

INDIANA POLICY

Review

'A future that works'



What Wage Should Prevail?

“People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.” — *Adam Smith, 1776*

*In Congress, July 4, 1776,
the unanimous declaration of the
thirteen United States of America:*



When in the course of human events, it becomes necessary for one people to dissolve the political bands which have connected them with another, and to assume among the powers of the earth, the separate and equal station to which the Laws of Nature and of Nature's God entitle them, a decent respect to the opinions of mankind requires that they should declare the causes which impel them to the separation. We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are life, liberty and the pursuit of happiness. That to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed. That whenever any form of government becomes destructive of these ends, it is the right of the people to alter or to abolish it, and to institute new government, laying its foundation on such principles and organizing its powers in such form, as to them shall seem most likely to effect their safety and happiness. Prudence, indeed, will dictate that governments long established should not be changed for light and transient causes: and accordingly all experience hath shown, that mankind are more disposed to suffer, while evils are sufferable, than to right themselves by abolishing the forms to which they are accustomed. But when a long train of abuses and usurpations, pursuing invariably the same object evinces a design to reduce them under absolute despotism, it is their right, it is their duty, to throw off such government, and to provide new guards for their future security.

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A FUTURE THAT WORKS

Our mission is to marshal the best thought on governmental, economic and educational issues at the state and municipal levels. We seek to accomplish this in ways that:

- Exalt the truths of the Declaration of Independence, especially as they apply to the interrelated freedoms of religion, property and speech.
- Emphasize the primacy of the individual in addressing public concerns.
- Recognize that equality of opportunity is sacrificed in pursuit of equality of results.

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WAGE-FIXING: WHERE'S THE GOP?

A supermajority that's OK with an arbitrary, capricious and immoral law

"People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices. But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies, much less to render them necessary." — Adam Smith, 1776

Beginning this year, only those construction projects valued at more than \$350,000 are covered by the state's prevailing-wage law. But why \$350,000? Why not \$350? Or zero?

Because the law is arbitrary, capricious and immoral, that's why. Moreover, that a GOP super majority led by a conservative governor hasn't addressed the issue tempts one to doubt the distinction between Democrat and Republican. Why not hope to be cut in on the deal, why not join those who are prevailing?

But let's not get ahead of ourselves. First, we need to know the history of this usurpation.

There is, of course, the infamous 1931 speech on the floor of the House of Representatives by Rep. William Upshaw:

You will not think that a southern man is more than human if he smiles over the fact of your reaction to that real problem you are confronted with in any community with a superabundance or large aggregation of negro labor.

You get the idea: A "prevailing" wage doesn't have anything to do with an honest day's work for an honest day's pay.

What the law did then for federal contracts and what it does today for state contracts is this: Politically manipulate the market for labor, whatever its color. It does so in a way that ensures that some people (unionists) have an employment advantage.

That is a theft, however widely unreported. And once institutionalized in a government budget, it becomes a double theft — first from an employer and then from a taxpayer. Moreover, economists can show that there are hidden social costs in market distortions, the communication of trade skills, etc.

In adjacent Michigan, for instance, the Mackinac Center for Public Policy found that 11,000 new jobs were created during a 30-month period when the law was temporarily ruled invalid. Other findings in the study include:

- The (prevailing-wage) law added at least \$275 million annually to the cost of Michigan's capital

outlays, about five percent of the revenues raised by that state's individual income tax.

- African-Americans in Michigan were less than 50 percent as well represented in the construction industry as whites, which the study's author argued was both theoretical and empirical evidence that the prevailing wage still promotes racial discrimination.

- States without prevailing-wage laws (there are 19) had net in-migration of more than 2.5 million people from 1990 to 1996.

- In states with strong prevailing-wage laws, out-migration totaled 2.7 million.

Similar studies in Indiana might or might not give similar results, but government waste and inefficiency are not the point. Rather, it is that the prevailing wage constitutes a moral wrong. That would be true even if it as claimed saved taxpayers money, preserved "good" jobs or improved the quality of construction (and it doesn't do any of these).

George Leef, writing for the Cato Institute, put this moral wrong in an economic context: "The prevailing wage is merely rent-seeking by a politically potent interest group using its influence to use the law to enforce a price-fixing scheme."

Is this OK with our Indiana GOP? There's no movement among the super-majoritarians for reform, nor can the issue be found on the governor's "road map" for progress. We are asked to trust that a secret plan is in the works, that they don't want to tip their hand just yet.

But look, this isn't a difficult public-policy question. It has always been a bad idea for any government to assist any group of sellers (in this case, unionists) in what is an eternal human desire to fix prices and stifle competition. The public can handle these truths.

So the Indiana GOP's reticence is puzzling. Let's hope it finds its voice on this most basic issue. — *tl*

Resources

David Bernstein. "The Davis-Bacon Act: Let's Bring Jim Crow to an End." Cato Institute, Dec. 26, 2012.

Richard Vedder. "Michigan's Prevailing Wage Law and Its Effects on Government Spending and Construction Employment." The Mackinac Center.

The Ohio Legislative Service Committee Senate Bill 102 Report: 22 25.

George Leef. "Prevailing Wage Laws: Public Interest or Special Interest Legislation?" *The Cato Journal*, Winter 2010.

WHO PREVAILS WITH THE PREVAILING WAGE?

There's need for a full discussion of whether it is ethical or even practical for the Indiana Legislature to impose artificially high labor costs on taxpayers.

by ERIC SCHANSBERG

It is said that Harry Truman wanted a one-armed economist. He had grown tired of economists saying “on the one hand” and then “on the other hand.” Economists are famous for rigorous benefit-cost analysis, picking up secondary and subtle consequences in addition to those that are more obvious.

To this end, economists use models to understand economic and political market behavior. And they try to be explicit about the assumptions in those models — often times, the key to people reaching their beliefs about personal choices, business decisions and public policies.

What do economists have to say about “prevailing” wages?

Prevailing Wages Defined

A prevailing wage is a legal arrangement to set minimum compensation (wages and benefits) in public-sector construction at rates above where market participants (demand and supply) would otherwise reach equilibrium.

As always, the basic choice is between markets and government; we either allow people to do what they want — or not. And as always, there are both ethical and practical considerations. Ethically, one should ask how this could be a role for government. Is it ethical to use government to dictate terms for labor contracts in this manner? Practically, what will the law do? How will it work in practice? What are its benefits and costs?

Prevailing wages are often called “common wages.” They are state and local versions of the 1931 federal Davis-Bacon Act. They exist in 32 states, including Indiana and all surrounding states. They are imposed on a minimum project size of \$350,000 in Indiana. (The Davis-Bacon



threshold is only \$2,000.) Typically, prevailing wages are set at or near the “prevailing” union compensation. They are explicitly relevant in public-sector construction but may be an influential norm for compensation in private-sector projects as well.

Prevailing and Minimum Wages

By definition, prevailing wages are a minimum wage or wage floor applied to one segment of the labor market. When an economist hears about a price regulation, the first question is whether it is “effective” or not. In other words: does it have an effect on the market, or is it irrelevant to market outcomes? For example, we could pass a law that mandated a minimum price of at least \$1 for a gallon of gasoline, with violations punished by fine or imprisonment. But the law would have no effect since the equilibrium price of gas is far above \$1.

This was generally the case with the minimum wage in 2007. The minimum was \$5.15 per hour then, but minimum-wage jobs usually paid \$7 to \$8 per hour. So, the minimum was not binding on the market; it had no effect — for good or for ill. Since then, the minimum wage has been increased to \$7.25 and the government has given us the Great Recession.

So, the minimum wage is now a binding constraint. How do firms respond?

The most obvious answer is that they tend to reduce the quantity demanded of labor as it becomes artificially expensive without an increase in productivity.

This helps those who keep their jobs, but increases unemployment among the unskilled — not an exciting trade-off to impose on people on the margin. There are some factors that mitigate this: firms might reduce fringe benefits (e.g., employee discounts); pass some of their higher costs to consumers as higher prices; and earn reduced rates of return.



Eric Schansberg, Ph.D., an adjunct scholar of the foundation, is a professor of economics at Indiana University at New Albany. His essay is an adaption of a presentation to the foundation's July 9 seminar in Indianapolis.

Prevailing wages are quite “effective” as minimum wages — with compensation rates far above equilibrium. Moreover, we would expect little if any reduction in fringe benefits, since most of those are also regulated by the same law.

The result: a burden for owners (who will lose money or avoid the regulated market) and taxpayers. The prevailing-wage compensation premium can exceed 100 percent, and labor is often 20 percent to 30 percent of project costs. Although it is difficult to calculate the cost increases — particularly when trying to aggregate those estimates — it is clear that the artificially high wages will increase costs significantly.

One other thought: Proponents of minimum wages and prevailing wages often point to its benefits for firms. Higher wages imply that they will draw from a larger pool of workers, have less turnover (and thus, reduced hiring and training costs), have better morale, etc.

True enough, but this analysis ignores the costs. We can reason that the costs outweigh the benefits since the higher wage is not voluntarily chosen by the firms. Since firms want to maximize profit, if prevailing wages and minimum wages were efficient, you wouldn’t need a law to compel firms to pay those wages.

Are There Good Economic Reasons For Prevailing Wages?

The standard opening model in economics is “voluntary, mutually beneficial trade” — the idea that two parties willingly engage in trade that each expects to be good for them on net. (See *Ryan Cummins in this issue.*)

Here, we’re talking about workers and firms — noting that workers voluntarily rent their services to employers in exchange for wages and other compensation. This model explains the vast majority of activity in economic markets — from buying a shirt to borrowing money from a bank.

From there, economists are quick to point out three potential exceptions to this norm:

First, fraud can make a trade seem beneficial. Withholding key information or lying about an aspect of the trade, however, can make it less than beneficial.

Second, agents may not be able to weigh benefits and costs well (what economists call “rationality”).

Third, one agent may use coercion against the other. If you give me \$20 after I point a gun at you, you acted out of your free will, but you didn’t have as much choice as you had an hour earlier when you bought a pizza.

How do each of these relate to prevailing wages? It is difficult to imagine fraud causing trouble in this context. It’s also difficult to imagine irrationality here — and even if we imagine it, workers wouldn’t want to be accused of that.

Coercion is more feasible — what economists call “monopsony” power (monopoly power in a labor market). If firms exert significant market power over workers, then regulations can protect vulnerable workers. Although possible, examples of this are relatively rare today and most of those are established, endorsed or condoned by the government — e.g., in professional sports, where athletes are initially drafted instead of bidding out their services.

Explanations from Political Economy and ‘Public Choice’

Of course, government often exerts power against consumers, workers and taxpayers. Since prevailing wages occur in the context of public-sector construction, it’s possible that the laws are intended as a remedy against government doing violence to its own workers. For example, local governments might take advantage of monopsony power, driving down compensation for construction trades. But local and state governments rarely have much monopsony power. Rather, they typically face a reasonably competitive labor market; if their wages are too low, they will not attract workers.

Or perhaps local and state governments would be tempted to artificially skimp on quality to reduce costs. If voters are not easily able to assess project quality, then government officials might try to engage in shenanigans.

Of course, the remedy would be somewhere between ironic and unlikely — government tying its own hands to avoid hurting the public. And in any case, it’s not clear why being forced to

How do firms respond to the minimum wage? The most obvious answer is that they will tend to reduce the quantity demanded of labor as it becomes artificially expensive, without an increase in productivity.

pay higher wages would likely result in higher quality — especially if a government intends to harm us, and we're not in a position to assess the abuse.

A more compelling possibility comes from Public Choice economics. Economists have observed that motivated and powerful interest groups are regularly able to get politicians to impose subtle costs on the general public in order to pocket concentrated benefits. This occurs in contexts ranging from income redistribution through the tax code to restrictions in competition that increase price for consumers and increase incomes for producers.

For example, we could take \$1 from 300 million people and redistribute \$30,000 to 10,000 people. The former group would be mildly irritated (if they notice at all). They would be “rationally ignorant or apathetic”; that is, it's not worth the bother to learn about or to fight this legislation.

The latter group would be quite excited and would invest considerable energy in political markets to see the legislation pass (campaign contributions, lobbying, etc.).

In sum, in a democracy, small-interest groups often carry the day against the far larger but far-less-energetic general public.

We certainly have occasion for that mechanism to work here. A small group of workers would benefit from artificially high wages; cooperative politicians would enjoy the support of an interest group; and taxpayers would pick up the tab with some combination of higher project costs (and higher taxes) and lower quality or quantity.

With prevailing wages, the model is more complicated, since union workers benefit disproportionately and often at the expense of non-union workers.

So, we have a powerful interest group working against a less-powerful interest group and the general public. The less powerful interest group may be well positioned to work with the general public to change the law.

It will be difficult, however, given that members of the general public don't typically pay attention to issues that are relatively minor to them. (Another example is import restrictions for steel that benefit the domestic steel industry but significantly harm firms that use steel as a prominent input.)

Finally, note that government agents are typically motivated by budget-maximization and face looser budget constraints — compared with agents in the private sector. That said, budgets are getting tighter for governments now, especially at the local level. There is a potential opportunity to reverse policies that benefit an interest group at the expense of the general public.

Cartels: Combining Economics And Political Economy

Cartels are another relevant model here. Producers want higher prices and less competition, so they have an incentive to collude with like-minded producers. But this is difficult to achieve. With price elevated substantially above cost, this necessarily creates an incentive for insiders to cheat on the collusive agreement and an incentive for outsiders to enter the industry.

Insiders will be tempted to sell a few more highly profitable units, bidding down the price and undermining the cartel. Cartels members will need to monitor and enforce the agreement — usually a prohibitively costly task. And even if insiders can keep the cartel together, outsiders see an amazingly profitable opportunity and will enter the market, undermining the cartel. The bottom line is that cartels — on their own — are really difficult to establish and maintain. (Economists typically use OPEC and DeBeers as the only prominent examples.)

