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The Political Deceit Of a Minimum Wage

The legislative impulse to command higher salaries
can be analyzed using established ethical criteria.

“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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From the South Wall

This is not the first time a candidate has tapped into the concerns and dreams of the common folk, while the privileged class failed to notice.

by **ANDREA NEAL**

The author, a columnist and adjunct scholar of the foundation, recently served on the state Board of Education. She is a former editorial page editor of the Indianapolis Star and before that she covered the Supreme Court of the United States for United Press International.



Welcome to the New, Populist GOP

(Nov. 8) — Mike Pence hit the nail on the head. On Sept. 8, while speaking at the Ronald Reagan Presidential Library in California, he declared that the spirit of 1980 was back, and that Donald Trump would win the White House.

While others jeered, Pence predicted that the same forces that powered the Reagan revolution

— working-class voters, union members, evangelicals — would align behind Trump and create a winning coalition.

The party of Reagan has returned, just as Pence described it: populist at its core and motivated by economics of the working class. Exit polls showed Trump captured 50 percent of the union vote in the Midwestern Rust Belt, which Democrats assumed belonged to them. “His message resonated with the working man and woman,” said Maria Bartiromo, anchor and analyst for the *Fox Business Network*.

Political strategist Bill Burton, in an interview before Election Day, put it this way: “A large number of Americans . . . feel that politics is different now. It’s not right versus left the way it used to be. It’s really people versus powerful.”

This is not the first time a candidate has tapped into the concerns and dreams of the common folk, while the privileged class failed to notice.

During the election of 1892, farmers in the West and South faced plummeting cotton prices and drought. Instead of helping, the big banks

charged them higher interest rates. The People's Party, also called the Populist Party, organized in St. Louis to represent farmers and the working poor against the interests of railroads, bankers, corporations and politicians tied to them.

The preamble of the Populist platform that year said, "We meet in the midst of a nation brought to the verge of moral, political, and material ruin. Corruption dominates the ballot box, the Legislatures, the Congress . . . The people are demoralized." Trump's campaign stump speech, in which he advocated for more jobs and the end of harmful trade deals, was uncannily similar.

The Populists did surprisingly well in 1892, with James Weaver winning more than 1 million popular votes, and several Populist members elected to Congress. (In the presidential race, Democrat Grover Cleveland defeated incumbent President Benjamin Harrison.)

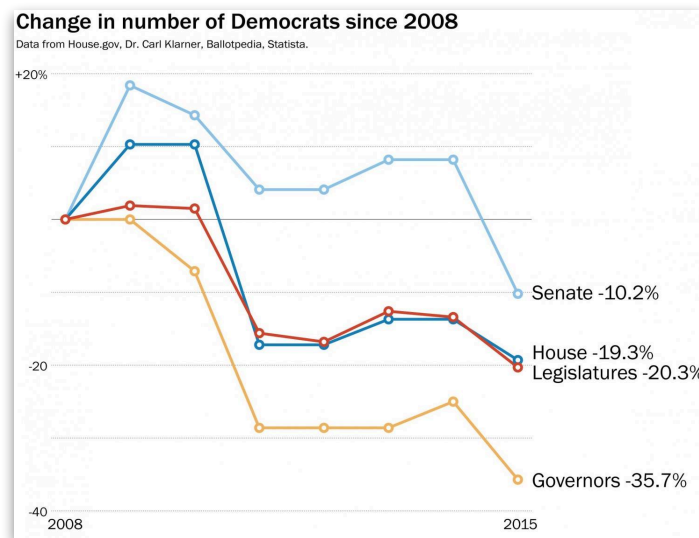
Over the next four years, the Democratic Party realigned itself to absorb the Populists and motley Republicans who disagreed with their party on the gold standard. Although the establishment candidate — Republican William McKinley — won the 1896 election, William Jennings Bryan commanded the farm vote and engaged millions of voters in the political process.

Similarly in the 1930s Franklin Delano Roosevelt ran on behalf of the "forgotten man" and campaigned against what he termed

economic royalists — the corporations, banks and big industries that were perceived to be ripping off the working class.

In an article last year analyzing the candidacies of Trump and Bernie Sanders, the news magazine *The Week* defined populism this way: "Broadly speaking, it's the belief that the will of ordinary citizens should prevail over that of a privileged elite. Throughout American history, movements based on anti-elitism have repeatedly sprung up on both the left and right, often stoked by

charismatic firebrands who harnessed the resentment of marginalized people." Trump used his acceptance speech early Wednesday to reach out again to the marginalized, saying, "The forgotten men and women of our country will be forgotten no longer." He could have taken the words right out of



FDR's mouth.

A populist message took Trump to the White House because citizens had begun to see government as part of the privileged elite. Hillary Clinton reinforced that image in the final days of her campaign when she summoned rap singers, celebrities and basketball stars to the dais instead of ordinary citizens.

Mike Pence predicted this months ago. The Bushes, Romneys and other establishment Republicans can move out of the way. They've been replaced by the new Republican-Populist Party. ♦

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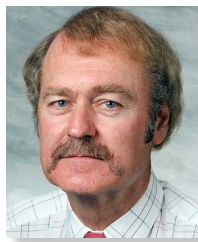


A Gimlet-Eyed History of the Minimum Wage

The legislative impulse to mandate better pay can be analyzed using established ethical criteria.

by **JOHN GASKI, Ph.D.**

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THE MATTER of the federal minimum-wage standard in the United States may not be the most polemical of all domestic public policy issues argued in recent decades, but it would likely rank in a top-10 list, especially among economic policy

questions. Because of its nature perhaps, involving widespread and tangible impact on large numbers of citizens — a pocketbook concern — along with amenability to oversimplification, misrepresentation, and overheated emotional portrayal by those in the profession of national partisan politics, the minimum wage has always offered tempting potential as a wedge issue and even a political tactic for those so inclined. Even in the most subdued times, it is rarely a surprise when politicians resort to demagoguery, disingenuousness, deceit, or outright dishonesty. Lately and inauspiciously, spectators of American political sport have been subjected to an extreme exhibition of that disagreeable combination (coined here the “4 D’s” of deplorable debating tactics), with the exception of the brief, post-9/11, “national unity” respite that unraveled some time ago. Public discourse on the minimum wage issue, such as it is, in its more recent politically spun incarnations, may have broken all previous records for sophistry and cynicism.

Witness, for example, invective by the likes of former congressional leaders Dick Gephardt and Tom Daschle, who accused their opponents of “hanging the American people out to dry” (Pianin and Morgan 2000) — which actually may have been more mainstream than record-setting by the norms of present-day rhetoric.

Perhaps now, with the wage law under serious consideration once again (or newly in force, depending on when this is being read), it is time to step back and shed some perspective on what really is happening.¹

As economics texts and research have reported, contemporaneously and over many years, it is difficult to credibly dispute the

¹ At the time of initial composition (2003), the author regarded congressional passage of a federal minimum-wage bill as a foregone conclusion in view of the political climate. He was correct. The federal minimum wage for covered nonexempt employees became \$7.25 per hour effective July 24, 2009. The federal minimum-wage provisions are contained in the Fair Labor Standards Act (FLSA).

economic principle that a federally mandated minimum-wage increase is a job destroyer (Fuchs, Krueger, and Poterba 1998, pp. 1392–93).

President Bill Clinton’s former economic council chairman, Joseph Stiglitz, admitted so in his own writings (1991, p. 22) but later attempted to deny it during the minimum-wage pseudo-controversy of 1996. (Professor Stiglitz had no known background of such inconsistency, “flip-flopping,” or self-contradiction prior to joining the administration of Mr. Clinton, coincidentally.)

Proponents of a minimum-wage increase at the turn of the century, prominently including the Clinton administration along with Sen. Ted Kennedy, most visibly and aggressively, offered the palpable canard of one now-discredited study of fast-food jobs in New Jersey (Card and Krueger 1994) that used telephone survey self-report methodology instead of hard, objective data — in diversionary opposition to the mountain of evidence supporting the established principle of (x) higher cost of labor causing (y) fewer jobs provided. In effect, the law of demand is being disclaimed — politically (Bernstein and Schmitt 1999). (See Neumark and Wascher [1995b] for an effective rebuttal of the Card-Krueger research method and findings.)

So, the previous U.S. administration and many in Congress advocated a one-dollar-per-hour increase in the legal minimum wage, at the time prospectively from \$5.15 to \$6.15, despite its transparently adverse consequences in terms of job loss, their audacious denials of that effect notwithstanding.

Related Foundation Essays

Craig Ladwig. “Minimum Wage, Minimum Thought.” The Indiana Policy Review, July 25, 2016.

Eric Schansberg. “From the Cradle to the Grave.” The Indiana Policy Review. Feb. 6, 2015.

Philip R.P. Coelho and James E. McClure. “The Minimum Wage.” The Indiana Policy Review, Dec. 23, 2014.

Schansberg. “Better Ideas than Raising the Minimum Wage.” The Indiana Policy Review, Jan. 30, 2014.

Schansberg. “Who Prevails With the Minimum Wage.” Indiana Policy Review, July 16, 2013.

Schansberg. “The Minimum Wage is Minimally Helpful.” The Indiana Policy Review, Aug. 15, 2013.

Tyler Watts. “Hold that Minimum Wage Hike.” The Indiana Policy Review. Oct. 9, 2013.

