

## **The Politics of Hurricane Season**

Hurricane season is upon us with all the attendant fears of property damage and potential loss of life. Recently I had the pleasure of spending a few days in the Outer Banks of North Carolina. The shoreline is dotted with fabulous homes perched high above sea level affording a splendid opportunity of the majestic breakers as they approach the shore. How is it, I wondered, that people are willing to spend so much money to build such beautiful palaces in such a risky environment?

One of the charming features of the Outer Banks and many shore-side communities in the summer are the beautiful young European and Eastern European college and post-graduates who work in the restaurants, at the checkout counters of stores, and in a variety of enterprises. On the Long Island beaches are youths from Ireland, and on the Outer Banks Croatian is spoken side-by-side with Russian. "Why," I asked the merchant, "are all these fine young people working in America?" I was told that it is part of a program whereby American merchants are able to hire foreigners aged 20 to 22 less expensively than they can hire Americans and "save on taxes."

So, let me get this straight. Very wealthy people build magnificent homes in dangerous flood zones only to get inexpensive flood insurance. At the same time, these same residents and beachgoers enjoy the benefits of cheap foreign labor without violating U.S. immigration naturalization laws?

How is all of this possible, and what is the cost to the American taxpayer? It is not hard to find tons of research on U.S. government policy that actually encourages people to build homes in dangerous storm-prone regions. More importantly, there can be tremendous benefit to those residents who get to rebuild, after natural disasters, nicer places than they had before. None of this would be possible if the private insurance industry was left to its own devices. The losses would simply be too great. Thanks to a variety of federal programs, flood insurance is cheap and huge federal dollars roll in to seaside communities that suffer disasters after storms in hurricane-prone areas.

The shores of the United States are lined with expensive homes, strip malls, and expensive infrastructure which never would have been built there were it not for government loan guarantees, subsidized flood insurance, and the knowledge that Uncle Sam will come back and rebuild regardless of how precariously perched those communities are. Many of the barrier islands in the United States which are the most developed, are 5 to 10 feet above sea level and are right in the bullseye of the next big hurricane. North Carolina, for example, is the fourth most hurricane-hit state in the country. Nevertheless, North Carolina, from Virginia to South Carolina, is gilded with the best that residential design has to offer. Small towns like Avon, North Carolina, are home to national retailers, food chains, and artists' enclaves.

As for the foreign young people that work in America, government largess makes these quaint employment programs possible. American youth are unemployed and underemployed

during the summer and nobody calls upon them to come down and work in America's rich shore-side communities. Perhaps this is an indictment of our own college graduates. Is it possible that merchants simply do not believe American kids will work hard enough, be honest, and stay out of the bars? Is it that Americans will not work cheaply enough? Is it that the merchants have to pay taxes in connection with Americans that they do not have to pay when they employ Eastern Europeans?

On the other side of the equation, there are those who vociferously defend U.S. government policy which encourages the building and inevitable rebuilding of American seaside communities. As a friend of mine recently said, "At least the government is spending money on U.S. infrastructure and construction jobs when it rebuilds devastated communities only feet from the ocean's edge." It may be a good thing to pump taxpayer dollars into dangerous coastal zones because it subsidizes the building trades, highway construction, and a variety of other employment opportunities. As to the young people working in America from abroad, it may enhance understanding of America and her great virtues to have foreigners employed here even if it means that Americans go without jobs, and even if it means a reduction in the tax base. After all, wasn't America built by immigrants?

None of these questions are easily solved. We subsidize virtually every aspect of life. We are now told that gasoline taxes are not sufficient to subsidize all of the infrastructure rebuilding that is needed in America. The purchase by the United States military of Boeing fighter aircraft, make it possible for the same company to compete in the international commercial jet market. We subsidize everything from farmers to builders of refineries. Pennsylvania has recently undertaken to subsidize a foreign oil company to build a major facility in Pittsburgh with the excuse that it will result in the hiring of Americans. To give tax breaks to the fabulously wealthy in order to encourage them to hire U.S. workers is not a new scheme.

Even big United States corporations pay vastly different tax rates depending upon where they do business, the kind of business they do, and the influence they have with the government. A presidential candidate recently bragged that he paid no less than 13% of his total income in taxes, approximately one-half of what most middle class working families pay who earn a lot less. Why is that? We subsidize complex business arrangements based upon the nature of the income earned. We have decided, for example, that a person who earns money from a stock transaction should pay less than somebody who works as a fireman. Why is that? Apparently someone had decided a long time ago that we should subsidize stock trading because it is good for business, but that someone who puts out a fire is not as valuable. That is government subsidization of a particular activity; creating a market for stocks and bonds as opposed to driving a fire truck.

When I heard that Neil Armstrong died, I was upset. President Obama downgraded and in essence canceled the manned space program, believing that private industry should do it instead. Is Obama crazy? Who does he think he is saying that the government should not subsidize man exploration? I do not see American Airlines sending a man to the moon.

The debate over who and what activities we subsidize is not new. Alexander Hamilton thought that we should subsidize and support the early merchant community by building

lighthouses to protect shipping. The Federalists believed in the national bank run by the federal government in order to help create mercantile markets and stimulate the young American economy. The Jeffersonians, later known as the Republican-Democrats and by various other names, claimed that they opposed the monarchical aspirations of the Federalists; but when they gained power, guess what? Jefferson helped to build a Navy, in part to protect American shipping interests from the Barbary pirates. A strong military will always be in the role of assuring that private interests thrive. That is what we erect governments for, and that is why we tax people.

The Democrats say that they will save America by putting subsidies in the right places. The Republicans say that they are Americans' salvation because they will spend less money and leave more cash on the table for the taxpayers. The truth is that whatever party wins will create inducements and entitlements for those constituents to put the party in power.

An honest conversation leading up to the November elections will require each and every voter to think about what it is they want the government to pay for or encourage, what the cost of that will be, and who will benefit. Ultimately, the election will be about those personal preferences.

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