But cartels can get help from government, which has the power to monitor and enforce such arrangements. Government can increase prices and lock out potential competitors. (American farm policy provides a nice set of examples.) And again, such interventions are relatively easy in the public sector with its limited competition and its priority to budget-maximize.

How is this relevant to our topic? Unions are a cartel of labor suppliers — and they use the government to enforce their arrangements. They work with politicians to lock out competitors — *e.g.*, through mandatory licensing and trade protectionism. And they work to increase the costs of their competitors — *e.g.*, through employer mandates and the prevailing wage.

Government Regulations — Theory Versus Practice

How do prevailing wages work in practice rather than how they're imagined to work optimally on paper?

First, they add complexity, administrative costs and inefficiency to the bidding process. For example, it is common to have widely different compensation for the same employee, depending on whether he is working on a prevailing wage or a non-prevailing wage project.

Second, there is a difference between law and the interpretation and enforcement of law. Politicians have something in mind when they put laws on paper. But ultimately those laws will be implemented by bureaucracies and other politicians, which can result in a divorce between intentions and outcomes.

Finally, there is significant likelihood of fraud and abuse, given the nature of the prevailing-wage calculations. Even if the data are accurate, there will tend to be a heavy selection bias toward the inclusion

of union data, given the benefits and costs of data submission.

First, contractors who are exclusively private-sector have no incentive to bother with reporting data.

Second, unions have economies of scale in reporting data, since they have relatively large groups of workers.

Third, unions typically use collective bargaining, making it easier to report their data, compared with the widely varied wage scales of non-union contractors.

Making Discrimination More Prevalent

An intriguing and important part of the prevailing wage is that it encourages discrimination. Of course, the nature of the law is discriminatory in one direct sense: The law intends to harm those who are willing to provide labor services at lower compensation levels.

Most notably, this includes non-union workers and firms that are trying to get established in the market. (New sellers often try to reduce prices initially to compete in an industry.)

But a prevailing wage leads to indirect discrimination, too. To the extent that minority-owned firms are less established, prevailing wages will disadvantage them more so. And prevailing wages create surpluses of labor, reducing the cost of engaging in discrimination by firms.

The history of Davis-Bacon is explicitly racist. For example, Rep. Clayton Allgood complained about the “problem” of “cheap colored labor” in the Congressional Record (Feb. 28, 1931, p. 6513).

We know that the minimum wage has explicitly racist roots in South Africa. And authors such as David Bernstein and John Silber have made the case that the same is true in America as well.

Whatever its roots, the larger issue today is its impact on individuals and groups.

In 1993, the *Louisville Courier-Journal* complained about participation by African-Americans in local construction projects. All of the local public-sector projects had 2 percent participation, except for the Metropolitan Sewer District (MSD).

The editorial writers assumed that those running MSD were more enlightened. The more compelling explanation is that MSD was not under Davis-Bacon or prevailing-wage laws.

(Interestingly, “Affirmative Action” quotas may be a reasonable attempt by the government to solve a problem it has created. Of course, the more direct solution would be to get rid of the policy that caused the first problem.)

That was 20 years ago — and as with other aspects of society, racial problems have generally diminished. Even so, the effects are probably still present, and the adjustment has been more sluggish than was necessary.

Conclusion: What Difference Does it Make?

At a micro level, prevailing wages have imposed obvious and significant benefits and costs on many individuals. Some people receive higher wages, others are locked out of opportunities and taxpayers have a heavier tab.

Some groups benefit; some groups are harmed. This is always the case with political market activity; there will be winners and losers. This is always the case with discrimination; some will impose their preferences and costs on others.

At a macro level, it’s difficult to measure the impact. Beware of studies that engage in univariate, static analysis — e.g., comparing one year of wages in prevailing-wage with non-prevailing-wage states. As in many other areas, careful statistical work is difficult to do. We can confidently say, however, that prevailing wages increase the cost of public-sector construction projects. The result is some combination of higher taxes and lower quality and quantity.

Would repealing prevailing-wage laws “make a difference”?

Yes, as economists often say, “at the margin.” The recent passage of right-to-work in Indiana provides a useful comparison. Prevailing wages are probably a relatively small factor at the macro level. That said, though, why is it ethical or practical to impose these costs on others?

For opponents of prevailing wages, the bad news is that the prevailing wages are more difficult to explain conceptually, but it is easier to quantify their costs. With a predominantly Republican government in Indiana, prevailing wages may be the next interest-group privilege to fall.

The history of Davis-Bacon is explicitly racist. For example, Rep. Clayton Allgood complained about the “problem” of “cheap colored labor.”

THE LEGISLATOR: A SUPER CONSUMER OF GOVERNMENT'S PRODUCT

Indiana's common wage violates the 'double thank you' of successful business.

by RYAN CUMMINS

I have been in the retail business all of my life. It is not a stretch to say that I am in my 50th year of trying to make a few bucks meeting the needs of the customer. This experience has certainly influenced my perception of government and its actions, and it sets the stage for my comments here on the issue of prevailing wage.

I realized years ago that the only way I was going to “win” was to make sure my customers “win” — to make sure they get what they want, when they want it at the price they want. When they do, I benefit; when they don't, I don't.

Centuries of experience have brought our civilization to a simple truth: There are only two ways to get something from someone else. One is to take it by force, the Political Means. The other is to get it by exchange, the Economic Means.

My remarks today are meant to reinforce those who understand the practical, moral and ethical value of the Economic Means. It also is my attempt to convince those who would choose the Political Means that they are wrong — both for themselves and their community.

The Customer-Oriented Approach

I am a customer — a consumer, if you will — of the products of government. While my position is modified by the fact that I am a forced consumer of these government products, it doesn't change the basic idea. That is, in any transaction, even the coerced nature of a transaction involving government, the goal is to keep the customer foremost in mind. In that way the best outcome can be achieved for everyone.

This truth can apply to government itself, to those firms and individuals from whom it purchases products and services and to the folks who pay the bills, the taxpayer.



Ryan Cummins, an adjunct scholar of the foundation, owns a family business in Terre Haute. Re-elected as the only Republican on the Terre Haute Council, he served two years as chairman of its appropriations committee. His essay is an adaption of a presentation to the foundation's July 9 seminar in Indianapolis.



Governments assume responsibility for substantial capital projects and pay for them with forcibly collected taxes. Since this is the case, the role of a council member or a state legislator is vital, more vital than most public officials realize.

The role of the legislator, whether in council chambers or statehouse, is to represent all the other consumers (known more specifically as taxpayers and more generally as citizens) in their “purchase” of government products.

My concern here is not the city or state and its administration. It is not the bureaucrats of a department undertaking a public-works project. And it is not the union or non-union contractor, local or not, who might build a project. Nor is it even the employees of any of these same companies.

My duty is only to those buying a particular public-works project. For as a local legislator, I am the only one who can truly and ethically represent their best interests in any transaction.

Government Run 'as a Business'

It is here that I need to address a misleading notion. It is that government can or should be “run like a business.” I want to say unequivocally that, no, it cannot be run like a business. Government, absent the profit motive, the fundamental driver of business and its *raison d'être*, is something else entirely.

This is critical for a legislator to understand when dealing with an issue such as the prevailing wage. For without the discipline imposed by the requirement to turn a profit, the interest of the customer (the taxpayer) count for little if it is considered at all. There is little to limit what, why or how the government will spend other people's money. And when a council member or state legislator doesn't represent his customer, his true constituency, the taxpayer, there's no one else in the process who can.

The administrator can't. He's part of a government seeking a politically defined project. And, as mentioned above, he lacks the incentive to seek a profit and apply the tremendous discipline that a search for profit requires.

The winning bidder can't because he is on the opposite side of the transaction.

That leaves the legislator. He's the only one. When he doesn't appreciate or understand his consumer role or fails to fulfill its obligation, taxpayers are left hanging in the wind. There is no one considering their interests. The result is always a reduction of wealth in a community.

The Standard

I sell flowers. When a customer comes in to buy a garden chrysanthemum from me, I am asking them for \$6 in return. The customer decides whether what I am asking is worth it.

The customer will ask, sometimes out loud but more often silently to herself, this question: "Is this as good a value as what the guy down the street is offering?"

I have to persuade her that I have better varieties, more colors, quicker checkouts, better parking, easier access, more knowledgeable staff, etc. The list of things I must demonstrate in order to sell them a mum is literally endless and ever-changing.

If I am successful and the customer purchases the mum, then both our interests are served. She gets the mum, and I get \$6. It results in the "double thank you" that characterizes nearly every voluntary transaction.

I am happy, but only briefly. There is more that I must do. I must convince her to come back again for another purchase. If she does, she will ask directly or indirectly, "Well, you did a good job yesterday, but what are you going to do for me today?"

It is a tremendous challenge to meet this standard day in and day out, but it is done every day in every viable business.

The Reality

If this is the standard to which private business is held, and it is the profits earned by private business that pay all the taxes, then the same should be applied to every

purchase of any public-works project paid for with those taxes.

During my time on the Terre Haute Common Council, I came to the realization that about half of our problems originated at the Statehouse in Indianapolis. The "prevailing" or "common" wage was one of them. It imposed substantial increased costs for the city when it engaged in public-works projects.

For this customer-oriented councilman, there was a disconnect between the costs paid and the value received. There wasn't much I could do about it, however, except argue the merits or scope of a particular project. This did not make for an effective plan to protect the interests of the taxpayer.

A related problem was that the state prevailing-wage laws became the base, the starting point, for attempts by some to use the Political Means to gain additional benefits. They understood that, at the local level, the city couldn't rescind the state prevailing-wage statutes, but it could expand them, often by tying them to so-called economic-development incentives.

In our case, concerted efforts to tie prevailing wage to the granting of tax abatements turned council meetings into heated arguments. Emotion and rhetoric were weapons used by both sides.

Businesses that were receiving the tax reductions (already coming at the expense of all other property taxpayers) would be forced in exchange to meet an arbitrary wage schedule determined not by profits or losses but by a union-dominated bureaucracy. It was a price hardly worth the businesses' use of the Political Means to achieve a shift in taxes via abatements.

The unions saw a way to use the Political Means to benefit themselves, bring business under the control of a leveraged bureaucracy and, finally, to open doors into non-union businesses.

And in all this, the interest of the taxpaying citizen was discussed minimally, if at all. The sum of my council experience was that the prevailing wage caused nothing but problems. Businesses spent time and resources that might have been used to be more competitive in their markets. Unions went further down

"Concerted efforts to tie prevailing wage to the granting of tax abatements turned council meetings into heated arguments. Emotion and rhetoric were weapons used by both sides."

COVER ESSAY: CUMMINS

“Regarding prevailing-wage laws, council members were spending time trying to make decisions based on emotion and anecdote rather than fact and logic. Nobody won.”

the path of attempting to use the force of government for their benefit, to the detriment of everyone else. Citizens were disillusioned by the rancor reported in the media. Administrations were distracted from carrying out the essential functions of government. Council members were spending time trying to make decisions based on emotion and anecdote rather than fact and logic. Nobody won.

Conclusion

Wages are a price, the price of someone's labor. It matters not that it is given the name “prevailing” wage, “minimum” wage or “living” wage. The science of economics tells us that such price controls don't work, that they ultimately make everyone worse off.

Economics also tells us that everything is scarce by definition and that choices must be made. Tax dollars are obviously scarce (and I hope they become even scarcer in the future). Indeed, is there a government in Indiana, including the state government, that isn't bellyaching about a shortage of those dollars?

Let us bring this down to the practical, *i.e.*, the real experiences of local and state legislators. What does all of this tell us we should do to increase all our wealth?

For the answer, I'll go back to the statements I made at the beginning of my comments today. There are only two ways to get something you want or need. Either you can make it yourself, or you can get it from someone else.

And there are only two ways to get something from someone else. One is to take it by force (the Political Means) and the other is to engage in voluntary exchange (the Economic Means).

Prevailing-wage laws are the epitome of the Political Means of getting something you want, in this case a price for one's labor. Free markets in wage rates represent the Economic Means. The one, however, leads to strife, conflict and reduced wealth for everyone. The other leads to cooperation, productivity and greater prosperity for everyone — my “double thank you.”

It should be obvious which one serves everybody's self-interest.

We've long argued that the federal government's super minimum-wage requirements for construction projects are union payoffs that bilk taxpayers. So we're delighted to see that no less a liberal bastion than the District of Columbia government agrees. In late May, the district sued to overturn a federal Department of Labor ruling that applied Davis-Bacon to a \$700 million downtown development project called CityCenterDC. Davis-Bacon is the 1931 law that requires contractors on all federal projects to pay a 'prevailing wage' — which means the highest local union wage. Study after study has shown that the law inflates costs and mires projects in red tape. As bad as Davis-Bacon is, it has at least only applied to 'public' buildings or works — meaning those funded, owned or occupied by the U.S. or D.C. governments. CityCenter meets none of those requirements. Private developers are funding the project, and neither the federal nor D.C. governments will occupy CityCenter. In 2009, the Carpenters Union petitioned to have Davis-Bacon applied, but a civil servant in the Labor Department's Wage and Hour Division declined. Yet in June 2011, Nancy Leppink, the acting administrator of Wage and Hour and an Obama appointee, summarily reversed that ruling. She took the position that, while the D.C. government has leased the land to developers for 99 years, it still technically owns it and retains some (token) regulatory construction oversight. She added that because CityCenter will supply jobs and tax revenue for the city, these 'economic benefits' mean the project is a 'public work.' . . . Under the Leppink definition, every private development is a public work. The decision will add hundreds of millions of dollars to construction costs, and some projects will never be built. — *“D.C.'s Davis-Bacon Revolt,” the Wall Street Journal, June 6, 2013.*

IMMIGRATION

At what point does immigration become invasion, ruin become riot? And when are the best of intentions corrupted by political cowardice?