Why? For the obvious political benefit accruing from support of a publicly popular position, of course. As one anonymous operative of the Clinton White House hypocritically put it in a startling revelation,

“There are few of us who actually think it is good economic policy, but more than a few think it might be good politics. Those in economic circles are being told to hold their noses” (Wall Street Journal 1999).

How could bad policy have been good politics? Any time we are confronted with this exasperating paradox it signifies an unfortunate byproduct of chronic public ignorance: Machiavellian politicians exploitatively relying on the citizenry not to discern that superficially attractive policies are actually injurious to them, or to the nation as a whole. After all, how can higher pay be anything but beneficial?

Secondary or indirect policy ramifications are clearly opaque to large segments of the U.S.

populace, as some elected officials have long understood.²

One crucial aspect of the minimum-wage debate has eluded serious attention thus far, curiously, to wit: When someone knowingly does something that is wrong, it becomes an issue of morality.

Over the years, a disturbingly high number of self-styled labor advocates have done everything in their power to enact a policy that some among them, admittedly, as revealed above, believe is detrimental to the people of this country. And now, those who are usually their antagonists, Republicans in this instance, are becoming complicit. More precisely, it is conspicuously unethical to raise the minimum wage at this time, based on the most widely accepted systems of ethics, as is to be explained in the following section.

Ethical Specifics

Ethics, also called moral philosophy, as a field of study dates back at least 2,400 years to the classical Hellenic period. Although the ancient Greek philosophers may not have produced a detailed blueprint for resolving the present wage

policy dilemma, attention to the ethics of financial and microeconomic matters is actually found in the writings of Aristotle, who devoted a fair amount of coverage to the ethical side of personal finance, that is, money and property (1962, pp. 83–93).

Evolution and refinement of ethical thinking, particularly during the late Middle Ages and the Enlightenment period, have led to two mainstream, but alternative, ethical frameworks. One of these two archetypal ethical systems is deontology. Its central precept, with normative provenance ultimately traceable at least to Immanuel Kant’s “categorical imperative” (1938, p. xi; 1964), is the preeminence of rights, duties, and justice with respect to the individual, implying that the end does not justify the means. As Kant himself expressed it, “the categorical imperative . . . concerns only the action (means) itself without regard for any other purpose [end]” (1938, p. xi).

In other words, some means are not ethically allowable *regardless of the purpose*. According to this model, raising low incomes may be a worthy aim in isolation but it does not excuse the forced unemployment of 100,000 or more workers already at the low end of the pay spectrum.

“IT’S NOT ONLY JOBS AND HOURS that may be lost. Work by William Wascher of the Federal Reserve Board and David Neumark of the University of California, Irvine, and Mark Schweitzer of the Federal Reserve Bank of Cleveland shows that minimum wages increase poverty — and hence poverty reduction shouldn’t be expected as a benefit of raising the minimum wage. That’s because, contrary to common belief, the relationship between low wages and poverty is extremely weak. As Neumark, who has done extensive research on the issue, explains, ‘the principal sources of an individual’s higher earnings are more schooling and the accumulation of experience and skills in the labor market,’ both of which are discouraged by increases in the minimum wage. Though an increase raises the wages of some people, it also reduces the employment of others, namely young and low-skilled people.” — *Veronique de Rugy on PBS, Sept. 9, 2016*

² To deflect any perception of excessive partisanship, do we not also observe Republicans engaging in such cynical sophistry? Yes, but they are comparative amateurs at it. How often do you see brand-name conservative or Republican spokespeople arguing a position that is bad policy but popular with the public? When they push bad policy, it generally looks bad as well — which may partially explain their record of frequently being outmaneuvered by the Democrats in Congress.

(The liberal Employment Policies Institute estimates the total job losses resulting from the 1996–97 wage hike at 128,000 [Folsom 1998]. The Federal Reserve Bank of San Francisco forecasts between 145,000 and 436,000 teenage job losses from a new \$1.00 wage increase [Bartlett 1999] — despite the fact that the real or inflation-adjusted minimum wage, whether actual or proposed, is somewhat lower than it was 50 years ago.)

An agent, such as a government entity, absolutely cannot tolerably treat persons as mere instruments in this way, per Kantian or deontological ethics, because it is wrong inherently (Benn 1998, p. 96).

Do not many economists favor a higher minimum wage? How could a large number of professional economists (though not a majority, according to an American Economic Association survey; Glassman 1998) join congressional Democrats and a prior administration in preferring the combination of a higher minimum wage and more unemployment of the most vulnerable members of the workforce — the trade-off they acknowledge in their honest moments? (See cited Economic Policy Institute [EPI] estimate.)

Technically, this ideologically charged segment of the economics community values the wage gains by the remaining employed more than they value the wage losses by the unfortunate number

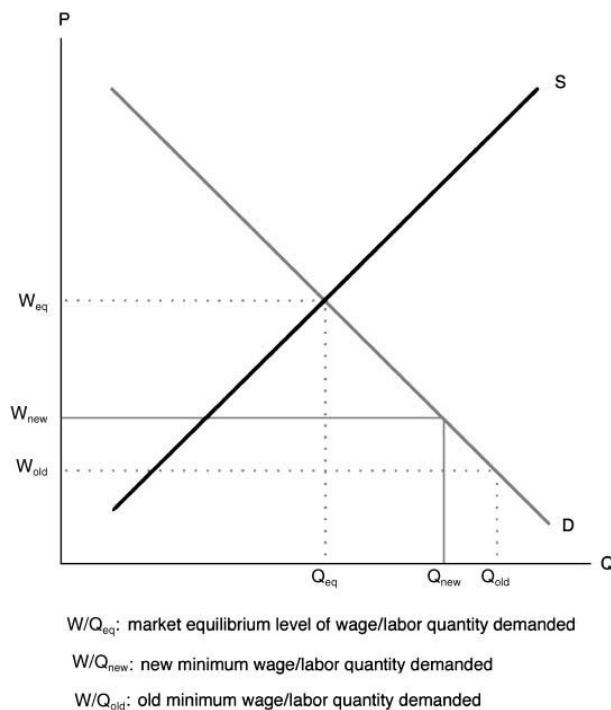


Figure 1: Theoretical Argument vs. Unemployment Effect of Minimum-wage Increase

— whether 100,000, 400,000, or whatever — whom they expect will lose their jobs. (Those jobless might well have a different opinion or valuation.)

These economists evidently believe total national income and output will be greater after a \$1 hourly minimum-wage increase. In the language of ethicists, they are relying on teleology, an ethical system based on outcomes or aggregate welfare. The most familiar variation of this system is utilitarianism (Mill 1987), which prescribes promoting the

greatest good for the greatest number regardless of the means or possible unfairness to the minority. Sometimes called the consequentialist model, teleology/utilitarianism includes a macroscopic or societal cost-benefit analysis; it simply summates individual gains and losses of utility across a population — at least conceptually, putatively or ideally.

Yet this higher wage-favoring position is substantively questionable, to say the least. Regardless of what the referenced economists value and prefer, is it conceivable that the total number of wage earners who get a mandated dollar raise will value the marginal utility of this 19.4 percent increment as much as the job losers, collectively, will value the decrement in marginal utility resulting from a 100 percent loss, that is, no job?³ Economic science does not appear to offer a definite resolution to this question. Even in the

³ Consider also the adverse social effects of unemployment such as crime. Moreover, Neumark and Wascher (1995a) find an increased high school dropout rate, as well as unemployment, caused by the minimum wage. And the Federal Reserve now warns of inflation likely to result from the higher minimum wage, which disproportionately harms the poor (Wall Street Journal, 2000).

intuitively and analytically unlikely event that the true answer would be affirmative, there remains the problem of using an unjust method, unemployment, to promote a wage policy — so the minimum-wage boost would still be unacceptable according to at least one of the major ethical systems, deontology (which antedates and happens to have been in ascendancy relative to utilitarianism since at least the 19th century), because of the harm to innocent individuals.⁴

It is beyond ironic that those who normally and ostentatiously espouse a more equitable distribution of wealth, and also favor the higher minimum wage, have relied on the ethical system that completely ignores such distributional concerns and fixates on the aggregate outcome. This contradiction undermines the coherence of the minimum-wage plea even from a utilitarian standpoint.

Intentionality

Can the minimum-wage advocates be unaware of this situation? Of course not, and this adds a corollary dimension to the issue. They know exactly what they have been doing and, as on other occasions for some of them, have been found willing to damage the welfare of numerous real people to advance their personal and political interests.

This imputation of such a form of intentional wrongdoing by those in a position of public trust — literal malfeasance — is serious, not taken lightly by the author, and demanding of support.

