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# ◆ The TAX TIMES ◆

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## What Will be The Effect of The Kyoto Treaty?

The Clinton administration recently signed the so-called Kyoto Protocol agreement, intended to reduce greenhouse gas emissions and global warming. Our participation must still be ratified by Congress. This treaty was negotiated in 1997 by the United States and 158 other nations with the intent of reducing greenhouse emissions. The greenhouse effect is a naturally occurring phenomenon creating gases which scientists claim are getting out of control and endangering the environment. These gases are about 97% water, and the remaining 3% consists of methane, carbon dioxide, chlorofluorocarbons and other gases. At present, the U.S. contributes about 22% of the emissions, but it is estimated that if the treaty is imposed, by 2015 greenhouse gas emissions from developing nations will exceed those of the U.S. and all other developed nations combined. I am sure we all would agree that if the environment on our planet is endangered, logical steps should be taken for its preservation.

However, the Wisconsin Coalition for Fair Global Policy has some concern regarding this treaty and the potential effect on our economy, and issued the following release:

“Implementation of the pending international treaty, would force Wisconsin manufacturers and business to cut 69,800 jobs (22,100 of those in manufacturing) and reduce wages by two percent or more. Unemployment rates as high as 4.7 percent could be anticipated if the Protocol is enacted, according to a recent study conducted by Wharton Econometrics Forecasting Assoc. (WEFA), one of the world's leading economic information and consulting firms.

The Protocol, which was negotiated by the Clinton Administration, attempts to deduce greenhouse gas emissions worldwide in an effort to reduce global warming. If ratified by the United States Congress, it would be an internationally legally binding agreement; however, **the treaty has two main flaws. It exempts 129 of 173 countries, including China, India, Brazil and Mexico, from the treaty's strict requirements; and it would require the United States to cut energy usage by 30 percent—drastically stunting the country's economic growth—while leaving the door wide open for developing countries.**

Our objective is to see fair language prevail through-

out the Treaty—holding developing countries, as well as industrialized nations, responsible for the future of our planet, said Patrick Stevens, director of industrial policy for the Wisconsin Manufactures & Commerce. We must keep Wisconsin jobs here and not hand them over to our international competitors.”

Some of the other findings of the Wharton study are as follows. By 2010 there could be a 3.5% potential loss of Wisconsin output, amounting to \$4.9 billion. A loss of 3.6% in manufacturing wages and 2.0% in non-manufacturing wages. An increase of 95% in natural gas prices and 105% in electricity prices. If implemented, the national economy permanently would lose \$3.3 trillion in output between 2001 and 2020. Some hardest hit industries would be agriculture, mining, chemicals, aluminum, steel, refining, pulp and paper.

Other predictions; commercial establishments including hospitals and schools would see electricity prices increase 60% by 2010;. Implementation of the Kyoto Protocol will impose wage and salary declines nationally, but still result in rising costs, as companies attempt to retain their competitive positions.

American farmers would face unfair competition in the world marketplace due to rising costs of production and the exemption of foreign competition. Overall, it is estimated that Wisconsin would experience a tax loss of \$928 million in tax revenues by 2010, further reducing the ability to provide social services when their need is increasing.

Obviously some of the predictions made on both sides of this argument are pure speculation for whatever reasons. However, there is little question that our economy and lifestyle would change dramatically if the restrictions in this treaty were imposed. Depleting energy resources could have an adverse effect on their own in the not too distant future. It would seem that worldwide conservation with the goal of preserving resources for all of our use would possibly be a better approach - still cutting emissions while preserving for the future. This is an extremely important issue which could be passed behind our backs. It is of taxpayer concern as government programs depend on the economy for survival. Social Security, debt repayment and even local programs are based on the assumption that taxes will flow and increase forever. Stay tuned. What do you think?

JF



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**The BROWN COUNTY TAXPAYERS ASSOCIATION**

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## The Social Security Trust Fund Fraud.

At the November 19, BCTA meeting, Mike Riley of Taxpayers Network, Inc., distributed a booklet published by the Cato Institute of Washington, D.C., entitled "Common Cents, Common Dreams." While the purpose of the book is to promote the privatization of the Social Security system, and presents several good arguments against the present system, there is one passage which indicates that changes in the system are in order.