Against Open Immigration

by CECIL BOHANON

Economists convinced of the virtues of a free market instinctively support open immigration.

If goods should be allowed to cross borders freely, then people should, too. Of course, terrorists, criminals and indigents are exceptions to the rule, just as are toxic and adulterated goods. Those of us lucky enough to be citizens of the United States should be aware that all our forebears were one-time immigrants. That even goes for my purported Cherokee ancestors. (I must be careful; I don't want Bohanon family gossip to morph into an Elizabeth Warren incident.)

So what case could any right-minded classical liberal make for immigration restrictions?

In his 1980 television series "Free to Choose," the Nobel-prize-winning economist Milton Friedman began by highlighting his parents' immigrant experience in the United States around the beginning of the 20th century.

"Life was hard, but opportunity was real. There were few government programs to turn to, and nobody expected them. But also, there were few rules and regulations. There were no licenses, no permits, no red tape to restrict them. They found, in fact, a free market, and most of them thrived on it."

In this narrative are the seeds of a classical liberal's case for restrictive immigration.

In 1905, the Supreme Court affirmed labor's freedom of contract in the famous *Lochner* vs. New York case. New York had passed a law restricting working hours in bakeries. This harmed small bakeries typically employing immigrants but gave an advantage to large unionized bakeries employing natives. The court affirmed the right of the individual, be he immigrant or native, owner or worker, to freely negotiate the terms of his own labor contract based on his own judgment.

Classical liberals love the *Lochner* decision, but progressives hate it. However, most all agree that, by 1950, *Lochner* had been more or less emasculated. The court, in effect, reversed

itself in the 1930s, and the progressives' agenda for labor market regulation was enacted.

Today, government restrictions that forbid less-skilled and less language-fluent residents of the U.S. from offering their services on mutually attractive terms are firmly in place. If immigration were open and unrestricted, as it was before 1920 when illegal (or undocumented, to use the politically correct term) immigrants did not live in the legal shadows, government policies would certainly be much more effective in restricting the very opportunity to which Friedman referred. That many illegal workers currently skirt these restrictions proves the point.

Free and open immigration implies that a larger portion of an immigrant population will fail in its efforts to obtain economic security on our shores than in 1900 or, for that matter, today. This need not be a problem except for another difference between then and now: Today there are a myriad of government programs to turn to, and everybody expects them.

Legalized immigration, it is argued, will undoubtedly be accompanied by expanding entitlements to immigrants successful and unsuccessful. This implies a large influx of poor immigrants who systematically become public charges. In Friedman's world, immigrants had to make it on their own, and the legal environment allowed them to do so.

Today that environment does not exist, though; legal immigrants will not be allowed the opportunity to succeed but will simultaneously be lured by the welfare state to stay on in the presence of failure. It is not a pretty picture. — *March 25*

For Legal Immigration

As Congress and the Obama Administration negotiate a deal over immigration reform, I am cautiously optimistic that Washington might finally enact some useful legislation. Many things could wreck the deal, but I am hopeful the final provisions will: 1) Allow for more immigrants to legally reside and work in the United States; and 2) place significant restrictions on immigrants' access to non-emergency government-funded social benefits.



Cecil Bohanon, Ph.D., adjunct scholar with the foundation, is professor of economics at Ball State University. In back-to-back columns, he takes up contrasting positions on immigration. Craig Ladwig, editor of the journal, adds a genealogical note.

"Don't get me wrong, I'm all for additional bike trails, but it is hard to see how this will help fill the existing unused housing stock. Moreover, to hope for endless federal grants to rehabilitate historic housing is hardly a solution, but a couple of thousand immigrant families might do the trick." (Bohanon)

Although well-crafted legislation may empower a stronger economic recovery, my support for immigration is more philosophical than economic. Like most classical liberals, I see the individual's ability to offer his labor services on mutually agreeable and legally enforceable terms as a basic human right on par with the right to free speech and free worship.

This is not a new issue in our country nor is there anything novel about my argument. In the 1880s, the United States passed legislation that forbid Asians from immigrating to the United States. In the Congressional debates, two Massachusetts Republican senators argued against this restriction:

Senator George Hoar stated: "I will not deny to the Chinaman (sic) any more than I will to the Negro or the Irishman or the Caucasian the right to bring his labor, bring his own property to our shores, and the right to fix such a price upon it as according to his own judgment and his own interest may seem to him best."

Senator Henry Dawes expressed similar sentiments, to wit, "I do not know any particular difference between Asiatic labor and European labor; it is labor, and it never occurred to me that the difference between men was the difference in the places where they were born. I always supposed it was a difference in the character of men."

That said, it is important to recognize that there are numerous economic benefits that accrue from increased legal immigration. Immigrants tend to be younger and more entrepreneurial. This is practically a self-evident proposition: It is the young who have the energy, confidence and ambition to pack up and leave home, and those who leave their native land for new shores are, by definition, more willing to take risks than those who stay behind.

My hometown, like many in Indiana, has been depopulating for quite a while. There are more than 4,000 vacant houses in Muncie. Discussions on reviving Muncie usually start with improving the quality of life. Don't get me wrong, I'm all for additional bike trails, but it is hard to see how this will help fill the existing unused housing stock. Moreover, to hope for endless federal grants to rehabilitate historic housing is hardly a solution, but

a couple of thousand immigrant families might do the trick.

An Indianapolis real-estate developer confided to me that he was making a "bundle" buying up \$5,000 houses and leasing them to immigrants. To paraphrase: "I drive by, and my tenants have improved the houses, put up fences, started a garden, and I see a passel of children playing in the front lawn."

A good dose of hard-working, family-oriented, entrepreneurial-inclined newcomers might just be the tonic our local economies need. Compared with targeting Richard Florida's well-educated "creative class," older industrial towns in Indiana might do much better in welcoming a new immigrant class. — April 8

Source of Senate quotes are the Congressional Record, April 25, 1882, p. 3265, and the Congressional Record, April 26, 1882, p. 3312.

And a Testimonial

by CRAIG LADWIG

A few hours on one of those genealogical web sites can put the immigration debate into sharp personal focus.

I stumbled on her picture, a criminal mug shot actually, while looking for more glamorous ancestry. She was my great-grandmother, a suspected enemy alien.

Wilma Philipina Rosina Haug Bader was required to register as such on June 18, 1918. The order was signed by the 23-year-old manager of the Enemy Alien Registration Section of the Department of Justice, a J. Edgar Hoover. She was among an estimated half million German-Americans rounded up at post offices, ordered to carry their registration card at all times and to report any change of address or employment.

About 6,000 immigrants fitting my great-grandmother's ethnic description were arrested. Thousands more were interrogated and investigated on Hoover's direction, with more than 2,000 interred for the duration of World War I — unnecessarily and unjustly, some now might



T. Craig Ladwig is editor of the journal.

argue. (Interestingly, nobody sued for reparation.)

Wilma Philipina was a German-speaking farm wife from Wittenberg, one of more than 5.5 million pioneers from northern Europe settling here between 1820 and 1910. But as suspected enemies go, these folks behaved oddly. In a few generations, they turned the Great Plains into a breadbasket. The historian Paul Johnson credits them with ensuring our young nation's economic independence, if not its survival.

Nor did my great-grandmother's life play out subversively. Her son, a Kansas stockman, would be elected the first Democrat sheriff of a county named Republic. Her grandson, a decorated Naval aviator, would be one of the first to land on an aircraft carrier at night. He was featured in *Time* magazine but the article did not mention his "enemy" ancestry.

Nonetheless, his family's denigrating record would not be expunged by mere heroism; it is stored forever in Washington, D.C., by the National Archives and Record Administration.

Here is a sample of the questions on my great-grandmother's affidavit:

• *Have you ever applied for naturalization or taken out papers for naturalization in the United States? (No)*

• *Do you speak, write or read English? (Yes and No)*

• *Have you since January 1, 1914, reported to or registered with any counsel or representative of any country other than the United States for government service in any kind of military, naval or other service or for any other purpose? (No)*

• *Have you a permit to enter forbidden areas? (No)*

For the record, this was not the first member of our family to be identified as an undesirable. Relatives on my mother's side, the Korffmanns, who were participants in the nation-defining Palatine immigration of the early 1700s, were nominated for exclusion — by a signer of the Declaration of Independence, no less.

A Philadelphia publisher, Ben Franklin, writing about the influx of what he described as "swarthy" German immigrants, asked this pointed question:

Why should the Palatine (German) boor be suffered to swarm into our settlements and, by herding together, establish their language and manners to the exclusion of ours?

Boorish though they may have been, the Korffmanns would help supply George Washington at Valley Forge. Several in the immediate family would be listed as patriots in the War of Independence,

"Why should the Palatine (German) boor be suffered to swarm into our settlements and, by herding together, establish their language and manners to the exclusion of ours?"

— Ben Franklin

Great-grandmother Wilma Philipina Rosina Haug Bader's registration affidavit under the Alien Enemies Act, 1917-1918

The form is a registration affidavit under the Alien Enemies Act, 1917-1918. It is filled out for Wilma Philipina Rosina Haug Bader. The form includes sections for personal details, employment, and a declaration of loyalty. A small portrait of the registrant is visible on the right side of the form.

1. Name of registrant: *Wilma Philipina Rosina Haug Bader*

2. Date of birth: *1878*

3. Place of birth: *Germany*

4. Date of arrival in the United States: *1914*

5. Name of employer: *W. Bader*

6. Declaration of loyalty: *I am not an alien enemy and I am not an enemy of the United States.*

7. Signature: *Wilma Philipina Rosina Haug Bader*

8. Date: *Jan 1 1918*

9. Address: *W. Bader*

10. Name of witness: *W. Bader*

11. Signature of witness: *W. Bader*

12. Date: *Jan 1 1918*

13. Address: *W. Bader*

14. Name of witness: *W. Bader*

15. Signature of witness: *W. Bader*

16. Date: *Jan 1 1918*

17. Address: *W. Bader*

18. Name of witness: *W. Bader*

19. Signature of witness: *W. Bader*

20. Date: *Jan 1 1918*

21. Address: *W. Bader*

22. Name of witness: *W. Bader*

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96. Date: *Jan 1 1918*

97. Address: *W. Bader*

98. Name of witness: *W. Bader*

99. Signature of witness: *W. Bader*

100. Date: *Jan 1 1918*

SPECIAL REPORT: IMMIGRATION

"Failure and intransigence, please know, are options in a free society." (Ladwig)

including one in my direct line, who served willingly, if ignobly, at the Battle of Crooked Billet. His descendants wear the pins of the Sons of the American Revolution and the Daughters of the American Revolution.

So, all of that considered, do I favor open immigration?

Enthusiastically, on one condition — that the same expectations hold for immigrants today as held for the Baders and Korffmanns, that they are free to both succeed and fail.

Immigration policy once was simple in that regard — at least before coming within the purview of my generation and its strange mix of solipsism and narcissism. The border was assumed; it marked where the American exception began (liberty, individual responsibility) and where the historical default ended (tyranny, envy, dependence).

And for most of our history, minimal paperwork was needed — certainly not 1,500 pages of new congressional legislation. Immigrants pretty much walked into America and went to work. The immigrant — even the unregistered, unnaturalized alien — was equal in opportunity to the established citizen. Each was responsible for his own fortune in a free market for labor, brains and skill.

And this is the important point: The immigrant, having the advantage of recent experience with that worldly default setting, the one that prevails everywhere outside our borders, that squashes initiative and forces dependency, relished the freedom and the competition. He excelled, Ben Franklin's prejudice be damned.

The great many not only adapted but contributed to the American experiment in limited government, and did so heroically day in and day out. Others, though, less independent or less resolute, returned from whence they came. Failure and intransigence, please know, are options in a free society.

That has changed — turned inside out, some believe. The immigrant still is equal but in a bad way. Subsidies, supra-legal considerations and social contortions prop up the unproductive citizen and the undocumented foreign national alike, including those who mean to destroy American society rather than join it — enemies truly.

Thus does immigration become invasion, ruin become riot (see Sweden). And thus does political cowardice in Washington corrupt good intentions everywhere else. The problem, great-grandmother Bader might tell us, is not our borders but what has become of those inside them. — *May 31*

Charles Murray on the Issue of Immigration

- Immigration is one of the main reasons — I'm guessing the main reason apart from our Constitution — that we have remained a vital, dynamic culture, but immigration of a particular sort: Self-selection whereby people come here for opportunity. That self-selection process used to apply to everyone. It still applies to the engineers and computer programmers and entrepreneurs who come here from abroad, but it is diluted for low-job-skill workers by the many economic benefits of just being in the United States. Most low-job-skill immigrants work hard. But Milton Friedman was right: You can't have both open immigration and a welfare state. The tension between the two is inescapable.

- Massive immigration of legal low-skill workers is problematic for many reasons, and some of them have to do with human capital. Yes, mean IQ does vary by group, and IQ tends to be below average in low-job-skill populations. One can grant all the ways in which smart people coming from Latin American or African countries are low-job-skill because they have been deprived of opportunity and still be forced to accept the statistical tendencies. The empirical record established by scholars such as George Borjas at Harvard cannot be wished away.

- I am not impressed by worries about losing America's Anglo-European identity. Some of the most American people I know are immigrants from other parts of the world. . . .

- When it comes to the nitty-gritty, I would get rid of reuniting-families provisions, get rid of the you're-a-citizen-if-you're-born-here rule, and make immigrants ineligible for all benefits and social services except public education for their children. Everybody who immigrates has to be on a citizenship track (no guest workers). And I would endorse a literacy requirement. Having those measures in place, my other criteria for getting permission to immigrate would be fairly loose. Just having to get through the bureaucratic hoops will go a long way toward reinstalling a useful self-selection process. But, to go back to basics: None of this works unless illegal immigration is effectively ended. — *quoted in "The Corner" by John Derbyshire, NationalReview.com, Dec. 12, 2016 (<http://www.nationalreview.com/node/134471>).*



ANDREA
NEAL

Marijuana and Tobacco: Mixed Messages

June 3 — “For First Time, Majority in U.S. Supports Public Smoking Ban.” That was the headline in July 2011 as cigarette bans swept the country. In 2000, just one major U.S. city banned smoking at work sites, restaurants and bars. As of last year, 60 percent of the 50 largest cities did, including Indianapolis. Last July, Indiana became one of 38 states with smoke-free air laws.