The best possible evidence of a malicious state of mind or motivation by the accused would be a clear record of other malevolent actions. Since most readers doubtless will be cognizant, from

THE HILLARY CLINTON EMAILS — On April 28, 2015, Clinton campaign chairman John Podesta emailed Neera Tanden who is the head of the Center for American Progress, a progressive think tank that Podesta chairs, about Clinton’s progressive agenda and particularly support for a minimum wage hike. Tanden emailed Podesta back, “Substantively, we have not supported \$15 – you will get a fair number of liberal economists who will say it will lose jobs.” Tanden also emailed Podesta that she was not getting any political pressure to support such a high minimum wage. Clinton foreign policy advisor Jake Sullivan then emailed Tanden and Podesta calling the Democratic Party’s progressive base the “Red Army” — an obvious communist reference — and said they want to support \$15 an hour. Bernie Sanders later made a \$15 minimum wage a centerpiece of his socialist campaign against Clinton. — *Keven Boyd in the Oct. 12 Rare Politics*

modern history, of outrageous, deliberate acts against the commonweal by both major political parties, both sides of the political spectrum, the allegation that one would be doing so in this case is unremarkable, but still in need of specific defense. Regrettably but unavoidably, therefore, recall again:

- 1) The declaration, reported previously, of former White House personnel well aware that a minimum-wage increase is bad policy, even admonished to “hold their noses.”
- 2) This follows combative rationalizing of demonstrated and adjudicated lying under oath by the chief law enforcement officer of the United States — the “combative rationalizing” being done by the same clique, largely, that is rationalizing, combatively, a higher minimum wage; along with other contributions such as:
- 3) Blatant mischaracterization of national economic conditions, for example, “worst economy in 50 years,” and then accusing opponents of “talking down the economy” for truthfully labeling a concurrent recession;
- 4) The regularly orchestrated “Borking” of reputable and distinguished nominees for the

⁴ Nor would public unemployment insurance be a panacea. Those most affected by unemployment tend to be those on the lower rungs of the economic ladder, such as short-term, part-time, and younger workers who fail to qualify for unemployment compensation.

federal judicial bench through smear tactics; and, in fact:

5) Demonizing all political adversaries as those who wish to poison the natural environment, starve the elderly, kill children, and destroy Social Security and Medicare, as well as deprive workers by preventing a minimum-wage increase.

Based on this abbreviated and delicate bill of particulars (restricted to items unarguable even by most partisans), which could have been much longer and more unpleasant, intentionally harmful economic policy is comparative minor-league immorality by current, or very recent, standards. Not every minimum-wage crusader is guilty of all the itemized misdeeds, surely, but within politics and government close commonality would prevail.

Granted, one may conjure corresponding offenses by the other political side, but those would be grounds for a different article, many exemplars of which have been written, and immaterial to this problem — except to further authenticate the claim of endemic political opportunism. Again, the realization that some in the public sector would place self-interest above duty to the general welfare scarcely qualifies as a news bulletin.

A manifest proclivity to behave improperly in some instances does not prove a disposition to act unethically at all times, or on any given occasion, of course, but the purpose and obligation here is to establish a pattern of conduct, or a history of dishonorable mindset, as precedent. Inescapably,

“Reasons to Raise Indiana’s Minimum Wage in 2016” NUVO, March 28, 2016

“Indiana Lawmakers Push for Increasing Minimum Wage” Fox59 TV, Jan. 5, 2015

“South Bend Mayor Proposes Minimum Wage Bump” Wane.com, Aug. 19, 2015”

objectively, by definition, and independent of any possible objection to the above effort to substantiate motive, what the pro-minimum-wage forces have done qualifies as immoral and unethical by virtue of either an illegitimate intentionality (Patterson 1949, p. 32; Benn 1998, p. 80) or the consequences, or both. This conclusion should by now be noncontroversial. (Perhaps a way could be found to enact a bungled policy that would force a large element of the political class out of its labor market.) Without doubt, the opponents of artificial wage levitation know all this, too. At least they resisted the momentum toward a higher

minimum wage temporarily, but holdout was difficult because of the political pressure and expediency concerns mentioned earlier, and that is tragic. Just once, would it not be refreshing for the timorous Republicans, or anyone in politics, to argue their true beliefs, to try to educate the public about the ills of the minimum wage in this case, rather than fatalistically capitulating to public opinion poll numbers, which have been 80 percent favorable to the wage law? But that would require some courage.

Toward Analytical Proof

To this point in the essay, the case for intentional unethicity has been overtly inductive, with the analytical argument lurking more implicitly. Primary empirical reliance has been on: 1) a single admission of culpability by a past White House functionary — but one that was prominently reported and uncontested — incorporated within; 2) a dishonest,

unconscionable *modus operandi* by leading minimum-wage proponents, confirming the capacity for willful harm to others in furtherance of personal or political aims.

An explicit summary of the deductive approach would be plain and stark: Patrons of a higher minimum wage in positions of public authority operate from either a deontological or utilitarian ethical perspective, or neither. If neither, if they do not regard the ethical consequences of their public policy actions, then they are *de facto* unethical, literally committing an anti-ethical abdication of public responsibility. From the observed record, that remains a possibility.

If those governmental actors are deontologically based, they are equally unethical for the reason that they are using innocent victims — those caused unemployment via a higher minimum wage — as a means to their policy, or personal, ends.

If a utilitarian posture prevails, the assessment is only slightly more complicated. As acknowledged previously, it is possible to forecast “the greatest good for the greatest number” resulting from a federal minimum-wage increase if the aggregate utility from the wage raises for the many offsets the harm or utility decrement to the relatively few (even hundreds of thousands) who lose jobs as a consequence, difficult as that may be to foresee.

However, given such acute aggregate harm to those least able to bear it, the question becomes whether any alternative policy could produce the same collective benefits at a lower cost. Because utilitarian ethics also requires avoidance of unnecessary costs, or the choice of the lower-cost means to a particular end, this norm is difficult to see vindicated through a higher minimum wage and its adverse consequences. Even more difficult to argue is the presence of a strict utilitarian ethic prevailing in Washington, DC, considering the rarity of that philosophy in general in the modern-day era, and the unlikely prospect of U.S. politicians rejecting the deontological notions of rights and justice. So the analytical case hinges on

the deduction that — no matter which way the minimum-wage defenders turn — unscrupulous intentionality, or at least gross negligence, is the finding. The prosecution rests.

A Reflective Digression

The foregoing commentary has presented a minority view argued from an unconventional angle. Whereas a particular public policy is being opposed, its advocates are also opposed and, to some necessary extent, criticized. Because those supporters characteristically occupy one end of the ideological spectrum, a facile reaction would be to label this treatment as partisan. But due to the inherent crux of the exchange — ethics — appraisal of the opposing position inevitably ranges into motivations. Although objection to the conduct of certain public officials and their accompanying political apparatus may be severe, consider the provocation: This author perceives and describes bad-faith, ill-willed public policy processes and products. In light of the intensely charged national political interchange and conflict of the past few years in the United States, such a negative assessment is hardly radical. Grave criticism of political leaders, including American presidents, in the most serious and elevated scholarly *fora* is not exactly novel either.

For example, weighty volumes have chronicled the transgressions of recent U.S. presidents, notably and rightfully Richard Nixon/Watergate and Lyndon Johnson/Vietnam. A work focused on Nixon’s Watergate crimes would not be required to give equal time and space to Jimmy Carter’s failures; the equal time doctrine has not passed constitutional muster to that extreme, after all. This discussion is devoted to a single issue, obviously, and it just so happens that one identifiable political faction supports the cause that is criticized. It would be nonsense to pretend that both ideological sides are equally culpable and deserving of attention in this regard, for the sake of an abstract and arbitrary ideal of balance. (It is not disputed that both may be due roughly equal blame, and credit, across the full sweep of public policy history.) Yet a fair, if not equal,

measure of bipartisan criticism can be noted in this piece nonetheless.

The original issue remains a narrow one: the fundamental ethics of an increase in the federally imposed minimum wage, as dispatched in a previous section. But if the policy is indeed unethical per established criteria, then its adherents favor something unethical. That is an inevitable but unattractive inference. So a natural derivative question is whether certain public proponents, including government officials, intentionally and knowingly are causing the unemployment of a hundred thousand or more fellow citizens, some of the most disadvantaged ones especially.

The overriding implication is that it is somewhat incongruent to challenge the ethics of a given public policy without at least, *ipso facto*, raising the same issue with respect to its champions. It would be difficult, though conceivable, to analyze the ethicality of an action without transmigrating into the ethical domain of the actors or offenders. Motivation is the cause of action, as Kant reminds us (Kant 1950, p. 94). It does remain theoretically possible to maintain completely honorable motives for supporting a policy that proves to be objectively violative of prevailing ethical standards (cf. Hegel 1896, pp. 119–28), but testimony was offered earlier indicating that minimum-wage apologists in the government are not so ignorant. Mistakes can be made; one can adopt a bad idea out of incompetence. But the sophisticates who occupy public policy-influencing positions should be accorded due respect on this score in the same sense that criminal defendants are ruled mentally

“There are various campaigns in places around the country for and against minimum wage laws, which make me wonder if the economics profession has failed to educate the public in the most elementary economic lessons.” Thomas Sowell

able to stand trial.

If a moral or ethical lapse truly has occurred on the part of those labor market interventionists most identified with passage of the wage law, it would only fit a well-recognized pattern of behavior. That is why the historical behavior record is germane in this case, and why the issue would seem to be most fitting subject matter for examination and critique here.

Conclusion

While “minimum wage” is generally the term used in political disquisition, the moral roots of the issue

extend back to the teaching on a “just wage” found in medieval works (Finkelstein and Thimm 1973, p. 8; Garrett and Klonoski 1986, pp. 38–40). In brief, a just wage is whatever compensation for labor is required for workers to support themselves and their families in elemental dignity. One of the reasons that the debate on minimum wages has seemed so difficult at the micro-moral level is that there is no simple answer as to what it takes to provide a decent living. (For instance, the defined “poverty” income threshold in the United States would be known as affluence and luxury by the standards of most of the rest of the world. Readers may be aware that the typical or average “in-poverty” family in the United States enjoys ownership of at least one automobile; major appliances, including a microwave oven, color television, and VCR; and an air-conditioned home with more living space than that of the average Japanese non-poverty family.)

