help spread the burden of taxation more evenly among the populace, but admittedly it might also cause a strain on smaller congregations. As difficult as having to pay taxes might be for churches, it is worth noting that the church has grown most in times and places where it was not privileged but in fact was persecuted.

These questions invite us to look again at the underlying assumptions of our system of taxing and spending. To change the direction that government has been going for decades would mean a major change in our thinking, our expectations of government, and our personal initiative and responsibility. However, if we want the direction of government to change, the change has to start somewhere. If we keep doing what we are doing now, we will continue getting what we already have.

*He who is faithful in a very little thing
is faithful also in much;
and he who is unrighteous in a very little thing
is unrighteous also in much.*

*Therefore if you have not been faithful in the use of unrighteous wealth,
who will entrust the true riches to you?*

Luke 16:10-11