“Majority Now Supports Legalizing Marijuana.” That headline appeared this spring amidst growing debate over liberalizing marijuana laws. Although marijuana use is still against federal law, 26 states have moved to legalize medical marijuana, decriminalize recreational marijuana or both. Indiana has been flirting with the idea.

Senate Bill 580 this past session would have made possession of less than two ounces of marijuana a Class C infraction punishable by nothing more than a fine — the same as a traffic ticket. The bill died without a hearing; its author, Sen. Karen Tallian, D-Portage, promised to reintroduce it next year. A WISH-TV/Ball State University Hoosier Survey showed support for decriminalization at 53 percent.

What’s going on here? The Hoosier Survey and poll results from Gallup and Pew Research Center suggest a severe case of schizophrenia when it comes to smoking.

Health advocates have succeeded in their marketing campaign against Big Tobacco but have failed to gain the upper hand in the marijuana debate. This is partly due to misinformation and partly due to misrepresentation by activists.

The National Organization for the Reform of Marijuana Laws (NORML) is the most vocal group that seeks to repeal marijuana restrictions. The group says prominently on its website, “According to the prestigious European medical

journal, *The Lancet*, ‘The smoking of cannabis, even long-term, is not harmful to health.’ ”

Since *The Lancet* said those words in 1996, however, it has published numerous studies refuting the conclusion. In 2009, it wrote, “Epidemiological, clinical and laboratory studies have established an association between cannabis use and adverse outcomes . . . (including) dependence syndrome, increased risk of motor vehicle crashes, impaired respiratory function, cardiovascular disease, and adverse effects of regular use on adolescent psychosocial development and mental health.”

Any smoking is bad for one’s health. Tobacco is addictive, and second-hand smoke is a proven cancer-causing agent, justifying bans in public places.

Yet on almost every measure, marijuana is a more dangerous substance than tobacco, comparable with alcohol in its ability to impair judgment and to more-potent narcotics in its lasting effects on the brain. The typical cannabis cigarette “increases the smoker’s risk of developing lung cancer by 20 times the amount of one tobacco cigarette,” says the British Lung Foundation, which published a review of medical research in 2012.

Marijuana ingestion harms short-term memory, and makes it difficult to learn and retain information or perform complex tasks. It slows reaction time and reduces motor coordination. Prolonged use is “associated with lower test scores and lower educational attainment because, during periods of intoxication, the drug affects the ability to learn and process information, thus influencing attention, concentration and short-term memory,” said researchers M. T. Lynskey and W. D. Hall.

One reason commonly given for decriminalizing marijuana is to free law enforcement to focus on serious crime and to reduce the number of minor possession cases that clog the court system. Pot

“Health advocates have succeeded in their marketing campaign against Big Tobacco but have failed to gain the upper hand in the marijuana debate.” (Neal)

“Indiana may prove to be a trendsetter (in regard to Common Core). Lawmakers in at least a dozen states have said they, too, are concerned about the standards.” (Neal)

smokers are not criminals, the thinking goes.

The argument is naïve. The National Research Council has found that long-term marijuana use can alter the nervous system in ways that promote violence. Further, legalizing drugs doesn’t end illegal activity connected with the drug trade. Consider Amsterdam, where coffee houses selling marijuana are commonplace. The city has been plagued by drug trafficking, drug tourism and street crime.

Support for legalizing marijuana has risen 11 points since 2010, a stunning increase that can only be attributed to propaganda. This is why policymakers must resist the urge to do the popular thing. Society can’t in good conscience deem cigarette smoking a top public-health hazard and simultaneously embrace marijuana smoking.

Common Core Debate Is Far From Over

May 27 — The nation’s eyes are on Indiana as it moves to reconsider the Common Core academic standards that are supposed to raise student achievement and standardize what children learn across the country.

The operative word is “supposed.” These national academic standards were adopted by 46 states and the District of Columbia with little data to back them and almost no debate. Former Gov. Mitch Daniels and School Superintendent Tony Bennett pushed Indiana’s Board of Education to enact them in August 2010. Since then, questions have arisen about their quality and cost.

House Bill 1427 pauses their implementation and requires the board to conduct a “comprehensive evaluation.” It also sets up a legislative study committee to compare the new standards to the ones that Indiana previously had in place as well as other standards deemed exemplary by experts.

Indiana may prove to be a trendsetter. Lawmakers in at least a dozen states have said they, too, are concerned about the standards.

The concerns fall into three areas:

- Indiana already had well-regarded language-arts and math standards, and it’s

not clear that the Common Core standards are an improvement.

- They’re expensive. New standards mean all-new textbooks, instructional materials and standardized achievement tests, at an estimated cost of \$3.7 billion nationally.

- There’s no reason to think that national standards will improve student achievement. State standards haven’t done so, even when they have been comprehensive and rigorous.

Defenders of the Common Core are spewing a great deal of hyperbole in their attempt to preserve it.

Writing recently in the Indianapolis Business Journal, David Dresslar made the dubious claim that businesses looking to expand would eliminate Indiana as a potential site if it withdrew from Common Core. Dresslar is executive director of the Center of Excellence in Leadership of Learning at the University of Indianapolis.

Dresslar blamed far-right and far-left extremists for the controversy. He said the vast majority of people support these “high-quality global standards” — another arguable conclusion, considering that most people have never seen or read them. The Indianapolis Chamber of Commerce has made similar claims.

A strong case against the standards was made in a recent report by the centrist Brookings Institution, which found, “The empirical evidence suggests that the Common Core will have little effect on American students’ achievement.”

The report noted that students score about the same on the NAEP test (National Assessment of Educational Progress) regardless of whether they come from states with strong or weak content standards and regardless of race or income. Also, no difference is detected in states with more rigorous expectations for what constitutes a passing score on these tests.

The study goes on to suggest what folks involved in K-12 education already understand. When it comes to student learning, written standards for what should be learned in each subject area are helpful tools. But what really matter are curriculum and its delivery by individual teachers behind classroom

doors. Curriculum encompasses all of the books, instructional materials, lectures and learning experiences for which a teacher is responsible.

The Brookings report concluded that the “attained curriculum” will vary from state to state, but it will also vary from teacher to teacher and even between classes taught by the same teacher.

As a middle-school teacher of English and history, I’ve had the chance to review dozens of textbooks and workbooks marketed by publishers as “Common Core aligned.” These new materials are no better than what we have already, except they are more explicitly tied to coming assessments, which will be no better than what we have already.

High-quality instructional materials in the hands of effective teachers are more likely to affect achievement than a rewriting of standards. Education reformers should stop reinventing the wheel and focus their attention on the recruitment, training and retention of excellent teachers for every classroom.

Indiana legislators made a wise move when they decided to pause implementation of the Common Core. Other states will follow.

Thank Gov. Bowen For Tax Relief

May 13 — Otis Bowen will go down in history as the governor who delivered landmark property-tax relief to Hoosiers. He also deserves mention for what happened on Mitch Daniels’ watch: a tax-reform amendment to the state Constitution.

Relief is “lightening of something oppressive,” according to Merriam-Webster. Reform is “correction of an abuse or wrong.” The first tends to be temporary, the latter more permanent.

That’s why Bowen lobbied for the Daniels tax plan in 2008 in response to another property-taxpayer rebellion. It was necessary, Bowen said, to finish the work he’d begun in 1973.

Bowen’s death on May 4 generated scores of headlines recalling the tax crisis in the 1970s that led to the relief for which he is fondly remembered. Property taxes had doubled in the previous decade, so

candidate Bowen made “visible, lasting and substantial” cuts his top campaign issue.

Legislation passed his first year in office froze property taxes and made it harder for local governments to raise levies. It doubled the sales tax from 2 to 4 percent to make up lost revenue. It permitted counties to impose local option income taxes as long as most of the money was used to cut property taxes further.

Even then, Bowen worried about the temporary nature of the measures. By the time he left office in 1981, the legislature had carved out 18 exceptions to spending controls. “In my final address to the legislature, I warned that continuing this trend could lead to a property-tax disaster,” he recalled in a 2008 letter to the Indianapolis Star. “My warning went unheeded.”

From 1973 to 1981, Indiana’s property-tax collections fell by \$1 billion. By 1993, they had returned to pre-Bowen levels, sparking more taxpayer outrage. A court case declaring Indiana’s property-assessment system unconstitutional created more problems in 2002, which led to more restructuring, and, by the 2007 municipal elections, taxpayers were rabid over rising assessments and tax bills.

In 2008, Bowen emerged from retirement to speak in favor of Gov. Mitch Daniels’ reform plan, which, among other things, took school operating funds and welfare off the property tax and raised the sales tax to 7 percent to make up lost revenues. Bowen was in the gallery when Daniels outlined his plan to legislators in his State of the State address.

The most significant step came in 2010, when voters passed an amendment to the Constitution capping property taxes at 1 percent of a homeowner’s assessed valuation, 2 percent for agricultural land and 3 percent for business. If government units want to raise money outside the cap, they must get voters’ permission.

Daniels was able to achieve something Bowen had not — handcuffs on local officials, who now must justify additional spending to taxpayers. Previous relief merely shifted the burden to other taxes or other taxpayers. This time, budgets would have to be cut.

“Legislation passed (in Bowen’s) first year in office froze property taxes and made it harder for local governments to raise levies. It doubled the sales tax from 2 to 4 percent to make up lost revenue. It permitted counties to impose local option income taxes as long as most of the money was used to cut property taxes further.” (Neal)

“Even where Republicans are firmly in control, they are acting scared. Some of this is fear of losing the next election. Some is fear of the news media, whose liberal bias is documented. Some is not knowing how to lead.” (Neal)

This doesn’t mean taxes won’t rise. Homeowners in some parts of the state saw May 2013 bills jump considerably, prompting questions about whether the cap has done what it intended. In Marion County, 70 percent faced higher bills due to lingering assessment issues and higher rates imposed by taxing units exempt from the cap. In most of the state, assessed value stayed the same or fell in 2012.

“There is no question that the combination of the caps, along with the major levy reductions paid for largely by sales-tax increases, have given Indiana among the lowest, if not the lowest, property taxes in the country,” said Karl Berron, chief executive officer of the Indiana Association of Realtors.

Indiana’s system can still stand improvement, Berron said. The state does not sufficiently monitor assessment quality or equalize assessments when necessary. Work at the local level is hindered by archaic data systems and inadequate training, but problems are fewer and farther in between.

On the occasion of Gov. Bowen’s passing, it’s worth remembering him as the man who launched the modernization of the tax system. Indiana has just about reached his goal of “visible, lasting and substantial” property-tax relief.

Pence’s Leadership Challenge

April 15 — Only three months into his term, Gov. Mike Pence has taken a beating for failing to lead. Opinion writers, Democrats, even fellow Republicans, have offered all manner of conflicting counsel.

His own legislative leaders have balked at his proposed 10 percent income tax cut, which should have been a shoo-in with Republicans in charge of both chambers. They say it’s not prudent to cut taxes when the economy’s still fragile.

When Pence has waffled or deferred to lawmakers on other issues — mass transit, arming school officers, Common Core — he’s been described as weak.

“Pence has been virtually silent, almost rudderless, in his first three months,” the Journal and Courier of Lafayette said. The Indianapolis Star called on Pence to be “bolder, faster” and “break out of the

cautionary stance that he’s taken for the first three months of his term.”

That’s good advice, to be sure, but only if it’s backed up by clear communication, thick skin and confident execution.

Pence’s predecessor, Mitch Daniels, did not have this problem. Daniels was the first Republican governor to hold the office since 1989, so he entered the Statehouse with a mandate for change. He was more of a pragmatist than an ideologue, so he looked less threatening. And he consciously avoided the traditional social agenda — abortion, gay rights, etc. — that generates so much emotional reaction.

Pence can’t be like Daniels. He has prided himself on his free-market, small-government ideology and social conservatism. The question is how to take these core principles, communicate them clearly and lead.

His dilemma reflects that of the GOP nationally, which is grappling with a marketing problem. When Republicans take firm stands for reduced government spending and lower taxes, they are painted as uncompromising. If they tackle the social agenda, they are labeled out of step. After six terms in Congress, Pence knows that being a bold conservative won’t earn him plaudits from the same media outlets now recommending boldness.

Consider Louisiana’s Bobby Jindal. Widely recognized as a rising Republican star, Jindal’s been credited with reforming state government, boosting the state’s business climate and a host of other policy innovations.

Just last week, Jindal abandoned his bold proposal to eliminate his state’s income tax and replace it with a higher sales tax and a broader sales tax base. With solid Republican majorities, he should have been able to get it through.

His own partisans said he failed to make the case. “Too ambitious,” said one. (Notably, under Jindal’s tax plan, Louisiana’s sales-tax rate would still have been lower than Indiana’s).

Even where Republicans are firmly in control, they are acting scared. Some of this is fear of losing the next election. Some is fear of the news media, whose liberal bias is documented. Some is not knowing how to lead.

Stephen M. King, professor of political science at Taylor University, is writing a book about political leadership with the working title “Leadership Adrift.” It will offer a recipe of sorts for morally transformative and effective management.

His thesis is that for leaders to succeed, they must exhibit strong character, accountability to the community and “fidelity to authority.” The latter means they stick to their constitutional job descriptions to accomplish their goals. A morally transformative leader would not use the regulatory process to achieve legislative aims, for example.