### *The Trust Fund Fraud.*

"What is the Social Security Trust Fund? Ever since the last set of Social Security reforms in 1983, Social Security has run a surplus; that is, Social Security taxes have brought in more revenue than is necessary to pay current benefits. It is estimated this surplus will continue until 2013, when the situation will reverse and Social Security will begin to run a deficit. The present surplus is lent to the federal government in payment for specially issued government bonds. The government then uses those borrowed surplus funds to finance its general operations, from roads and bridges to welfare and foreign aid.

About half of the trust fund consists of those bonds. The other half consists of an accounting entry that "attributes" interest to the bonds. But there is no actual money in the so-called trust fund. To pay benefits out of the trust fund, the government will have to redeem the bonds and pay the actual interest. But because no money has been set aside for that purpose, the government will have to find the money somewhere else, for example, by raising taxes.

Most of us are accustomed to thinking of a trust fund as an asset. That's what it would be if we had one. But in the case of Social Security, the trust fund is really a liability—money the government owes future retirees.

The trust fund is actually irrelevant to Social Security's future. Consider what would happen if the trust fund had never existed. In 2013, when Social Security begins to run a deficit, the government would have to raise taxes in order to pay all of the promised benefits. And what

happens to the trust fund? In 2013, the government will have to redeem its bonds in order to pay promised benefits. To redeem the bonds, it will have to raise taxes. Either way, today's young workers can expect a massive tax increase."

We have just survived an election in which it seemed that one of the most popular arguments against an opponent was to imply that they voted for or favored spending the Social Security Trust Fund for other purposes. This is true to the extent that revenues from Social Security taxes are mixed and spent with other federal income, and any federal spending comes from the same treasury.

While there are a lot of schemes being considered by our elected officials to "save the system", some degree of privatization should remain a viable option. The booklet, "*Common Cents, Common Dreams*" a layman's guide to Social Security privatization, provides a lot of interesting information and is available from Taxpayers Network, Inc., W67 N222 Evergreen Blvd., #202, Cedarburg, WI 53012, phone or fax 414-375-4190.

"The basis of effective government is public confidence, and that confidence is endangered when ethical standards falter or appear to falter."

John F. Kennedy - 4/27/61

"If the people don't come out to the park, nobody's going to stop 'em."

Yogi Berra

## Random Thoughts.

The election is finally over, and we congratulate the winners. They were able to convey to the voters that they were most qualified for the position in which they intended to unseat an incumbent or stand on their present record. Unfortunately in some of the contests it was difficult to separate facts from conjecture based on television ads in particular. Campaign reform sounds like a good idea, provided that the winners don't have a lot of debts to pay to special interests after the election, and the media can learn to live without the revenues spent by candidates. Quite frankly, it is difficult to imagine any politician not supporting legislation favoring those who contribute heavily to keep him in office, irregardless of merit. The source of campaign funding was often pointed out by opponents in the recent election.

It was interesting to note that although promoting government economy was a popular campaign theme, having voted against some particular government spending program was also a popular way to tarnish an opponents record. It seems that there has been a change of values and priorities with today's voters.

It has been five months since the BCTA announced our internet website, [www/BCTAxpayers.org](http://www/BCTAxpayers.org). We acknowledge that this attempt at modern technology hasn't worked to expectations and are busy making enhancements such as articles from the "TAX TIMES" and your comments on current issues will be included. Details will follow. Thank you for your support of the BCTA. JF

**COOKING THE BOOKS TO PRODUCE A SURPLUS.**

Comments on the recent Federal budget from the Washington Times, for non-profit or educational purposes only.

“Boiled down to basics, there was a budget “surplus” hoax that’s coming from the President and Congress. In 1998 there was approximately \$120 Billion spent out of revenue earmarked for trust funds like Social Security, Highway, and Unemployment purposes. There is absolutely nothing in those trust funds except Treasury Dept. IOU’S.

That means that when Congress reports there is a \$60 Billion surplus, we should subtract \$120 Billion from that so-called surplus. That would leave us with minus \$60 Billion, or a *deficit* of \$60 Billion for 1998. As such, budget surplus talk is nothing less than a sleight-of-hand accounting hoax perpetrated on the American public.