What is clear is that in very poor countries with high unemployment and no social safety net, letting the market alone set wages may result in a race to the bottom with little respect for human dignity. In a developed country with social welfare

safeguards in place, however, such as the United States, the market may be the best way to determine a just wage.⁵

A recent offshoot of the minimum-wage movement is the so-called “living wage” initiative, in which some local governmental authorities, for example, municipalities, have undertaken (presumed, critics would say) to define and enact a just wage level for certain workers in excess of the existing federal minimum wage. The typical target is employees of government contractors in various U.S. localities.

Original moral basis for the living wage proposition is qualitatively comparable to that of the just wage and minimum wage (Ryan 1920; pp. 3–5, 27–34, 41–43). Historically, the genesis of the living wage cause predates that of a legislated or publicly imposed minimum wage, though the two variants were merged in the 19th-century papal encyclical *Rerum Novarum* (1891, pp. 27–28). The present-day revival of living wage sentiment in the United States may be a rare manifestation of its success in inducing governmental action.

While no grounds are evident to suspect the kind of questionable motives that suggest themselves throughout the preceding sections, contemporary devotees of the living wage mount prosaic rationale. To justify mandated benefits to selected low-wage workers, they must deny the possibility that their favored position would produce undesirable, unintended side effects such as massive job losses (Bernstein 1999). What if they happen to be wrong? How can living wage proponents conscientiously abide the catastrophic consequences for real people ensuing from what would be their reckless blunder? As with the parallel minimum-wage debate, the demand curve’s inconvenient pertinence to the labor market must be finessed away.

Specifically, a common attempt at theoretical rebuttal of the unemployment-effect premise is

the claim that the market wage level is already above the contemplated minimum wage, so no unemployment would result directly from the increase, as portrayed in Figure 1. In other words, as W_{old} is raised to W_{new} quantity of labor demanded (Q_{new}) remains above the existing market equilibrium. Recognize, however, that this argument — when applied to the present circumstances — is only a hypothesis. Obviously, this sanguine expectation has been rejected by the majority of economists, as reported (Glassman 1998), as well as the Federal Reserve Bank of San Francisco and the Employment Policies Institute via their dire job loss estimates. A reason for the general nonapplicability of Figure 1 may be the segmentation of the labor market; that is, the posited relationships would not necessarily hold for all geographic areas, industries and labor market demographic segments.

Most of the same arguments invoked against a compulsory minimum wage can be applied to the living wage as well, plus one: It distorts the free market for labor services even more, because its level is set even higher than the federal minimum wage. Whatever the increase in unemployment due to the minimum wage, the number of victims will be greater, in any affected class or jurisdiction, as a result of the nominal living wage, therefore. Those suffering the lost jobs might have a less euphemistic name for the policy.

But does such a sensible, if contestable, moral position opposed to governmental wage controls have a chance for a fair hearing amidst the regnant political environment? Can conscience endure against an unrelenting campaign for a minimum-wage adjustment via the public policy equivalent of brute force, that is, federal fiat? Although these questions are meant rhetorically, the effort of the surrounding text represents hope that the corresponding answers can be positive, at least in the long term.

Unfortunately, the nature and ethical implications of late 20th-century/turn-of-the-

⁵ This section benefits from the contribution of the moral theologian and ethicist, Oliver F. Williams, C.S.C., a specialist in business ethics who had extensively consulted for and advised the government of the Republic of South Africa.

millennium American politics may actually be more ominous than the preceding arguments and observed conditions suggest. To illustrate, ponder how public discourse operated in the old Soviet Union, and still does in the few remaining totalitarian states. Rulers in such nations characteristically dissemble, prevaricate, and lie, routinely issuing statements they know to be untrue. Everyone in the country is forced to do the same, or risk the most odious consequences. (As a young Russian engineer told the author in then-Leningrad a few years before the Soviet Empire's fall, "The worst thing about this country is that no one says what they really think; they say what they think they are supposed to think" — political correctness taken to the ultimate extreme.) It is no exaggeration to observe that the mass communication milieu sometimes approaches the same proportions here in the United States. Past national administrations were known to commonly enunciate positions they knew full well to be false — whether concerning the minimum wage or other contentious matters, some unspeakable — and anyone who disagreed was publicly pilloried not only by an entire political party but by compliant, sympathetic forces in the media, for example, major news organizations and the entertainment industry. It might have been possible to allow their camp the benefit of the doubt on the present issue, to consider support of an intrinsically unethical policy simply erroneous or mistaken, had it not been for such background. Again, even if their side's goals were assented to here, the deontological ethic is seen to be violated because of unscrupulous means.

Several recent U.S. presidential administrations and other political figures, of both major parties, have been noteworthy for dishonesty, but the minimum-wage militants, beyond the inherent policy ethics, have practiced a particularly cynical and pernicious form of it.

Their tactics have special potential to be effective in the economic realm, where public ignorance is so abysmal. Why should anyone be surprised, therefore, at the unethically by some in government of an attempt to rule through sophistic disinformation, in economic matters or otherwise? Possibly hundreds of thousands of soon-to-be-unemployed are merely the latest victims of such dysfunctional propaganda. ⁷ ◆

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Getting Out of the Way: Business Taxes

A free-market approach to stimulating economic development and job creation in your city and county.

by **JASON ARP**

The author, a financial consultant, represents the 4th District on the Fort Wayne City Council. He urges Indiana cities to exempt their business personal property tax as allowed by the 2015 Legislature. Contact him [here](#).



(July 25) — Capital formation and the application of that capital to production is the basis of our economy as well as our way of life. To quote a 2010 article by Dr. Steven Horwitz, chairman of the Economics Department at St. Lawrence University:

“Production, not consumption, is the source of wealth. If we want a healthy economy, we need to create the conditions under which producers can get on with the process of creating wealth for others to consume, and under which households and firms can engage in the saving necessary to finance that production.”

Exhibit 1.

Sales	200,000,000	
Expenses	180,000,000	90% of sales
Net	20,000,000	10% of profit margin
Equipment	200,000,000	100% of sales
Personal Property Tax	6,000,000	3% NAV of Equip/ 30% of profits
Real Property	40,000,000	
Real Property Tax	1,200,000	3% 1/5th of tax paid on equipment
Income Tax	1,300,000	6%

Yet, when we look at the practical application of our economic policies, my area of interest (Fort Wayne and Allen County) seems to do the opposite — producers are taxed and consumption is subsidized. For instance in Indiana, manufacturers pay tax on their income, on their employee’s income, on their facility, on their equipment and pay sales tax on many of their inputs. Many of these cannot be addressed by local government; the equipment tax can be.

“**A BASIC TENANT** of taxation is to ‘tax the things you don’t want and don’t tax the things you want.’ One of the traditional and continuing strengths of the Indiana economy is its manufacturing sector. Indiana leads the nation with the highest share of manufacturing employment per capita and has the highest manufacturing sector income share of total income. Critical to the strength of the state’s manufacturing sector is its willingness to continue to reinvest in new equipment that facilitates increases in productivity. Yet, Indiana has one of the highest effective property tax rates on commercial and industrial equipment in the country. In 2009, Indiana ranked sixth for taxation of commercial equipment and third for taxation of other industrial and machinery equipment, according to an Ernst and Young study prepared for the Council on State Taxation. The recently released 2013 Indiana Manufacturing Survey by Katz, Sapper & Miller and the Indiana University Kelly School of Business emphasized the importance of taxation in investment decision-making as it “ranked property and corporate tax policy as the issues ‘most critical in terms of the cost and viability of manufacturers in Indiana’.” — *John Stafford, retired director of the Community Research Institute at IPFW*

Dismal Results

Dr. Michael Hicks, director of the Center for Business and Economic Research at Ball State University (CBER), recently published a study of economic development efforts in Indiana. The study, “Why Have Local Economic Development Efforts Been So Disappointing,” details the tremendous sums the state has spent on subsidies to try to induce businesses to relocate here — that and their lack of measurable success. Dr. Hicks finds that tax abatement, grants and loans from local and state government are ineffectual at job creation. Literally billions have been spent statewide to no avail, the CBER maintains.

In sum, the efforts by government-run economic development corporations to grow economies are not only unfair, they simply don’t work.

The Indiana Legislature passed legislation in 2014 that allows the county income tax council to exempt all new business personal property after July 1st, 2015. (IC 6-1.1- 10.3) This law has been in effect for nearly one year and no county has yet taken advantage of it, likely because it reduces revenue to the governmental taxing authorities within a county as new equipment replaces aging equipment. However, this fear is causing local governments to miss the opportunity to spur economic growth and community development.

The House Republican leadership made an attempt to remove this tax statewide in 2014, but that was stymied in the state Senate for fear of disrupting local governmental budgets. The compromise was that the local units could make the choice to exempt new equipment from taxation in their COIT (County Option Income Tax) Councils.

According to the IPFW Department of Economics, my county has only 251 employers of 10 employees or more in industries other than retail and restaurants. These 251 employers pay the vast majority of the \$55 million of business personal property tax. On average, they each pay over \$200,000 annually. This is money that could

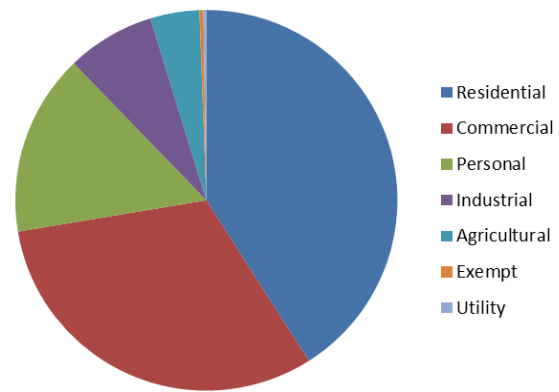


Exhibit 2. Sources of Property Tax for all Government Units (DLGF).

be used to invest in their business, add staff or invest in their community.