King agrees with other analysts that Pence seems overly cautious. He suspects Pence is struggling with the transition from representing one geographic district in Congress to representing all of the people of Indiana. Complicating the picture is the existence of factions within the Republican Party. Despite their supermajority status, Republicans are “standing still,” King said.

The management guru, Peter F. Drucker, advises leaders that “Your first and foremost job as a leader is to take charge of your own energy and then help to orchestrate the energy of those around you.” In that advice, there’s good news for Pence. His term is still young, he’s got plenty of energy and — at least for now — there’s a Statehouse full of Republicans to orchestrate.

Who Is Running Indiana Schools?

March 18— When right- and left-wing activists find themselves on the same side of a controversy, it’s worth probing why. Such is the case with the Common Core academic standards being implemented in Indiana and 45 other states. Conservatives and progressives alike see problems with them.

The right is concerned about imposition of a “federal curriculum” and the loss of local control. The left fears “one size fits all” instruction that will turn teachers into widget makers whose primary purpose is to prepare students for testing, not learning.

Both question who’s profiting financially from this new set of national academic standards for English and math that will dictate the content of curriculum,

textbooks, teacher training and testing materials.

Senate Bill 193, which would delay implementation of the standards pending further review, passed the Senate 38-11 on Feb. 21. Since then, backers have poured tens of thousands of dollars into television ads to persuade the public and lawmakers to keep the standards in place.

Lawmakers have a duty to make sure the standards are right for Indiana, especially considering the breadth of expert opposition:

“The assumption behind national standardization is that all students, regardless of state residence, should be able to do the same things at the same time. That ignores basic reality: states have different populations and challenges . . . Having different state standards allows better tailoring to people’s actual needs than nationalization.” — Neal McCluskey of the libertarian Cato Institute.

“One mandated universal curricular program for all children just does not make conceptual sense, is intuitively contradictory and has no empirical backing . . . We should be increasing curricular diversity, not seeking to constrict it. — Christopher H. Tienken, editor of the AASA Journal of Scholarship and Practice (American Association of School Administrators).

“The Common Core standards effort is fundamentally flawed by the process with which they have been foisted upon the nation . . . We are a nation of guinea pigs, almost all trying an unknown new program at the same time.” — Diane Ravitch, research professor of education at New York University and former Bush administration official.

So where’s support for the standards coming from? At both local and national levels, they are touted by politically moderate school reform groups – Democratic and Republican – that are backed financially by private foundations and big business. The Chamber of Commerce is on board. So are educational testing and publishing companies that will benefit directly from their implementation.

The movement has been “propelled by private entities with a national scope,” according to “The Common Core: Educational Redeemer or Rainmaker?”

“At both local and national levels, (Common Core standards) are touted by politically moderate school reform groups – Democratic and Republican – that are backed financially by private foundations and big business. The Chamber of Commerce is on board. So are educational testing and publishing companies that will benefit directly from their implementation.” (Neal)

"Former Gov. Mitch Daniels and School Superintendent Tony Bennett pushed Indiana to adopt the Common Core in 2010. There was no public discussion at the time. Since then, a host of experts have emerged to question its quality and effectiveness." (Neal)

The study was published in the October Teachers College Record, the nation's premier education research journal.

Billed as "educational redeemer," the movement is motivated by money, the researchers said, citing the prominent role played in the process by educational publishing and consulting companies.

Examples include the College Board, which administers the SAT test that will soon be aligned with Common Core, and Pearson, a publishing company selling textbooks, teacher training, and student and teacher assessments.

People's World, a media outlet of organized labor, has raised concerns about the role played in Common Core adoption by Stand for Children. Although the group began with children's rights advocacy as its focus, it now pushes a corporate education agenda focused on union-busting, *People's World* reports.

Stand for Children's donors include the Bill & Melinda Gates Foundation,

New Profit Inc. and the Walton Family Foundation.

In Indiana, ads promoting Common Core have been purchased by Stand for Children's state affiliate. Executive director Justin Ohlemiller said, "State chapters of Stand for Children choose what issues to focus on and our work is funded from multiple sources including member contributions and local donors."

Former Gov. Mitch Daniels and School Superintendent Tony Bennett pushed Indiana to adopt the Common Core in 2010. There was no public discussion at the time. Since then, a host of experts have emerged to question its quality and effectiveness.

At minimum Indiana lawmakers should ask this question: Who's running Indiana schools? Local elected boards and state policymakers? Or philanthropists, consultants, publishers and testing companies?

"Ideological and industry advocates generally insist that the subsidy to their preferred method of energy generation is small and appropriate while the subsidy to other types of energy generation are large and unwarranted." (Bobanon)



CECIL BOBANON

Dr. Evil and the Energy Subsidies

June 10 — All energy sources generate what economists call "external costs," a concept Hoosiers will have to master to make sense of the current energy debate.

It also ends up that most energy sources have benefited from federal government subsidies. There is a great deal of controversy about how much the federal government actually subsidizes various energy sources. Ideological and industry advocates generally insist that the subsidy to their preferred method of energy generation is small and appropriate while the subsidy to other types of energy generation are large and unwarranted.

Windmills are not the biggest game-changer in today's energy market — rather, it is fracking technology. By injecting large amounts of water mixed with other chemicals into existing oil and gas wells, old wells can yield more oil and gas. More important, previously unexploited deposits become economically feasible because of this technology.

There is nothing really new about fracking; continual technological improvements have allowed us to unlock lots of natural gas that was otherwise unavailable. Fracking has expanded drilling throughout the Midwest, including Indiana — and its future potential is enormous.

Just as all energy sources generate external costs, so does fracking. The process can contaminate ground water, and some suggest there is a link with increased seismic

activity. And just as all energy sources have been subsidized by government policy, so has fracking.

A recent newspaper article draws an interesting distinction between two ways that fracking has been subsidized. I think it is of interest for energy subsidies in general.

According to Kevin Begos, fracking technology has received “. . . about \$137 million in gas research over three decades, and . . . federal tax credit for drillers amounted to \$10 billion between 1980 and 2002.”

The interesting point is that the research subsidy for fracking is in the millions, while the drilling subsidy is in the billions. The story of government subsidies for wind-generation is similar: Research support is in the millions but support for construction is in the billions.

The hit movie “Austin Powers” puts this in playful perspective. The arch-villain Dr. Evil comes back from the 1960s and devises a diabolical plot to destroy the world. He proposes to hold the world at ransom for a grand total of, get this, one million dollars. One of his partners in crime comments, “Don’t you think we should ask for more . . . a million dollars isn’t exactly a lot of money these days.” Convinced, Dr. Evil quickly ups the ante to \$100 billion.

Millions or billions, leave-it-to-the-market folks like me are suspicious of state subsidies. Even market purists, however, can see a role for government support of basic research. Here is the distinction:

General knowledge (think the Pythagorean theorem) is difficult to discover, but, once discovered, it is both impractical and inadvisable to keep it hidden from general view. No one party has an incentive to discover such general knowledge because everyone gets the benefits from it. State-sponsored research can overcome this problem.

Specific knowledge (think which areas in Indiana are best suited for new energy production) can be obtained by interested commercial parties and can be enormously profitable to those parties; there is little justification for government to support this kind of endeavor.

So, if we must have federal subsidies for energy, it seems advisable to keep them to

basic research, and avoid trying to support specific types of energy generation through direct or tax subsidies. And it is probably better to pay off Dr. Evil in 1963 terms rather than 2013 terms — with millions rather than billions.

Tilting at Hoosier Windmills

May 20— Wind power is a darling of the green movement. In the mid-1970s, long before man-made climate change was on the radar screen, environmentalists were excoriating fossil fuel and extolling the virtues of wind energy.

I recall a student-made poster of the era with a hand-drawn picture of an oil well. The caption read: “This is not the way to make energy.” On the other side of the poster a windmill was drawn with the caption: “This is the way to make energy.”

The specter of global warming gave those who had the predisposition a case for a national policy promoting wind energy. The argument goes like this: Because fossil fuel increases carbon-dioxide accumulation in the atmosphere, and because carbon-dioxide accumulation heats up the planet, and because a hotter planet will lead to all kinds of catastrophes, it is urgent that we check the use of fossil fuels by promoting the use of alternative green energy.

I have no particular expertise in long-term climate patterns. I do have an innate suspicion about claims and counter-claims by any and all who have a financial or ideological interest in the policy implications that flow from those claims. So I am both a skeptic of global warming and a skeptic of skeptics of global warming.

But my opinions are not relevant. As an economist, however, I can claim actual expertise in what is called Externality Theory. Most all recognize that markets work superbly when buyers and sellers bear the costs and obtain the benefits of the transactions. If a teenager is offered \$8 an hour to help a homeowner clean up the yard, and he accepts the offer, we surmise the teen is better off, and the homeowner is better off. Bully good for both of them. But not all transactions are so neatly confined to the buyer and

“I have no particular expertise in long-term climate patterns. I do have an innate suspicion about claims and counter-claims by any and all who have a financial or ideological interest in the policy implications that flow from those claims.” (Bobanon)

seller. If energy consumers buy electricity from a power company that burns coal, and the coal soot harms the health of people not party to the electricity sale, there is an external cost imposed on those third-parties. It is becoming obvious here in Indiana that wind farms impose such external costs. In my county, neighbors of a proposed wind farm showed up in mass to protest its construction. It seems that wind farms are noisy, they can project dangerous ice shards in the winter toward nearby residences, and they act as giant Cuisinarts for hapless birds. So an obvious question becomes, what are the external costs of wind energy from a given Hoosier wind project compared with an alternative method of generating the electricity (which, by the way, may not be coal)?

Market prices reveal something about costs. If that teen worker accepts the \$8 an hour wage from the homeowner, we can be pretty sure this is a reliable indication of the alternative use of the teen's time. The problem with external costs is that, by definition, there is no market for them — they are external to the market. It is easy to identify the existence of external costs, such as coal soot and wind-farm noise. It is devilishly difficult to accurately gauge their magnitude.

That is not to say that people don't try, but we can be pretty sure that those with a dog in the race are prone to exaggerate or minimize the magnitude of the external costs. We should not go so far as to pay no attention to estimates of external costs, but let's consider them all with a grain of salt.

In Praise of Boring Government

May 6 — A conservative Republican governor has super majorities in both branches of the legislature. One might suspect such one-party government will lead to major changes in public policy, but this did not happen in 2013 in Indiana.

When out of power, many conservatives, progressives and libertarians (me included) love to wax on how they would radically restructure public policies — remember the call for property-tax abolition? When one party is in control of a state, however, radical changes are limited by the same political forces and interests that drive policy outcomes in a two-party state.

I know. I grew up in Oklahoma, where the Democratic primary election determined who occupied most state and local offices from statehood until the mid-1960s. Yet this did not preclude vigorous competition between various factions of the Democratic Party over the major issues of the day. I suspect if Republican hegemony is to continue in Indiana, Republican factions will be much more pronounced and visible.

Consider the tax modifications from the session: a 5 percent income-rate reduction phased in over three years, the elimination of the inheritance tax

and reductions in other taxes. These are tweaks to an existing structure rather than a structural change, and this absence of structural change is irritating a lot of Indiana pundits.

Many with a conservative or libertarian bent find this state of affairs to be disappointing. Why don't we abolish the state income tax or adopt universal school vouchers? If big changes don't happen now, when are they supposed to happen? It is interesting that those with a more leftward bent are also complaining — what about a pre-kindergarten mandate? What about mass transit for Indy?

Let me offer an alternative vision of government: First, do no harm. By this reckoning, the whole idea of transformative policy agendas are misguided. Rather, the first order of government is to maintain institutional stability. Changes in government policies should be necessary, measured and tested. They should be deliberate — not the result of passions of the moment or emotional diatribes of the day.

In this vision, the role of government is limited, enumerated and well-understood. State government is to administer justice, ensure that state schools and universities are operating, maintain state roads and other necessary state-level infrastructure, and provide certain well-defined social services. Major expansions (or for that matter contractions) of these roles are to be considered with skepticism.

The legislature's job is to authorize the funding of these endeavors and tweak the system at the margins by passing necessary and appropriate legislation. The governor's job is to arbitrate conflicts between legislative factions and oversee the actual administration of the government's work.

The political problem with this view of government is that it is boring. If the legislature and governor actually do their work, there are no major newspaper headlines. There is no grand vision of what society should become. This is because in a society of free and responsible individuals, no common vision is necessary, required or especially desired. Rather, each individual in voluntary associations with others charts his personal vision and contributes to the larger but limited common vision. Social vision does not come from Indianapolis, because state government is not society. It is an essential and important tool for society, but it is first and foremost subordinate to society.

A novel idea? Not really; our third president, Thomas Jefferson, articulated it much better than I can in his first inaugural speech:

"A wise and frugal Government, which shall restrain men from injuring one another, which shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government."



STATE-BASED RESEARCH: A VARIED CONTRIBUTION OF KIND, INFLUENCE

Which type of research provides the best basis for summarizing a myriad of information on topics as diverse as enhancing the quality and effectiveness of 911 calls to streamlining voter registration information?

by STEPHEN M. KING

June 11 — In a recent *Governing* magazine article (“What Happened to Federalism?”), the author laments that the 1996 closing of the U.S. Advisory Commission on Intergovernmental Relations (ACIR) was a mortal blow to the non-partisan influence and interaction of state and local officials with their federal counterparts on a plethora of policy issues.

Today, ideological and partisan Washington-based think tanks such as the conservative Heritage Foundation and the more moderate to liberal Brookings Institution are the bastion of policy data. The question, though, is whether this arrangement is good for the development and dissemination of empirically sound and valid information to political and policy makers.

Should state and local governments become more politically and administratively entrepreneurial in policy advocacy? Or can the federal government recreate something akin to the ACIR, thus reviving a largely non-ideological research organization?

Perhaps we can look to the states for answers.

Indiana is one of 20 states that have a state-based version of the ACIR; it is titled the Indiana

Advisory Commission on Intergovernmental Relations (IACIR).