The budget situation is actually worse. The federal government uses accounting practices that, if used by private companies, would land the CEO and the Board of Trustees in jail. Here’s why:

- Today's estimated federal government liability is about \$20 Trillion. These are federal govt. promises to pay such things as the public debt, Social Security, railroad retirement, bank deposit and savings and loan insurance, guaranteed student loans, International Monetary Fund and so forth.
- When private companies have future promises-to-pay, general accounting practices require that they hold actuarially based reserves to cover these claims. How much reserves do you think Congress has set aside to cover federal obligations? You guessed it-absolutely nothing.
- The bottom line is that if Congress followed general accounting practices, instead of a reported surplus, there would be a budget deficit of at least \$200 Billion.” (Contributed by Mike Riley-TNI)

(Editors Comment) It is unfortunate that the passage of state and federal budgets always comes at a time when our elected representatives are in a hurry to get home and seek re-election (based on their records.) Voters seem to have forgotten that reduction of the federal debt had been a big issue in recent Presidential elections. Do you agree that major elections are decided by the effectiveness of the advertising agencies retained by candidates and those backing them rather than actual issues?

Issues were made about what various candidates voted for or against, irregardless of what the circumstances or motivations were at the time. Much was said of “*preserving Social Security*”, but there was little criticism of additional spending incorporated into the budget when it was perceived there could actually be a “*Surplus.*”

The Administration and Congress as a whole must share the blame. We keep hearing incredible stories about pork projects and other spending proposals which never would have gotten to first base based on their respective merits if they weren't slipped into the budget at the last minute. Four thousand (4,000) pages of fine print provides too many opportunities for mischief. Perhaps in the future the budget should be the first item of business for the new Congress rather than the last of the old. That would give candidates a better chance to live up to their promises of cutting wasteful spending and lowering taxes. What do you think? **JF**

“No man will ever bring out of the Presidency the reputation which carries him into it.” . . . . Thomas Jefferson

“Too many people expect wonders from democracy, when the most wonderful thing of all is just having it.” . . . . Walter Winchell

**NOVEMBER MEETING NOTES**

Meeting held Thursday, November 19, at the Days Inn - Downtown.

Mike Riley of Taxpayers Network, Inc. distributed copies of the Contract with America from the 104th Congress which was elected in 1994. We can examine the ten points of their list and score their accomplishments:

1. Balanced budget amendment and line item veto.
2. Stop violent criminals.
3. Welfare reform.
4. Protect our kids.
5. Tax cuts for families.
6. Strong national defense.
7. Raise senior citizens earning limits.
8. Roll back government regulations.
9. Common sense legal reform.
10. Congressional term limits.

Mike also distributed copies of *COMMON SENSE COMMON DREAMS*, A Layman's Guide to Social Security Privatization, published by the Cato Institute. This report explains that the Social Security Trust Fund, which is supposed to guarantee benefits until 2032, is not an asset, but a liability. "The trust fund now consists only of IOUs -- promises that some time in the future the government will replace that money, which can be done only by collecting more taxes."

Mike also gave an update on the Billion Byte March, an electronic march on Washington, D.C. to let the Washington insiders know that we are serious about the urgent need to reform (privatize?) Social Security to protect our citizens. More information is available at TNI's web site: <http://www.tni-assoc.org/>, or from the March website, [www.march.org](http://www.march.org).

Enhancements to the BCTA's web site (<http://www.BCTAxpayers.org/>) were discussed. Beneficial information for taxpayers will be added: Details about elected officials, past TAX TIMES articles, links to other taxpayer organizations, and communications with members are some of the features being incorporated. Ron Erickson is our new webmaster, and plans on having the improved website on line shortly.

The next meeting is scheduled for Thursday, December 17, 1998 at the Days Inn.

David Nelson -Secretary

# BCTA Meeting & Events Schedule

- Thursday - December 17, 1998 - DAYS INN - Downtown  
12:00 Noon - Monthly Business Meeting.  
There will be a speaker at this meeting.
- Friday - December 25, 1998 - Christmas Day.
- Friday - January 1, 1999 - New Years Day.  
Only 365 days until the year 2000.
- Thursday - January 21, 1999 - DAYS INN - Downtown  
12:00 Noon - Monthly Business Meeting.

*All members of the BCTA, their guests and other interested persons are invited to attend and participate in these open meetings. Phone 499-0768 or 336-6410 for information or to leave message.*

*Regular monthly meetings are held the third Thursday of each month at the DAYS INN - Downtown, East Room at 12:00 noon. Price \$6.50, payable at door.*



## Seasons Greet-

"The American wage earner and the American housewife are a lot better economists than most economists care to admit. They know that a government big enough to give you everything you want is a government big enough to take from you everything you have."

. . . . Gerald R. Ford

## The TAX TIMES

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and more.