Business personal property tax (BPPT) acts as a curb on equipment productivity and encumbers capital investment. Exhibit 1 illustrates a generic sample of data from a typical manufacturer. The

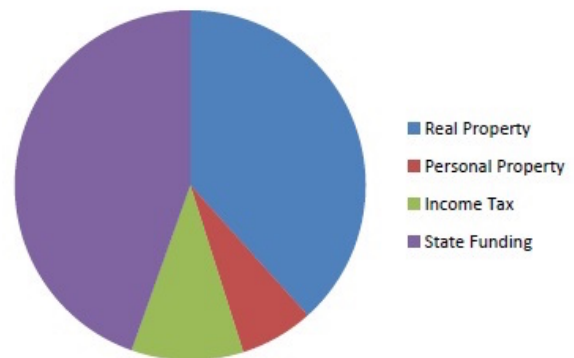


Exhibit 3. Major Sources of Funding.

property tax on equipment is a material component of their cost structure. This is why many manufacturers apply for abatements.

Business personal property tax punishes capital formation and increases business risk. Unlike a sales tax (or a gross receipts tax) or an income tax, personal property tax is due regardless of whether you sell anything or make a profit. So, in addition to the costs of financing and

operating the equipment, you have the tax burden regardless of whether sales and net income come to fruition. This is a clear deterrent to investment.

Abatements

Naturally, companies will seek abatements if they are available. Countywide, businesses received \$7.2 million in abatements for personal property last year and another \$6.6 million in real property abatements.

At the July 12 Fort Wayne City Council meeting, for example, a large manufacturer of OEM parts (Original Equipment Manufacturer) for the automotive industry had representatives appear to speak on behalf of their application for an abatement of \$90 million in personal property value. The company's tax specialist specifically said that Indiana's high taxes on equipment were a deterrent to further investment, thus the abatement was needed. The tax savings due to abatement are to be about \$6.5 million over 10 years. The total tax at 3 percent (if not abated) would be \$27 million.

As mentioned earlier, abatement has statistically proven to be an ineffective tool for economic development per the Hicks study. There are several other issues with abatement:

- 1) *The Temporary Nature* — The taxes, which we have shown are burdensome, are eventually phased in. We have all heard plenty of stories of the businesses that pick up and leave in the waning years of an abatement when a similar inducement is offered from another location.
- 2) *The Fairness Issue* — Abatements by their very definition are an uneven application of law. Two identical businesses, one being aided by the local ecodevo corporation may get an abatement while another does not because it doesn't apply for a variety of reasons. This opens the door for simple non-compliance, where property is not reported or underreported out of sense of injustice of the system. "If they don't have

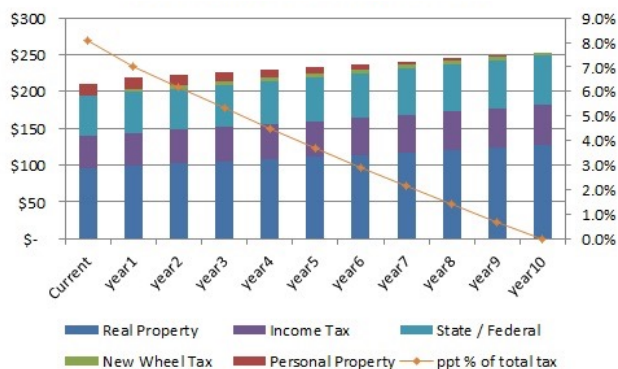


Exhibit 4. Fort Wayne Funding Sources:

The gradual elimination of BPPT as a source of revenue curbs the overall rate of growth of local government, while allowing incremental weening. Source Data are

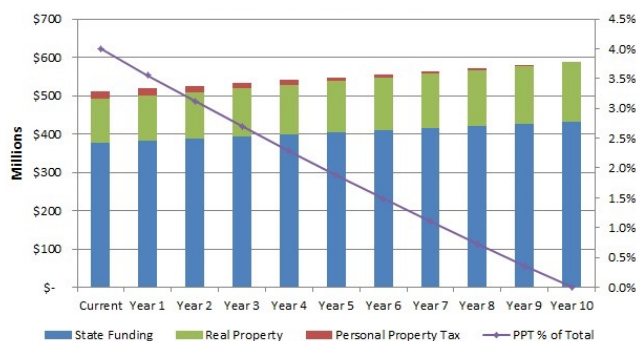


Exhibit 5. Total School Funding: Source data are DLGF, author's projections.



Exhibit 6. Allen County Government Funding: Source Data are DLGF, author's projections.

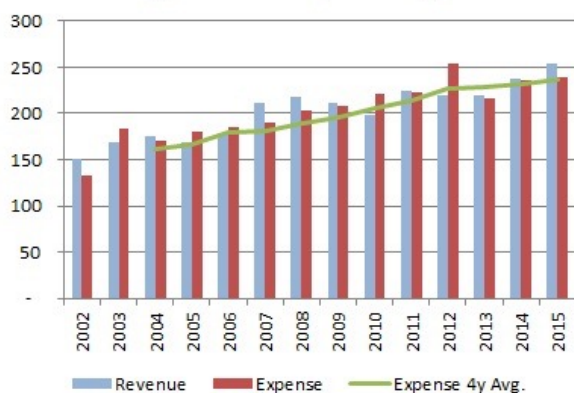


Exhibit 7. City of Fort Wayne Budget.

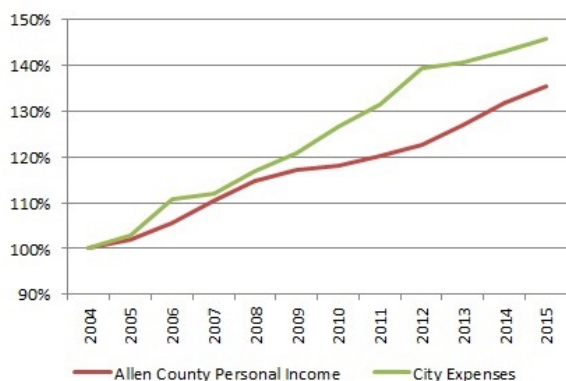


Exhibit 8. Source: City of Fort Wayne CAFR and Bureau of Economic Analysis.

to pay, why should I?”

- 3) *The Cost of Compliance with Abatements and Business Personal Property Tax in General* — These are disruptive to business. Tracking compliance with asserted hiring requirements, as well as the additional accounting and reporting requirements, can be tedious. And there is the soul-crushing bit about coming before a city or county council to ask for special treatment or “a pass” when the abatement terms are not met.

Abatement is a less than optimal way to allow industry to survive the business personal property

tax. The state government has given local governments a much better solution: exempt all new business property from taxation.

As Stafford writes: “One could certainly argue that if a partial and temporary reduction of taxing personal property is good, then a wider and more permanent reduction, or total elimination, should be an even greater economic stimulus.”

Implementation

Again, the reason we haven’t seen this personal property exemption (IC 6-1.1-10.3) implemented in any county since it’s been available is that local governments are concerned about giving up what they perceive as a major funding source.

In my county, business personal property taxes contribute 15 percent of all property taxes. This is a source of revenue for all governmental units, including schools, cities, the county government, the library and all township and special districts.

However, if we include all of the major non-property sources of revenue to local government units, personal property falls to 6.8 percent of the funding picture.

The exemption of new equipment acts as a natural phase-in. As old equipment that is on the tax rolls is retired, new equipment that will not be entered into the tax rolls will come on line. While the IRS MACRS (Modified Accelerated Cost Recovery System) usable life for much of this equipment is 12 to 15 years, many manufactures retain serviceable machinery for as long as 30 years. Assuming that the universe of business equipment is somewhat aged, we can only make assumptions as to what the runoff will look like. It is fair to say, however, this will not be an overnight event; we expect this phase to take up take up to 10 years. Some of the lost BPPT revenue will be recouped by an increase in real property taxes caused by the spreading of the property tax levy over the newly lower Net Assessed Value (NAV) caused by the retirement of equipment assessed value not being replaced with new equipment assessed value as the new equipment is exempt. The Indiana Legislative

Services Agency (LSA) estimated in December of 2013 that this shifting from personal to real property to be about 36 percent if this policy change were to be done statewide. For the purpose of this analysis, 35 percent has been used for the projections reflected in all charts. LSA goes on to estimate the distribution of the shift to property types, showing that 37 percent of the shift will be to commercial and industrial real property, 38 percent to homesteads, 11 percent to other residential (apartments and rentals) and 15 percent to agricultural property. These percentages were based on the composition of the state as a whole, where the distribution in your county may differ somewhat. The other 64 percent of the BPPT is estimated to be lost to the property caps as this policy is phased in.

LSA's study found a high degree of variability as to impact on real property owner's tax burden by county. Property owners in some counties could expect as high as a 12 percent increase in real property taxes on average. My county (Allen) was one of those with the lowest increases, coming in at under 6 percent on average. Given that we are looking at a 10-year phase in, this 6 percent would be spread to where its impact would be a gradual 0.58 percent annual compound rate over the term.