According to its website, the IACIR was formed in 1995 by the Indiana General Assembly “to provide a forum to plan for and address the problems that will arise as greater demands are made on state and local governments.” Its mission is “to create effective communication, cooperation and partnerships between the federal, state and local units of government to improve the delivery of services to the citizens of Indiana.”

Assisted by the Indiana University Center for Urban Policy and the Environment (IUCUPE), the IACIR works to produce applied research in a variety of areas to assist Indiana legislators to make better policy decisions that affect all Hoosiers.

Recent 2013 surveys, for example, by the IACIR, working in conjunction with IUCUPE, have focused on issues such as the 911 emergency phone service and enhanced 911 services to all local and county areas. The survey resulted in legislation that provided, among other things, specific guidelines on jurisdictional oversight of 911 calls. The goal, presumably, is to better streamline 911 calls, thus enhancing the response rates.

“Should state and local governments become more politically and administratively entrepreneurial in policy advocacy?” (King)



Stephen M. King, Ph.D., an adjunct scholar of the foundation, teaches political science at Taylor University.

“There are serious constitutional questions about a system that determines teachers’ pay and continued employment on questionable standardized testing . . .” (Abbott)

Other university-based research and survey organizations, such as Ball State’s Bowen Institute and Indiana University at Fort Wayne’s Mike Downs Center for Indiana Politics, provide research focusing on both local and state managerial and political issues that may well be relevant to a legislator or policy adviser working in a position of administrative influence. Indiana and 19 other states depend at least in part on such local policy organizations to provide research from which legislators can derive assistance in making policy and oversight decisions.

To what extent, though, are legislators influenced by organizations focused on broader economic, systemic or even social change, those not so committed to applied government-driven solutions? Examples would include the Indiana Policy Review (www.inpolicy.org), the Indiana Family Institute (www.hoosierfamily.org) and the Sagamore Institute for Policy Research (www.sipr.org) — all currently operating outside the IACIR sphere.

How does each type of research aid legislators, policy advisers and agency officials in their gathering of data, and ultimately making sound policy and regulatory decisions? Which type of research provides the better basis for summarizing a myriad of information on topics as diverse as enhancing the quality and effectiveness of 911 calls to streamlining voter registration information?

And most importantly, which type of research contributes to a healthy national and sub-national intergovernmental environment?

Perhaps some combination of both is the answer. Whatever the arrangement, the end game should be sound policy advocacy to state and federal legislators based, above all, on solid research.

The ISTEP: A Test That’s Not Passing the Test

by **JEFF ABBOTT**

May 14 — In the past few weeks, we have heard horror stories throughout Indiana about testing under ISTEP+ — particularly the overload of the computer system and the failure of the testing company’s servers to handle the testing.

State Board of Education members expressed frustration about what Indiana educators and education policymakers widely viewed as a disastrous testing experience.

Several state board members expressed concern about the validity of an ISTEP+ that had to be suspended several times in the first week of testing. One admitted that the data was now “tainted.” Another called the most recent ISTEP+ glitch “embarrassing.”

Teachers and principals are justifiably angry. Not only is a teacher’s pay based on students’ ISTEP+ results, but employment can be canceled if scores are not up to par.

Moreover, there are some serious constitutional questions about a system that determines teachers’ pay and continued employment on questionable standardized testing, but that is a discussion for another day.

Four years ago, research published by the Indiana Policy Review Foundation found that the state would likely spend more than a quarter of a billion dollars on ISTEP+ testing alone. This was a direct cost only and did not include the cost of teacher, counselor, para-professional and principal salaries incurred in the ISTEP+ administration.

Despite this enormous cost, however, Indiana educational policymakers have expanded standardized testing of our students.

A partial list of these tests includes: Acuity (Grades 3-8, Algebra I, English 10); End of Course Assessments (Algebra I, English 10, Biology I); IMAST (Grades 3-8); Indiana Course-Aligned Assessments; IREAD K-2; IREAD-3; ISTAR; ISTAR-KR; ISTEP+(Grades 3-8); LASLinks (K-12); mCLASS (K-2); National Assessment of Educational Progress (NAEP) – Grades 4, 8, 12; and the Partnership for Assessment of Readiness for College and Careers (PARCC) — all aligned to Common Core State Standards.

In summary, an already behemoth standardized-testing



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industry grows even as important questions go unanswered.

- Why have Indiana policymakers not authorized a study of the direct and indirect costs of standardized testing in Indiana?
- What are the annual direct costs and indirect costs of such testing?
- Is the testing valid and reliable, and does it accurately measure the performance quality of teachers, principals and schools?
- Does the testing improve the amount and quality of student learning?
- Are there better and less costly ways to measure student, teacher and principal performance and hold them accountable for learning?
- Are there better and less costly ways to improve student learning?

So, our policymakers support educational testing that not only could cost more than a billion dollars over the next decade, but it may be redundant or, worse, have no meaningful impact on student academic achievement.

Indiana cannot continue to make its education decisions on the herd mentality of educrats or what standardized-testing companies may give to political campaigns. Rather, those decisions must be made on the gold standard of all research, *i.e.*, using control groups and intervention groups to study the impact of standardized testing.

Economic Development? Try Common Sense

by MARYANN O. KEATING

April 22 — Charlie Rose of the Public Broadcasting Network gathered a group of majors around his oak table to discuss the state of U.S. municipalities. A dominant theme emerged — the need for a mayor to be able to implement his or her own personal vision.

Yes, with respect for administrative discretion, we should attract competent, honest officials and expect them to use their bully pulpits to express themselves, but only about 20 percent of the time. Otherwise, in a republic, we are right to expect that 80 percent of their efforts (and an even higher percent of tax revenue) be allocated to the basic functions of local government.

The rhetoric of “creating jobs,” “envisioning the future” and “economic development” is boiler-plate political speak, but one wonders if such talk distracts us from what we know local government can actually do.



Maryann O. Keating, Ph.D., an adjunct scholar of the foundation, is co-author of *“Microeconomics for Public Managers.”*

“The rhetoric of ‘creating jobs,’ ‘envisioning the future’ and ‘economic development’ is boiler-plate political speak, but one wonders if such talk distracts us from what we know local government can actually do.” (Keating)

Table 1 (Keating)

	Indiana	Clark	Bloomington
<i>Population, 2012 estimate</i>	6,537,334	111,951	81,381
<i>High school graduate or higher, percent of persons age 25+, 2007-2011</i>	86.6%	85.8%	93.0%
<i>Bachelor's degree or higher, percent of persons age 25+, 2007-2011</i>	22.7%	18.5%	54.8%
<i>Home-ownership rate, 2007-2011</i>	71.1%	71.2%.	33.6%
<i>Housing units in multi-unit structures, percent, 2007-2011</i>	18.5%	18.8%	53.8%
<i>Households, 2007-2011</i>	2,472,870	42,909	30,063
<i>Persons per household, 2007-2011</i>	2.53	2.5	2.16
<i>Per-capita money income in the past 12 months (2011 dollars), 2007-2011</i>	\$24,497	\$24,136	\$18,071
<i>Median household income, 2007-2011</i>	\$48,393	\$49,130	\$26,516
<i>Persons below poverty level, percent, 2007-2011</i>	14.4%	11.9%	39.9%

Source: U.S. Census Bureau

“(Economic development efforts) often are designed to attract out-of-towners on expense accounts whose tastes reflect those of the planning bureaucracy and not necessarily the community. Cost-benefit methods, by contrast, would require decision-makers to identify benefits in terms of current local residents having standing in all public decisions.” (Keating)

Good cities and towns are safe, attractive, create a good environment for rearing children, and provide an educated and industrious labor force. In such communities, the rule of law prevails, and there is a loose consensus on how people behave informally toward each other in government, in business and in the neighborhood.

Given these conditions, prosperity is not guaranteed but has a good chance. Two simple mechanisms should be in the tool kit of all local officials — the first is a realistic assessment of local conditions, and the second is a consistent rubric for decision-making.

On the website census.gov are found statistics for every state, county and city in the U.S. It takes less than five minutes to look up information for a particular community. Table 1 is a sample of available data showing the uniqueness of each locality.

The reality is that each state, county and town is constrained by its present circumstances. With back-of-the-envelope calculations, it is possible to identify and project the economic framework for population, potential tax revenue and the level of sustainable public debt that any particular community can service. So why can't we admit that it is beyond the most enlightened local leaders to nudge economic or population growth beyond 2 to 3 percent a year?

They can, however, create an environment conducive to growth and use moral suasion to inform the community of possible trade-offs. Here's how:

Realistic local decisions are made in the context of readily available information concerning population and economic growth. It is within this framework that choices are made concerning how tax revenue should be allocated. In addition to demographic data, cost-benefit analysis can be used as another valuable information-gathering tool. Cost-benefit analysis — calculating the present value of benefits minus costs — points decision-makers toward those activities and projects yielding positive net benefits.

Initial costs and operating costs are generally available; they are fairly straightforward in evaluating local projects. Assessing benefits presents more of

a challenge because we are dealing with public goods. However, careful observation of market behavior and well-designed surveys can be used to determine those government services valued by residents and for which they are willing to pay. Comparisons of property values or a willingness to accept congestion can be used to evaluate the value that households place on shorter commutes. Differential fees paid by households, similar to those in the local community, can be used to determine how residents value city sewage as compared to septic tanks.

Consider how residents demonstrate their willingness to pay for leisure activities. By attending county fairs, picnicking, shooting hoops at community centers, purchasing tickets to concerts for seniors and organizing adult athletic leagues, residents reveal their preferences for activities that provide benefits. Admittedly, these preferences change over time. However, contrast these activities with the mushrooming growth and duplication of tax-financed economic-development efforts. They often are designed to attract out-of-towners on expense accounts whose tastes reflect those of the planning bureaucracy and not necessarily the community. Cost-benefit methods, by contrast, would require decision-makers to identify benefits in terms of current local residents having standing in all public decisions.

There is a danger that analysts will double count or pile on dubious benefits. However, the light shone by impartial rudimentary cost-benefit analysis assists in ruling out the most egregious and unrealistic projects. To put it as a common-sense prescription: Cost-benefit analysis guides; public officials decide.

To summarize, those entrusted with making decisions for the general public should continually be asking themselves two questions: Are we listening? Are we responding?

We 'Celebrate' the Income Tax

by ERIC SCHANSBERG

April 10—This year, we celebrate the 100th anniversary of the 16th Amendment's income tax, passed in the last days of the Taft Administration in February 1913. It

was the first change in the Constitution since 1870, giving Congress “the power to lay and collect taxes on incomes, from whatever sources derived.”

In 1913, there were only seven tax brackets with marginal tax rates ranging up to 7 percent on income earned about \$500,000 (about \$10 million in today’s dollars). Initially, only about 15 percent of households paid any income tax.

During World War I, the number of brackets increased dramatically and the top marginal tax rate rose to 77 percent, but the threshold to be in the top tax bracket rose to \$1 million (about \$16 million today). In the 1920s, marginal tax rates decreased four times, bottoming out at 24 percent, but with a much lower threshold of \$100,000. During the Great Depression, the government increased income taxes four times — up to 79 percent in the top bracket. It doesn’t take a Ph.D. in economics to see this as one of the many boneheaded policies that lengthened the Depression. (On top of that, 1937 featured the new payroll tax on income — a key



reason for the jump to 19 percent unemployment in the sixth year of the “New

Deal.”) Top tax rates increased further in World War II — as high as 94 percent.

In the 1960s, JFK’s “supply-side” tax policy dropped the top rate from 91 percent to 70 percent. And under Reagan, the top rate fell to 28 percent, with only two tax brackets. Since then, our elected officials have added a few more tax brackets. And the top rate has bounced up and down in a relatively narrow range — up a few percentage points under Bush I, Clinton and Obama; and down a few percentage points under Bush II. Today, the top rate stands at 35 percent with proposals to increase it to 39.6 percent.

Over time, taxes have become immensely more complicated. The tax code debuted at 400 pages in 1913; today’s version weighs in at more than 70,000 pages. The first tax form and instructions were four pages long in total; today, many segments of the 1040 are longer than that. In its first year, relatively few people filled out simple forms efficiently; today, we spend billions of hours in tax preparation — another tax on our well-being.

A connection between wartime and dramatic increases in government spending and tax rates is not particularly

“In 1913, there were only seven tax brackets with marginal tax rates ranging up to 7 percent on income earned about \$500,000 (about \$10 million in today’s dollars). Initially, only about 15 percent of households paid any income tax.” (Schansberg)

D. Eric Schansberg, Ph.D., an adjunct scholar with the foundation, is a professor of economics at Indiana University at New Albany.

One-third of the (stimulus) money went to state and local governments — an obvious payoff to the public-employee unions that contributed so much money to Democrats — and much of it went to permanently increase the baseline spending of discretionary programs, a longtime goal of Democratic congressional leaders. Federal spending was raised from about 20 percent to about 24 percent of gross domestic product, putting the United States on a trajectory to double the national debt as a percentage of GDP in less than 10 years. Team Obama overestimated the stimulative effect of the stimulus package and underestimated the strength of the spontaneous Tea Party movement that flared up in protest of this expansion of government. They underestimated as well the opposition to expanding government control over health care and, through the cap-and-trade bill, to the energy sector. And the disgust over conspicuous vote-buying on health care — the Louisiana Purchase, the Cornhusker Kickback, the Labor Loophole. Team Obama failed to realize they were no longer running in Chicago or in the Democratic primaries or facing an electorate fed up with Republicans. And, more important, they failed to realize that vastly expanding government goes deeply against the American grain — and against the basic appeal of their successful campaign.

— Michael Barone in the Feb. 10, 2013, *Wall Street Journal*

"The Indiana Republican Party for the last 25 years has been in a drift toward an increasing role for government in the daily lives of Hoosiers, whether it is in the form of increased environmental regulations, entitlements, homeland security, business subsidization or education centralization." (Arp)

surprising. Debt, inflation, lotteries and excise taxes financed the Revolutionary War. The first income tax was suggested during the War of 1812, and the first income tax was imposed during the Civil War.

