

POLITICS & GOVERNMENT

just out of college, new owners of mills and factories, skilled artisans, merchants, and even eager young farmers—who gravitated toward centers of economic opportunity. They viewed drinking as a danger to profits and progress. Temperance, Rorabaugh concludes, was the banner of progressive young men during the 1840s. The movement grew and prospered with them for the remainder of the century.

Cutting the 'Uncuttables'

"The Expensive Myth of 'Uncontrollable' Spending" by Eric Hemel, in *Journal of Contemporary Studies* (Winter 1981), ICS, 260 California St., Ste. 811, San Francisco, Calif. 94111.

"Uncontrollable" is the word politicians have used to describe some 75 percent of federal expenditures. They cite interest on the national debt (which will eat up 11 percent of the fiscal 1981 budget) and especially "entitlement" programs such as Social Security and Medicare. Hemel, an economist formerly with the Reagan transition team, asserts that entitlements can be reined in any time Congress chooses.

Since 1967, entitlements' share of the federal budget has grown from 36 to 59 percent, or \$340 billion. In the main, the increase has stemmed not from annual congressional appropriations but from automatic upward adjustments keyed to the Consumer Price Index (CPI) and from a steady increase in the number of qualified applicants.

Social Security, which was created in 1935 as a bare-bones retirement program, now costs \$140 billion a year (more than twice the Gross National Product in 1935). Demographic changes have contributed to its expansion: In 1935, men and women who reached age 65 were expected to live another 12 and 13.5 years, respectively; today, such individuals can look forward to 14.5 and 18.5 more years. A two-year hike in the age of eligibility would reduce Social Security costs by 15 percent, or \$20 billion in 1981, Hemel estimates.

Indexing transfer payments to inflation has produced unforeseen inequities. Fully 42 percent of federal expenditures are so pegged, and another 12 percent—e.g., Medicare and Medicaid—increase automatically with service charges. By contrast, the after-tax income of the labor force has sunk 10 percent since 1977 in relation to inflation. Inconsistencies in the CPI add to the imbalance. The CPI, for instance, includes a home purchase price but not the tax benefits that come with a mortgage. It also reflects outmoded spending habits, such as a 1972 rate of gasoline purchase.

Should entitlement beneficiaries suffer less from inflation than taxpayers do? Hemel thinks not and proposes an alternative: Peg transfer payments to the Labor Department's index of hourly earnings. Under this formula, last year's Social Security increase of 14.3 percent would have been 8.5 percent. Such a shift is within Congress's power. But whether legislators will risk angering millions of aid recipients, writes Hemel, remains to be seen.