Growth in other revenue sources will offset most of the effects of diminished tax receipts from business personal property to the local governmental units. For the purposes of determining future tax revenue for this analysis, 0.75 percent population growth was used in conjunction with 1.5 percent property value growth. This is consistent with the pace of the last decade, which was slower than previous periods. Though revenue from personal property tax

“Over the last decade and a half, my city has spent well over \$200 million explicitly on economic development. The last five years that has averaged \$15 million a year.”

declines each forecast year, steady growth from other sources more than offset the overall decline, making BPPT an even less significant contributor to funding of Allen County's four local public school systems. Overall increases in other sources, again, limit the impact of removing BPPT from the funding mix. Public Schools received \$136 million of property tax funding last year, \$20

million of that from BPPT. Total funding from non-property tax sources, including the state, was \$376 million. BPPT represents 4 percent of the \$512 million spent on public schools in the county.

Assuming the most likely scenario, that amount would drop to \$18.4M or 3.6 percent of \$518 million next year and continue to decline until BPPT is phased out. Exhibit 6 illustrates that the total funding picture for Allen County government is much the same as our other examples: Total funding continues to increase but at a slightly reduced rate as BPPT is phased out.

Note that despite tax caps, a deep recession, a slow economic recovery and other factors, city budgets have continued to grow steadily.

Not in a Vacuum

Such a change of tax policy as recommended here doesn't occur in a vacuum. While the earlier exhibits display current and projected revenues and their composition, an equally important question to ask is what do we suppose the spending side of the equation would look like?

The projected reduction in funding growth would encourage an effort to reduce the rate of growth in the cost of government. There are many potential budgetary actions that could be explored. Simply freezing spending levels for a few years would reduce future budgets by tens of

millions. There are lots of programs and activities conducted by government that could be streamlined or eliminated, given such a catalyst.

Exhibit 7 illustrates that municipal budgets have materially increased over the last decade. Fort Wayne's four-year average expenses for the period ending 2005 were \$167 million but \$237 million at the period ending in 2015. This is a total increase of 41.6 percent for an annual compounding rate of 3.5 percent per year.

As can be seen in Exhibit 8, overall personal income growth in the Allen County slowed from 2008 to 2012, while the City of Fort Wayne's expense growth accelerated. Using the same method of smoothing as used in Exhibit 7, Fort Wayne's expense growth outpaced the incomes of Allen County residents by 28.5 percent.

According to the U.S. Bureau of Economic Analysis, total personal income growth was a 2.8 percent compound rate, using the four-year period ending 2014 over the four-year period ending 2004 in order to keep an apples-to-apples methodology (2014 incomes pay for 2015 expenses, and 2014 is the most recent data from the Bureau of Economic Analysis).

Also occurring at the same time as this tax policy modification is changes in the local and state economy as well as the impact of national economic conditions. This policy change, *ceteris paribus*, should provide a lift in local economic activity. It will in time force similar changes regionally and eventually statewide. One could expect Indiana to have joined Illinois, Michigan and Ohio as a midwestern states to have improved the business environment by eliminating BPPT, making it easier for companies to do business across state lines without concern for the intricacies of tracking BPPT compliance.

Over the last decade and a half, my city (Fort Wayne) has spent well over \$200 million explicitly on economic development activity according its filings with the state board of accounts. The last five years that has averaged \$15 million a year. Allen County government also has some level of economic development spending as

well. Perhaps having eliminated the largest hurdle to economic development by exempting personal property tax, municipal government units will no longer need to spend these sums.

One potentiality is that since there is no need for BPPT abatement, municipal governments can eliminate the entire abatement process. This would add nearly \$7 million annually once current real property abatements have expired.

Allen County has millions of available square feet of commercial and industrial property. Abatement for new construction not only puts downward pressure on the pricing of existing buildings but it increases the likelihood that these existing structures become our future blighted, abandoned problems. While new construction should not be discouraged, there is not much of a public policy case for encouraging it. Market demands for new commercial space will be satisfied with or without government subsidy.

Safety Net

To the extent that growth in other revenue streams doesn't occur fast enough to close the funding gap completely, we have the Property Tax Relief Credit LOIT (Local Option Income Tax) available as a tool to the same COIT councils. Allen County has already enacted a PTR (property tax relief) LOIT, so all that would be required would be an increase in the LOIT to offset any short fall.

The PTR is the only tool available to replace property tax revenue to school corporations and libraries without having those units request a referendum.

My baseline projections were done excluding the inclusion of this tax although we have made estimates that would assume dramatically reduced economic growth rates or dramatically accelerated equipment replacement rates. For instance, if the BPPT is phased out in 5 years rather than 10 years, then a slight increase in the PTR LOIT may be required. This may impact households to the tune of \$20 to \$100 a year, depending on a number of factors, including

annual income, whether their residence is at the property tax caps and to what rate the LOIT is set.

Conclusion

Phasing out business personal property tax by exempting new property will immediately make any Indiana county a more desirable business location, will encourage productive capital formation and remove much of the “unevenness” there is in the current process. We can accomplish great things simply by getting out of the way. ♦

Notes and Resources

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A "Better Baby" Competition: Photo available through Indiana University and the Herron School of Art & Design.

Eugenics: When It's Bad to Be First:

Is eugenics today appropriate with respect to disease, but not traits? Certain diseases? Certain traits?

by ERIC SCHANSBERG, Ph.D.

The author, an adjunct scholar of the foundation, is a professor of economics at Indiana University Southeast. In 2006 and 2008, Schansberg ran as a Libertarian in the 9th Congressional District.



As we finish celebrating Indiana's bicentennial, here's something from our history that we can't celebrate: In 1907, Indiana became the first state in America to pass a eugenics law.

Eugenics is the study of the hereditary improvement of the human race by controlled, selective breeding. The word derives from its Latin components — eu meaning "well" or "good" and genics meaning "born" or "birth." Eugenics,

then, seeks the products of "good birth" or being "well born" (better human beings or a better human race) through selective breeding. From there, two categories emerge: Positive eugenics is the study of "good" outcomes achieved through breeding; negative eugenics is the study of "bad" outcomes, when undesirable characteristics are lessened or eliminated through selective breeding. Beyond mere study, eugenics typically leads to a set of recommended practices.

Beyond mere science, eugenics has always been connected to various world views and related to other theories. And beyond what we knew about science a century ago, we now have a greater understanding of the extent to which genetics affect such outcomes. In sum, eugenics is a pseudo-science loaded with philosophical and ethical baggage.

The History

Sir Francis Galton was responsible for first describing eugenics (in 1865) and then coining the term (in 1883). Galton, a cousin of Charles Darwin, suggested the study of eugenics to pursue a better human race by applying the basic principles of agricultural breeding to humans.

In time, eugenics became synonymous with "self-directed human evolution" through the conscious choice of who should (and should not) have children. In particular, eugenicists have often been concerned about "inferior" people (e.g., the poor, those with darker skin) having more children than "superior" people (e.g., middle-upper income classes, those with lighter skin).

Galton built upon Darwin's ideas by asserting that the mechanisms of natural selection had been thwarted by human civilization. For example,

charity and welfare allowed the poor to reproduce more often.

So, should one help the poor or was that only "making things worse"? In Galton's view, since many human societies tried to protect the weak, they were acting to limit the natural selection that would result in the extinction of the weakest individuals — and thus the strengthening of the human race.

Galton and other eugenicists recommended policy changes in order to improve society, to save it from mediocrity, reversion or even catastrophe. As such, eugenics differed from its cousin, "Social Darwinism." While both emphasized hereditary influences on intelligence, Social Darwinists argued that society itself would naturally deal with the problem. (It should be noted that the proponents of these views never embraced this label.) Interestingly, the laissez-faire attitudes of Social Darwinists extended from political economy to natural selection while the statist presumptions of eugenicists inclined them to pursue more aggressive methods.

Galton's ideas picked up steam as scientists and physicians lent their credibility and support to his notions. One particularly amazing example: In a medical journal in 1902, Dr. Harry Sharp described the illegal vasectomies he gave inmates in a Jeffersonville, Indiana, reformatory. He argued that it was good for the inmates as well as achieving a greater social good. (Sharp sterilized as many as 456 men over an eight-year period.) Sharp's efforts were well-received and increasingly supported by doctors, agricultural breeders, sociologists and public health officials.

One of the nation's most prominent eugenicists was David Starr Jordan, a past president of Indiana University. Given the intellectual coherence of eugenics with the ideas of that time, plus powerful proponents like Jordan and the extensive lobbying of Sharp, the Indiana Legislature passed its eugenics law on March 9, 1907. It promised to prevent the "procreation of confirmed criminals, idiots, imbeciles and rapists." The law was repealed in 1921 but

reinstated in 1928 — after the U.S. Supreme Court upheld the constitutionality of Virginia's similar law in 1927 (*Buck v. Bell*).

In that case, Carrie Buck was a 17-year old girl who was forcibly sterilized at the Virginia Colony for Epileptics and Feeble-Minded in Lynchburg because she had been pregnant and her mother had been mentally ill. Oliver Wendell Holmes wrote the decision and penned this now-stunning quote:

"It is better for all the world, if instead of waiting to execute degenerate offspring for crime, or to let them starve for their imbecility, society can prevent those who are manifestly unfit from continuing their kind . . . Three generations of imbeciles are enough."

Eventually, 30 states adopted sterilization laws by the early 1930s. The number of involuntary sterilizations peaked in the 1930s and slowed to a trickle by the 1960s, the last being performed in 1981. In all, more than 60,000 people were involuntarily sterilized in the United States (more than half in California).