There are three options to pay for more government spending: higher tax revenues, higher debt (and thus, future taxes) and higher inflation taxes (printing money to pay for spending). Some or all of these typically increase during times of war, but most of them disappear afterward. (Robert Higgs talks about the ratchet effect of wars on government budgets in his classic book, *Crisis and Leviathan*.)

The new, permanent, peacetime income tax changed this. (Before the 16th Amendment, the first peacetime income tax was passed in 1894 but was sacked by the Supreme Court the next year.) Before then, the federal government was financed by tariffs on international goods, excise taxes on domestic goods and the sale of land in the West.

Good news: Moving from taxes on consumption to taxes on income is progressive rather than regressive. Bad news: This new and largely open-ended pot of money allowed a fundamentally different approach to government spending and revenues. As a result, despite rapidly increasing standards of living, we've seen massive growth in government over the last 100 years.

Our version of "income-tax withholding" began in World War II — in which taxes are simply removed from your paycheck, making the cost of government far more subtle. This is a problem when costs are already inherently subtle (since they're spread thinly per person), and interest groups have powerful incentives to use government to benefit themselves. Instead, imagine that you had to make payments to the government — quarterly.

And for all of the excitement about income taxes, most wage-earners lose far more to the 15.3 percent payroll taxes on all income earned up to a cap of \$110,100 — also withheld quietly from our paychecks.

Someday, the complicated, progressive income tax and the simple, regressive payroll taxes on income may be replaced by a "flat tax" on income or a "fair tax" on consumption. Until then, take a closer

look at what you pay — in both types of income tax — and imagine a simpler, less taxing world.

The Indiana GOP: Where's it Going?

"A Tea Party that devotes the next two years to promoting conservative candidates and removing moderates or non-ideologues is one that is well-positioned to expand its influence in the next round of elections." — Jamelle Bouie in the Nov. 23, 2012, Washington Post.

by JASON ARP

April 24 — There was commentary in the wake of the November election predicting that a new wave of conservatives would be the winning factor in 2014. Hopes were fed, toasts were raised. But as someone who has spent the last few months visiting more than a hundred GOP precinct men in one of the most conservative counties in one of the most conservative states, I just don't see it.

More specifically, I see no indication of a change in the leanings of the core of the Indiana Republican Party from being a broadly based, consensus-forming lot to being more activist, dogmatic or libertarian-principled. That view is based on what amounted to a door-to-door survey of the precinct committee officials in my Indiana county. I found that my party can be divided generally into four groups:

The Pragmatists — The first group is not particularly interested in policy or ideals but is keenly interested in winning elections and being part of the group that reaps patronage when its team wins. Referring to an incumbent county chairman, a common judgment was "He's been successful; we're electing Republicans." When the "conservative" records of these officeholders were challenged, the uniform response was "We need candidates who can win elections."

The Centrists — This group is generally interested in providing a more "centrist" voice to the Republican Party, tending to side with



Jason Arp, an Allen County businessman, recently ran for county chairman of his local Republican Party.

the Democratic Party on certain social and civil-liberty issues but not particularly interested in budgetary matters. One committee person explicitly described himself as a “liberal Republican.” This group would say that the United States in practice is a democracy, not a republic.

The Conservatives — A third group considers itself conservative and, on the surface, prefers a government that runs a balanced budget. This group’s idea of conservatism radiates from religious and patriotic leanings, and it generally believes that the Republican Party is the party that supports this belief system. These Republicans are largely satisfied that an incumbent is the best choice to beat any Democrat, and that is their top objective. For example, more than one such Republican said to me that “I can’t see how anyone could not vote for Romney.”

The Activists — The last grouping is made up of activists, Tea Party sympathizers and libertarians. Despite media characterizations, these folks do not make up a homogeneous group. Some are staunchly anti-war while others believe that we are in the midst of a holy war against Islamic terrorists. “I like everything about Ron Paul except his foreign policy” was a comment from more than one Tea Party type. Some are for small, limited government while others are more concerned about social issues such as religious freedom. This group is the one that the media sees making inroads into the Party. That may eventually be true, but it would be a disproportional influence given its small size and tendency to fragment on a particular issue.

In summary, the Indiana Republican Party for the last 25 years has been in a drift toward an increasing role for government in the daily lives of Hoosiers, whether it is in the form of increased environmental regulations, entitlements, homeland security, business subsidization or education centralization. Most of the party’s insiders, three of my four groups above, are supportive of this direction — at least in their votes, contributions and campaign activity.

So for at least the next few election cycles, those expecting the Republican Party to become the party of small, limited government and individual freedom are

apt to be disappointed. The reins of the party are firmly in the hands of a group that just doesn’t put much value in those ideals, and a group more likely to continue to select candidates who will rally around what they perceive to be the consensus of the moment.

And that means more government — even when Republicans triumph.

Same-Sex Marriage: A Fundamental Right?

by STEPHEN M. KING

April 24 — The recent U.S. Supreme Court arguments on same-sex marriage — *e.g.*, the federal government’s Defense of Marriage Act and California’s Proposition 8 — have generated intense interest and speculation in what already was a controversial cultural issue.

Even after listening to the Court’s justices ask questions of the lead attorneys, experienced Court watchers were unsure how it would decide when it rules on the cases in late June. What is certain, though, is that the Court’s decision will not fully resolve the issue, including whether or not the government should be involved in sanctioning marriage whatsoever.

Since 1989, when Denmark became the first country to legalize same-sex marriage, popularity for homosexual legal rights, including the right to marry, has increased. According to *The Economist* magazine, same-sex marriage is legal in 13 countries, with New Zealand as the most recent. Yet even as Britain decriminalized homosexuality in marriage in 1967, and our Supreme Court struck down all 14 state sodomy laws in 2003 (*Lawrence vs. Texas*), there is strong opposition around the world, especially in 78 African and Islamic countries where homosexuality and *de facto* same-sex marriages are a crime.

Still, our laws tend to change as public attitudes shift. Since 2000, when Massachusetts became the first state to recognize same-sex marriage (the first ceremony taking place in 2004), eight additional states and the District of Columbia have legalized same-sex marriage.

Indiana is one state that is for a ban on same-sex marriage. Attorney General

“What is certain is that the Supreme Court’s decision will not fully resolve the issue, including whether or not the government should be involved in sanctioning marriage whatsoever.” (King)

"(It is argued) that to constitute a 'fundamental constitutional right,' two factors are necessary: The right must be rooted in the nation's history and tradition, and it must be clear and distinct in the nation's legal history." (King)

Greg Zoeller filed a brief with the Supreme Court supporting Indiana's statute that disallows homosexual couples to legally marry.

Even so, despite strong opposition in the state toward legalizing same-sex marriage, the Indiana General Assembly pointedly decided to table any vote for a constitutional restriction until 2014. Recent polling numbers show that about 49 percent of Americans surveyed support the right of same-sex couples to marry. Differences are striking when controlled for age: Over 70 percent of the Millennial Generation favors same-sex marriage, compared with 38 percent of the Baby Boom generation. Still, these numbers show distinct increases in favorability since 2003.

Despite this increased favorability for same-sex marriage, 41 states disallow same-sex marriage, including Indiana, either constitutionally (30 states) or statutorily (11 states). The issue is not going to be easily resolved, or wholeheartedly accepted, whatever the Court's decision if one can judge from the reaction of various groups and individuals who congregated outside the Supreme Court building to vocalize their opposition to or support of same-sex marriage during the Court's hearings last month.

There is a growing opposition of government sanction of any type of marriage, whether traditional or same-sex. The opposition is largely libertarian and focuses on privatization. Removing government from the equation will solve the problem. Others argue the issue should be devolved to the states with little to no federal government intervention.

Let's look at the privatization question. It takes two different positions: 1) Remove government from strictly regulating marriage, whether at the federal or state level, thus allowing any couple to marry for any reason, or treat marriage as any other contract, and 2) allow government to enforce the terms of the contract, just as it does in any business relationship.

Proponents of privatization contend that it reduces government regulation and

rules. In addition, it resolves the same-sex marriage dilemma by placing such relationships on the same level as traditional marriages without requiring government support. Others argue for using different nomenclature:

civil unions for homosexual couples and marriage for heterosexual couples, but with each benefiting from all government benefits.

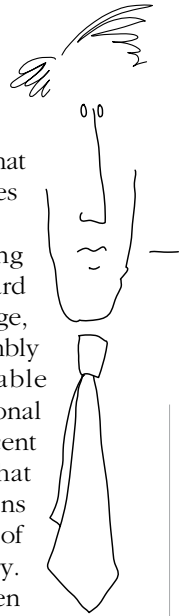
Supposedly this is a win-win situation, but is it?

A 2002 law-review essay supports the Indiana position in concept and specifically argues against the privatization thesis. Two Regent University scholars, Lynne Kohm and Mark Yarhouse, contend that the constitutional fundamental-rights doctrine does not apply to marriage of same-sex couples. In order for the doctrine to apply to any group or issue, whether it is the right to bear arms or marry, the participants must meet basic requirements. To marry, for example, the minimum requirements are 1) "the parties be of the minimum age, 2) marry only one person at a time, 3) are unrelated by blood or marriage, and 4) are of different sexes."

In *Loving vs. Virginia* (1967), the Supreme Court ruled that two people of different races could not be denied the right to marry. When homosexual couples use this case to support their position, Kohm and Yarhouse contend that their argument is flawed if examined in light of the minimum requirements of the fundamental-rights doctrine.

Specifically, they argue that to constitute a "fundamental constitutional right," two factors are necessary: The right must be rooted in the nation's history and tradition, and it must be clear and distinct in the nation's legal history. Therefore, according to the authors, homosexual couples are denied the fundamental right to marry because they do not meet these cultural, historical and legal obligations.

In summary, government should remain in the business of sanctioning traditional marriage, not solely because two people love each other, but primarily



"Keep your eyes wide open before marriage, half shut afterwards."
(Ben Franklin)

because of the historical, cultural and legal nature of traditional marriage itself.

Controlling the Statehouse 'Culture of Coziness'

by STEPHEN M. KING

March 27 — Matthew Tully, political reporter for the Indianapolis Star, recently wrote of “conflicts of interest” that regularly occur in the General Assembly, including influential lawmakers who indirectly benefit from various legislation, or when legislators are feted by influential and powerful lobbyists. Mr. Tully is not the first to be concerned about these issues. The Founding Fathers regularly and vociferously engaged the topic.

The columnist derisively refers to this arrangement as a “culture of coziness,” implying it does not benefit the average Indiana citizen or does not further the principle of transparency necessary in a democracy. Mr. Tully cites one example, in which Travis Holdman, chairman of the Senate committee on financial institutions, former bank CEO and now owner of Holdman Consult, “solicits consulting business from the same banking industry he oversees.” He highlights numerous examples of lobbyists “winning and dining” legislators, such as when several lobbyists with the utility industry treated members of the House utility committee in a suite at an Indiana Pacers game.

Two primary concerns are raised by Mr. Tully: 1) that these practices are regular and open, in which an Indiana citizen, walking the halls of the capital building when the General Assembly is convened, would find lobbyists and legislators interacting frequently; and 2) that there are questions whether this type of business influence is a necessary *modus operandi* and thus good public policy.

James Madison, in Federalist No. 10, wrote of the “factious spirit (that) has tainted our public administrations.” George Washington, in his farewell address, warned “. . . in the most solemn manner

against the baneful effects of the Spirit of Party,” arguing that unless the party, or “faction,” was controlled, it would effectively be the ruin of the Republic.

It is generally agreed by scholars that when the Founders used the term “faction” they meant a political party.

However, as Madison made clear in his definition, a faction was any organization, “. . . whether amounting to a majority or a minority of the whole, who are united and actuated by some common impulse of passion, or of interest, adverse to the rights of other citizens, or to the permanent and aggregate interests of the community.”

The question is not to try to eliminate faction, simply because it is “sown in the nature” of man; the question is how to control its effects.

And here the Founders concurred that restricting freedom of choice, or constraining liberty of action, was not the answer. The best solution was to provide a republican form of government, not a democratic one.

The latter would incite the “tyranny of the majority,” while the former, which emphasizes a “delegation of government” to a number of elected citizens, would provide the wisdom appropriate to govern for the interest of the whole, and not just one or a few.

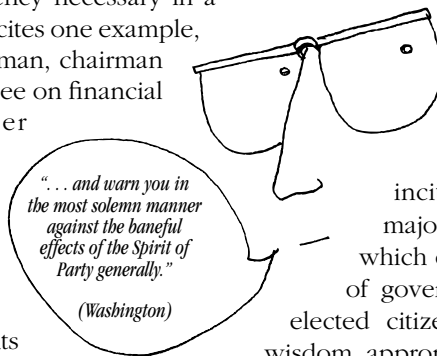
Of course, we realize now that even a republican form of government does not provide an ironclad remedy for abuse of political power.

Nor does one guarantee fairness of action in all circumstances, *i.e.*, witness the examples of unwarranted influence of Indiana lawmakers cited by Mr. Tully.

However, this, I contend, is the point the Founders were trying to make.

First, if possible, don't succumb to the “factious spirit,” the spirit that divides and conquers, that relegates politics over principle; second, ensure instead at least a basic level of equity and opportunity for all citizens by providing structural and constitutional means for balance and fairness.

“Madison made clear in his definition, a faction was any organization, ‘. . . whether amounting to a majority or a minority of the whole, who are united and actuated by some common impulse of passion, or of interest, adverse (d) to the rights of other citizens, or to the permanent and aggregate interests of the community.’” (King)



‘HELMHOLTZ’ MEETS A REAL PIECE OF ART: THE GMC SIERRA PICKUP

*When the goal is economic development,
portentous artistic statements are no match
for a reality-based product.*

City officials need just two mechanisms in their tool kit, neither of which is a finely tuned appreciation of nonobjective art. The first is a realistic assessment of local conditions and the second is a consistent rubric for decision-making.

June 19 — This is about my Indiana city’s inferiority complex. First, though, consider the issue of modern art — specifically “Helmholtz,” a 10-ton reddish orange outdoor sculpture toppled in a late-night car crash.

Now, some believe there is a relationship between art, specifically nonobjective art, and progress, *e.g.*, economic development, *i.e.*, money. In my city, that position can be traced to a 1980s notion that without adequate cultural life, the hip wives of wealth-generating CEOs would nix relocation to our midsized Hoosier town.

Indeed, officials from the city and the art museum this week were quick to assure us that the sculpture would “return to its glory” even if it cost hundreds of thousands of dollars. Considering the original commission to Marco Polo di Suvero, the 79-year-old New York artist and amateur welder, plus installation and relocation, that could make it a near million-dollar project, all told.

That is wrong on many levels. Let’s start with the obvious debunker that today women are themselves CEOs. They may not have time to immerse themselves in the cultural life of us locals, be it authentic or postured.

Second, Dr. Maryann Keating, a South Bend economist and adjunct scholar of the Indiana Policy Review Foundation, is convincing in her recent column that what makes a city economically attractive is not modern art or even economic-development programs:

Good cities and towns are safe, attractive, create a good environment for rearing children, and provide an educated and industrious labor force. . . . Given these conditions, prosperity is not guaranteed but has a good chance.

There is also a psychosocial argument. It will be obvious to astute investors that an Indiana community with such a low opinion of itself that it imagines a piece of 30-year-old Soviet-era “girder art” could be its deal-maker is woefully led and a dangerous place to invest time or money.

City officials need just two mechanisms in their tool kit, Dr. Keating advises, neither of which is a finely tuned appreciation of nonobjective art. The first is a realistic assessment of local conditions and the second is a consistent rubric for decision-making.

Roger Starr, a member of the *New York Times* editorial board, devoted a chapter of his New York history to that thought. It was his thesis that the elite there got so caught up in the “all is relative” spirit of nonobjective art that they lost judgment, tempting financial ruin:

It is not overreaching to suggest that when the institutional leaders of a city make modern painting and sculpture their most prized art form, and when they devote as much time, intelligence and, not least, money to its pursuit as the New York leaders of the postwar world did, they demonstrate a set of values that endangers those needed to keep an urban polity on a firm, reasonable and safe course.

Starr, formerly New York’s housing commissioner, contended that modern art is contra productive to the degree it influences government decision-making. “Sympathetic critics of nonobjective art ascribe meaning in portentous statements that the intracanvas artifacts allegedly express,” he wrote. “Unfortunately, real life cannot survive on portentous statements; it requires the knowledge that iron is hard, and exactly how hard, and how much harder it is than flesh. It is the value

of precisely such discrimination the canons of nonobjective art condemn.”

To prove the point, “Helmholtz” (or at least its welds) buckled in a low-speed crash in the wee hours of the morning.

It was no match, at least, for a more reality-based work of art, a 2013 GMC Sierra truck (manufactured, incidentally, at the plant just outside the city limits.)

At the wheel, we speculate, was an art critic. We say that because “Helmholtz” was fully 50 yards off the road in the middle of a downtown park.

It appeared to be more a statement than an accident.

If so, the driver deserves a medal, even keys to the city. He resolved our inferiority complex.

We make our money off trucks, not artistic statement, and we’re proud of it.

— tcl —



“Helmholtz” was fully 50 yards off the road in the middle of a downtown park when it was struck. It appeared to be more a statement than an accident.

Resources

Maryann O. Keating, Ph.D. “Economic Development? Try Common Sense.” *The Indiana Policy Review*, April 22, 2013.

Julie Crothers. “Righting a Toppled Icon: Repairs to Prized Sculpture Could Run \$300,000 and Take a Year.” *The Fort Wayne Journal Gazette*, June 18, 2013.

Roger Starr. *The Rise and Fall of New York City*. Basic Books, Inc. 1985.

In post-war New York City, it was apparent that many contemporary artists no longer wrought what older artists had thought of as beauty; the very word now sounded as vulgar as crackerjacks. Inevitably, the paintings looked as though they must have a meaning, a curious modern form of iconography made up of vocabularies as numerous as the painters themselves. But the meanings defied explication. The more the critics or the artists themselves tried to explain what their meaning was, the more elusive it became. Detached from natural objects except when natural objects, such as rubber tires and minimalist planks, were themselves part of the pallets, this art could not be taken seriously by its collectors unless they were willing to foreswear any precise definition of the meaning that the unusual character of each new painting seemed bulging to express. . . . To manage public affairs, it is necessary to believe in their importance. It is impossible to believe that decisions about public courses of action are important unless one believes also in the ethical significance of what appear to be the minor distinctions between one course of public conduct and another. Ethical significance in the public sphere is also dependent on the understanding of the relationship between facts and values, enabling government officials to decide how major principles must be shaded so that their enactment becomes possible. Accepting as a form of high and serious art an arrangement of colors and shapes that has no relationship at all to objects of the world outside the canvas inferentially denies the value and importance of understanding the relationships between those objects and the observer. It offers the viewer instead spatial relationships that relate the paints (and sometimes, the objects used as paints) to each other within the canvas and nowhere else.

— Roger Starr, *The Rise and Fall of New York City*, Basic Books, Inc., New York, 1985.

THE REALITY CHECK

Q1. THE LEGISLATURE

Rate how the GOP legislative leadership reflects your position on labor and wage policy.

18.2% "Strongly Agree"; 54.5% "Somewhat Agree"; 18.2% "Disagree"; and 9.1% "Strongly Disagree."

Q2. THE GOVERNOR

Rate how the governor reflects your position on labor and wage policy.

27.3% "Strongly Agree"; 45.5% "Somewhat Agree"; 18.2% "Disagree"; and 9.1% "Strongly Disagree."

Q3. THE ARMCHAIR SPEECHWRITER

If you were the governor's speechwriter, what point would you have him make on these topics?

The Prevailing Wage?

- End the prevailing wage.
- It is a waste of taxpayers money directed at a single industry.
- Artificially high wages, set to politically favor one group over others cost Hoosier taxpayers tens of millions of dollars each year.
- We need to ask what is the "prevailing" wage and how is it even determined.
- Market wages should prevail, not government-mandated wages.
- Look what it's done for Lake County — nothing.
- Hourly rates for wages should have gone out of style with the buggy whip.
- Get rid of it, as it raises prices and costs taxpayers too much.
- Work is a privilege, not a right.

The Minimum Wage?

- Freeze the minimum wage indefinitely.
- Government involvement in wage-setting skews hiring patterns in the private sector and makes it difficult for the least experienced among us to find work and get a start on a career.
- Cost to businesses = fewer employees.
- Government price controls never work — never have, never will.
- Hurts youth trying to get that all-important first job, that foot in the door that allows them to move up.

- Hardest hit are minorities, indirectly leading to more crime in these groups.
- The minimum wage should be zero.

Unemployment Compensation?

- Yes, unemployment compensation, but keep in mind that generosity breeds long-term dependence.
- There should be a 40-hour-per-week public-service requirement for anyone on unemployment.
- This "unemployment" program *creates* unemployment.
- Subsidize something, and you will likely get more of it.
- Shorten the compensation period allowed; there are too many jobs going unfilled because people can live on unemployment.
- It is an insurance program that should operate fully funded.

Aid to Families with Dependent Children?

- It is a failed program begging for replacement.
- What is the plan to reduce the aid needed?
- This should be a private function; charity with tax dollars harms everyone.
- Fairness and justice to all — including the people paying for it.
- Our society prospered before welfare programs like this were instituted; since then, our society appears to have collapsed.
- The program sounds caring, but more than anything else it has destroyed families; it renders the father irrelevant.

Aid to Undocumented Residents?

- No aid to undocumented residents except for emergency care.
- The nonprofits should take care of the needy in this group.
- Those here illegally have no right to taxpayer dollars that enable them to stay in the country.
- Why are we giving aid to people who are not U.S. citizens?
- Government "aid" to anyone harms everyone.
- Does "undocumented resident" mean illegals?
- How can this be remotely constitutional?
- Strengthen civil society by letting private organizations fill this need.

Eleven of the 89 correspondents contacted completed this quarter's poll for a response rate of 12 percent.

People who know about opinion surveys don't think much of ours. The sample is inherently biased and so small as to be little more than a focus group. The questions, sometimes confusing, are casually worded and transparently drive at one point or another. That said, we have learned to trust our members and eagerly await their thoughts on this and that.

THE DESTINIES OF THOSE WHO SIGNED

From an essay on the signers of the Declaration of Independence by Rush H. Limbaugh Jr., distributed by the Federalist Magazine

• **Francis Lewis** — A New York delegate saw his home plundered and his estates, in what is now Harlem, completely destroyed by British soldiers. Mrs. Lewis was captured and treated with great brutality. She died from the effects of her abuse.

• **William Floyd** — Another New York delegate, he was able to escape with his wife and children across Long Island Sound to Connecticut, where they lived as refugees without income for seven years. When they came home, they found a devastated ruin.

• **Phillips Livingstone** — Had all his great holdings in New York confiscated and his family driven out of their home. Livingstone died in 1778, still working in Congress for the cause.

• **Louis Morris** — The fourth New York delegate saw all his timber, crops and livestock taken. For seven years, he was barred from his home and family.

• **John Hart** — From New Jersey, he risked his life to return home to see his dying wife. Hessian soldiers rode after him, and he escaped in the woods. While his wife lay on her deathbed, the soldiers ruined his farm and wrecked his homestead. Hart, 65, slept in caves and woods as he was hunted across the countryside.

• **Dr. John Witherspoon** — He was president of the College of New Jersey, later called Princeton. The British occupied the town of Princeton, and billeted troops in the college. They trampled and burned the finest college library in the country.

• **Judge Richard Stockton** — Another New Jersey delegate signer, he had rushed back to his estate in an effort to evacuate his wife and children. The family found refuge with friends, but a sympathizer betrayed them. Judge Stockton was pulled from bed in the night and brutally beaten by the arresting soldiers. Thrown into a common jail, he was deliberately starved.

• **Robert Morris** — A merchant prince of Philadelphia, delegate and signer, raised arms and provisions which made it possible for Washington to cross the Delaware at Trenton. In the process, he lost 150 ships at sea, bleeding his own fortune and credit dry.

• **George Clymer** — A Pennsylvania signer, he escaped with his family from their home, but their property was completely destroyed by the British in the Germantown and Brandywine campaigns.

• **Dr. Benjamin Rush** — Also from Pennsylvania, he was forced to flee to Maryland. As a heroic surgeon with the army, Rush had several narrow escapes.

• **William Ellery** — A Rhode Island delegate, he saw his property and home burned to the ground.

• **Edward Rutledge** • **Arthur Middleton** • **Thomas Heyward Jr.** — These three South Carolina signers were taken by the British in the siege of Charleston and carried as prisoners of war to St. Augustine, Fla.

• **Thomas Nelson** — A signer of Virginia, he was at the front in command of the Virginia military forces. With British General Charles Cornwallis in Yorktown, fire from 70 heavy American guns began to destroy Yorktown piece by piece. Lord Cornwallis and his staff moved their headquarters into Nelson's palatial home. While American cannonballs were making a shambles of the town, the house of Governor Nelson remained untouched. Nelson turned in rage to the American gunners and asked, "Why do you spare my home?" They replied, "Sir, out of respect to you." Nelson cried, "Give me the cannon." and fired on his magnificent home himself, smashing it to bits. But Nelson's sacrifice was not quite over. He had raised \$2 million for the Revolutionary cause by pledging his own estates. When the loans came due, a newer peacetime Congress refused to honor them, and Nelson's property was forfeited. He was never reimbursed. He died, impoverished, a few years later at the age of 50.

• **Abraham Clark** — He gave two sons to the officer corps in the Revolutionary Army. They were captured and sent to the infamous British prison hulk afloat in New York harbor known as the hell ship "Jersey," where 11,000 American captives were to die. The younger Clarks were treated with a special brutality because of their father. One was put in solitary and given no food. With the end almost in sight, with the war almost won, no one could have blamed Abraham Clark for acceding to the British request when they offered him his sons' lives if he would recant and come out for the king and parliament. The utter despair in this man's heart, the anguish in his soul, must reach out to each one of us down through 200 years with his answer: "No."



Emanuel Gottlieb Leutze, oil on canvas, 1851



Thomas Hoepker, photograph, Sept. 11, 2001

Please Join Us

In these trying times, those states with local governments in command of the broadest range of policy options will be the states that prosper. We owe it to coming generations to make sure that Indiana is one of them. Because the foundation does not employ professional fundraisers, we need your help in these ways:

• **ANNUAL DONATIONS** are fully tax deductible: individuals (\$50) or corporations (\$250) or the amount you consider appropriate to the mission and the immediate tasks ahead. Our mailing address is PO Box 5166, Fort Wayne, IN 46895 (your envelope and stamp are appreciated). You also can join at the website, <http://www.inpolicy.org>, using your credit card or the PayPal system. Be sure to include your e-mail address because the journal and newsletters are delivered in digital format.

• **BEQUESTS** are free of estate tax and can substantially reduce the amount of your assets claimed by the government. You can give future support by including the following words in your will: "I give, devise and bequeath to the Indiana Policy Review Foundation (*insert our address and amount being given here*) to be used to support its mission." A bequest can be a specific dollar amount, a specific piece of property, a percentage of an estate or all or part of the residue of an estate. You also can name the foundation as a contingency beneficiary in the event someone named in your will no longer is living.



"The Battle of Cowpens," painted by William Ranney in 1845, shows an unnamed patriot (far left) firing his pistol and saving the life of Col. William Washington.

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