Such laws were never overturned by the Supreme Court. But forced sterilization became obsolete scientifically, ethically, and sometimes legally. For example, the impact of Indiana's laws ended in 1974, when the legislation permitting compulsory sterilization was repealed by the Indiana General Assembly.

Beyond the United States, forced sterilization was practiced in many developed countries during the 20th century—e.g., 60,000 victims in Sweden between 1935 and 1976. But the most staggering legacy of such legislation is that it served as a model for the law adopted by the Nazi government in 1933. In part of its plan to establish a master race, in the memorable words of Ken Myers, Nazi eugenics promoted "the best, the brightest, and usually, the blondest."

Looking back, the contemporary excitement about research in genetics is understandable if deplorable. The general bent in the late 19th century toward utopianism and the deification of human progress — in all of its glories and

manifestations — is well documented. Placing a higher value on the community than the individual is a familiar debate, and one that often played out in favor of the "greater social good" through socialism and communism in the 20th century. (In these matters, who should decide who is "unfit" to live — parents, society, or the government?)

Ironically, eugenics found many avid supporters among proponents of Progressivism and among many liberal Protestants with their Social Gospel. (This is sadly, stunningly, and thoroughly documented by Christine Rosen in her 2004 work, "Preaching Eugenics.") And although there were voices crying out in the wilderness (e.g., G.K. Chesterton in "Eugenics and Other Evils," 1922), their cries were mere whistles into an unsympathetic wind.

Eugenics Today

Of course, now we repel in horror at the thoughts expressed by Justice Holmes and the sterilization laws passed by so many state legislatures. Even so, this eugenic reflex still thrives.

In its heyday, an embrace of forced sterilization was often connected to racism and extreme views on poverty or immigration. Today, strong restrictions on immigration are popular on the Right—at least after a decade of economic stagnation. In polite company on the Left, eugenic sentiments are often embraced, given the misplaced concerns about population (a la Thomas Malthus) and certain environmental issues (a la doomsayer Paul Ehrlich). From there, the prescriptions range from the personal (the desire to control one's own life by avoiding or promoting certain outcomes) to the corporate (the desire to use government policy to regulate the lives of others).

How does eugenics play out today? Let's start with abortion:

As a matter of state policy, China's "one-child policy" has led to infanticide, an estimated 20 million abortions per year and a 6:5 boy-girl ratio.

As a matter of personal, religious, and cultural preferences, gender-biased abortion is practiced in India, resulting in eight percent more boys than girls. (The ratio varies within Indian states. The most egregious is a 5:4 boy-girl ratio in Punjab). The Indian government is trying to reverse these trends, in part by subsidizing the birth of girls in a culture that often devalues women.

Abortion also is practiced on babies in utero when they have less desirable characteristics. For example, an estimated 30 percent of babies with Down Syndrome are aborted in the United States. In cultures as diverse as Taiwan and Paris, that figure is as high as 80 percent.

Beyond abortion, "medical eugenics" in utero and in laboratory test tubes are increasingly prevalent — that is, the manipulation of embryos to produce more desirable, "designer" babies.

Dr. Albert Mohler caused an uproar with some provocative questions. For example, if a predisposition toward homosexuality is eventually determined to have a genetic component, should parents seek to have that gene altered? Given that he views homosexual conduct as a sin, Dr. Mohler's conclusion was not surprising: "If a biological basis is found, and if a prenatal test is then developed, and if a successful treatment to reverse the sexual orientation to heterosexual is ever developed, we would support its use as we should unapologetically support the use of any appropriate means to avoid sexual temptation and the inevitable effects of sin."

In his essay, it was left unsaid how Mohler would handle a biological disposition toward alcoholism, pornography, or anger. Presumably, the same conclusion applies. Obviously, such questions open more than one can of worms: Is eugenics appropriate with respect to disease, but not traits? Certain diseases? Certain traits? (A related question is the debate in the deaf community whether the children of the deaf should be treated for deafness.)

Mohler would advocate genetic manipulation under those conditions (e.g., perhaps through a hormone patch during pregnancy), but he would

not advocate abortion. For those who are not so opposed to abortion, Mohler continues by asking how often parents would, in practice, seek to have such a gene altered. "How many parents — even among those who consider themselves most liberal — would choose a gay child? How many parents, armed with this diagnosis, would use the patch and change the orientation?"

A biological cause for homosexual orientation would allow for additional normalization of homosexuality because it would be seen as more "natural." But ironically, any biological link, when combined with modern technology and a eugenic reflex, could inspire efforts to eliminate the trait or change a baby's undesired sexual orientation through treatment.

More broadly, the implications of a eugenics reflex influence an array of issues within sexual and reproductive ethics (e.g., birth control), ethics within scientific research (e.g., cloning and some forms of stem-cell research), and most broadly, in speaking to a "culture" of death or life (e.g., the allure of various forms of euthanasia).

In each case, the same tension is at work. That is, when is modern technology a useful way to improve life in an ethical manner? And when is it overly influenced by a eugenics reflex — with its desire to manipulate life in a god-like manner through an overarching faith in the power of science? ◆

Disparity and INDOT

Doubts are raised that the Indiana Department of Transportation can justify sex and race preferences in its contracting — or can identify any discrimination whatsoever.

by JOHN SULLIVAN, J.D.

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(Sept. 10) — The Indiana Department of Transportation (INDOT) has released its 2015-2016 disparity study intended to serve as the justification for and the statistical source of INDOT's Disadvantaged Business Enterprise (DBE) goals and its Minority and Women owned Business Enterprise (MEBE) goals.

Conducted by BBC Research & Consulting of Denver, the study covers contracts awarded by the agency between July 1, 2009, and June 30, 2013. The firm reviewed contracts in construction; professional services, goods and support services. This article focuses on construction, which represents 87 percent of all contracting dollars awarded by INDOT during the period covered by the study.¹

Does the INDOT disparity study supply the needed support for the agency's contracting preferences? Contracting preferences based on race, gender and ethnicity, like those INDOT imposes on its contracts, are constitutional only if the evidence supporting those preferences meets the standards of *City of Richmond vs. Croson*.² In *Croson*, the Supreme Court decided that a local government or agency could not implement race conscious programs to benefit minority groups

unless the government had a "strong basis in evidence for its conclusion that remedial action was necessary."³

If no such strong basis in evidence of discrimination has been shown in the INDOT marketplace, then the agency's DBE and MWBE programs serve no remedial purpose and so are not constitutionally permissible. The INDOT disparity study is the agency's attempt to establish a strong basis in evidence of discrimination.

A disparity study is, at its core, an analysis of whether minority- and women-owned firms have received a smaller percentage of government contracting dollars than expected in light of their availability in the marketplace. These statistical disparities are expressed in terms of disparity ratios comparing a group's availability with its utilization. Disparity ratios must also control for nondiscriminatory variables which could affect the outcome.

A properly conducted disparity study availability analysis identifies those firms in the marketplace that are "qualified, willing and able" to perform the government's contracts. As *Croson* said:

"Where there is a significant statistical disparity between the number of qualified, minority contractors willing and able to perform a particular service and the number of such contractors actually engaged by the locality or the locality's contractors, an inference of discriminatory exclusion could arise."⁴

Availability

The INDOT disparity study properly recognizes the importance of availability computations: "The purpose of the availability analysis was to provide precise and representative estimates of the percentage of INDOT contracting dollars for which minority- and woman-owned businesses are available."⁵ The BBC study for INDOT is massive, nearly 600 pages. In all these pages has the BBC study succeeded in providing availability MWBE percentages that are "precise"? For all INDOT contracts during the 2009-2013

time frame, the BBC study found overall MWBE availability of 11.5 percent. Of that, 8.2 percent of the firms were owned by white women.⁶ When INDOT construction is looked at separately, overall ability is 11.0 percent, of which 8.6 percent were white woman-owned.⁷

The way BBC reached those percentages is complex. The availability methodology starts with potential availability. The initial steps toward computing potentially available firms are not controversial: determine the proper market area (Indiana) and the sub-industries in which INDOT contracts.⁸

The next step, however, is problematic: “The study team then developed a database of potentially available businesses through surveys with businesses” in Indiana in the relevant sub industries. The database of potentially available firms was developed through a survey asking questions intended to determine qualifications for and willingness to do public contracting, as well as capacity of a firm to perform large contracts.⁹

The survey results were then used as part of the study’s “contract-by-contract matching approach to calculate availability.” This matching process looked at factors of the prime or subcontract awarded by INDOT (type of work, location, contract size, etc.) and “BBC then identified businesses in the availability database” of potentially available firms that could perform that contract.¹⁰

Certainly the telephone survey is central to the BBC study’s approach to availability. There are many problems with this. For starters, most persons the survey attempted to contact could not even be contacted. And of those contacted, only 2,200 (out of 27,384 the study attempted to contact) actually completed the interview about their firm’s characteristics.¹¹

Even overlooking the low response rate, there are crippling problems with the use of a survey in this way. Survey recipients were asked: “Is your company qualified and interested in working with state or local agencies in Indiana as a subcontractor, trucker/hauler or supplier?”¹² The

problem with basing potential availability on answers given to this question in a telephone survey is that whoever answered the survey was free to interpret the term “qualified” however that person desired.

Qualifications are of course a matter of great significance in public contracting. Otherwise, awarding contracts solely on the basis of low bid might result in shoddy work or cost overruns. INDOT and the people of Indiana do not want the work on a bridge, highway or tunnel done by an unqualified construction company. But a firm calling itself qualified does not make that firm qualified. The INDOT study assumes that it does.

There’s a similar problem with the survey asking about a firm’s willingness to contract with INDOT.¹³ What could it hurt a firm to reply, “Sure we’re interested in working” on an INDOT project? No effort to actually compete for an INDOT construction contract was a prerequisite for being deemed willing to compete for INDOT contracts. Claiming willingness was enough.

Most of the answers to the surveys came from telephone interviews in which information was supplied by individuals as varied as CEOs, receptionists, sales managers and presidents. Would a receptionist necessarily know accurate answers to questions like, “What was the largest contract or subcontract that your company bid on or submitted quotes for during the past five years?”¹⁴

Certainly there could have been verification on this question of bidding or supplying quotes. Whether a firm actually bid on a contract is a matter of public record.

A firm taking the time and money to bid on a contract can be viewed as qualified, willing and able to perform the contract. A construction contractor has the opportunity to bid on hundreds of jobs each year, many more than he has the time to estimate or the capacity to perform. And, since bidding a job necessarily entails considerable expense in both time and money, it is imperative that jobs be selected that offer at least a fair chance of earning a profit. Consequently, bidding

firms are truly available firms. But there is no indication that the BBC study made any attempt to examine contract bidders.¹⁵

Another legitimate concern unaddressed by the study is that whoever answered the phone might not necessarily want to reply with accurate information to a question like, “Roughly, what was the average gross revenue of your company, just considering your location, over the last three years?”¹⁶ Answers were accepted as accurate. There was no external verification of the survey answers given.

The BBC study concluded “that the availability of potential DBEs for INDOT’s FHWA-funded transportation contracts is 10.8 percent.”¹⁷ This figure is almost exactly the percentage INDOT is proposing as its DBE goal for federal fiscal years 2017-2019. The proposed goal is 10.9 percent.

Utilization

The BBC study looked at a total of 17,079 construction contracts awarded by INDOT during the four-year time frame. These construction contracts had an aggregate value of \$5,543,480,000. Of these contracts, 13,927 were federally funded at least in part; the remaining 3,152 contracts were entirely state-funded. The federally funded contracts were much larger, accounting for \$4.7 billion compared with \$782 million in wholly state-funded construction contracts. These figures represent prime and subcontracts combined.¹⁸

Many disparity studies have trouble obtaining complete subcontracting data and the INDOT study is no exception. While prime contractor data was complete, the study admits that it was necessary “to gather more comprehensive subcontract data.” To do so, “the study team conducted surveys with prime contractors to collect information on the subcontracts” with INDOT.¹⁹ The study acknowledges that one-third of the dollars on these contracts was not captured, so a good amount of INDOT subcontracting dollars are not covered in the study. This is a critical problem since both MWBEs and DBEs do

a large amount of their work on subcontracts. As a result of this problem, it may well be true that MWBE and DBE utilization has been understated, creating a disparity where perhaps one does not exist or exists to a smaller degree.

The study includes the information that a small number of DBEs/MWBEs received a disproportionate share of INDOT’s construction dollars. For instance, a single Native American water, sewer and utility-line contractor received \$74 million of the \$87 million awarded to Native American firms in the time frame.²⁰

If the intent of the MWBE and DBE preferences is to expand the number of minority and woman-owned firms participating in INDOT contracting, the agency is not succeeding.

Disparity Analysis

Every disparity study of course has disparity ratios. A disparity ratio shows the relationship between the utilization of DBE/M/WBE firms and their availability in the marketplace.

As the BBC study explains, a disparity ratio (which the study terms a “disparity index”) “provides a way of assessing how closely the actual participation” of MWBEs “matches the percentage of contract dollars that those businesses might be expected to receive based on their availability . . .”²¹

The disparity ratio results do not justify inclusion of all groups in INDOT’s preferences. This is true even when the study’s reliance on an unreliable survey is ignored.

The BBC study correctly concludes that, “Utilization and disparity analysis results, along with other pertinent information, are relevant to INDOT’s determination of which groups could be eligible for any race- or gender-conscious measures.”²² But the disparity study results do not justify the inclusion of all DBE groups, even when the flaws of the study’s survey are overlooked. To understand why, it is necessary to be aware of *Croson* and lower-court decisions that have established the requirement there be sufficient justification for every group benefitting from

preferences in public contracting.

In *Croson* one of the rationales on which the Supreme Court relied to invalidate Richmond's public-contracting preferences was the program's overly expansive definition of minority group members, which encompassed citizens "of the United States who are Blacks, Spanish-speaking, Orientals, Indians, Eskimos and Aleuts."²³ The Court criticized the inclusion of racial groups which, as a practical matter, may never have suffered from discrimination in the local construction marketplace. Evidence of local discrimination against each group was needed for that group's inclusion in the MBE program at issue in *Croson*.

Numerous circuit courts have held that in order for a preferential program to be narrowly tailored there must be a showing of discrimination as to each group included in the preferential program. *Western States Paving Company vs. Washington State Department of Transportation*,²⁴ is typical. In that case the Ninth Circuit required that each of the groups benefitting from a preferential program must have suffered discrimination within the state. Otherwise, the program "provides minorities who have not encountered discriminatory barriers with an unconstitutional advantage." The Circuit explained that, "a remedial program is only narrowly tailored if its application is limited to those minority groups that have actually suffered discrimination."

Accordingly, each of the minority groups benefitted by INDOT's MWBE and DBE program must be shown to have experienced discrimination within the Indiana construction marketplace. The disparity ratios in the BBC study not only fail to establish the presence of discrimination against all the DBE/MWBE groups benefitting from the agency's program, the study does not even show statistically significant underutilization for those groups. Without statistically significant underutilization for a DBE/MWBE group, that group should not be the beneficiary of a preference.

The disparity ratio results for all INDOT contracts show that two groups are actually overutilized – that is, the group receives more than its expected share of contracting dollars. These groups are Asian Pacific-owned firms, which received three and a half times their expected share and Native American-owned firms, which got six and a half times their expected share. According to the group-specific requirement of *Croson* and lower courts applying *Croson*, preferences for these groups would not be justified.

On INDOT construction contracts during the time frame, MWBEs as a whole were overutilized. When groups are considered separately on construction contracts, Blacks, Asian Pacific Americans and Native Americans were overutilized, and not by a little. Asian Pacific-owned construction firms received six times their expected utilization and Native American-owned construction companies got eight times their expected utilization. Subcontinent Asian Americans and Hispanic Americans were underutilized. White women were underutilized, but not enough to meet the *Croson* standard of statistically significant underutilization.²⁵ Under the group-specific requirement, construction firms owned by Blacks, Asian Pacific Americans, Native Americans and white women would not be eligible for preferences. Only Subcontinent Asian- and Hispanic-owned construction companies would be.

What theory of discrimination in public construction contracting could possibly explain these patchwork results?

Where Is the Claimed Discrimination Occurring?

Prime construction bids are opened in public. INDOT construction contracts are awarded to the lowest responsible bidder, as the BBC study makes clear: "The Construction Division (of INDOT) awards all contracts on a low-bid basis, and there are no dollar thresholds above or below which procurement policies change."²⁶ There is no

subjectivity in the award of agency construction contracts. Without subjectivity, how can discrimination take place in the award of INDOT prime contracts?

Nor has this disparity study shown discrimination against MWBE and DBE subcontractors. To the contrary, the study reveals that as subs MWBEs as a whole are not underutilized but greatly over utilized. When groups are considered separately, white women, Blacks, Asian Pacific Americans and Native Americans are overutilized on construction subcontracts. Certainly prime contractors are not discriminating against MWBEs and DBEs if these groups receive far more than their anticipated subcontracting share. Only Subcontinent Asians and Hispanics are underutilized as subs.²⁷ No theory of discrimination could explain these results.

When all federally funded construction prime and subcontracts are considered together, it is white male-owned construction businesses that are underutilized.²⁸ With no discrimination

alleged on the prime contracting level and DBE subcontractors overutilized and white males underutilized, the question remains: Where is the discrimination, if any, taking place? The study offers no persuasive answer.

Contracts Without DBE Goals

The BBC study admits that, “Disparity analysis results indicated that most racial/ethnic and gender groups did not show disparities on contracts to which INDOT applied DBE or MWBE contact goals during the study period.” The study, however, went on to say, “In contrast, most racial/ethnic and gender groups showed substantial disparities on contracts to which INDOT did not apply DBE or MWBE goals.”²⁹ That statement is not nearly true for Hispanics, which received almost one-and-a-half times their expected share of contracting dollars.³⁰

With no discrimination shown on the disparity ratios for most DBE groups in construction, and without the disparity ratios showing where in the INDOT public construction contracting process discrimination is happening, it is here on contracts without DBE goals that INDOT justifies its proposed DBE goals for all six groups: Black American-owned businesses; Asian Pacific American-owned businesses; Native American-owned businesses; Subcontinent Asian American-owned businesses; and white woman-owned businesses.³¹

Figure 5 of the agency’s proposed DBE goal setting report provides disparity ratios for INDOT contracts for which no goals were applied.³² On these disparity ratios each MWBE/DBE group shows significant disparity, except for Hispanics. The goal-setting report claimed Hispanics deserved to be included in INDOT’s program since, “Hispanic American-owned businesses showed substantial disparities for several other key contract sets including all INDOT contracts considered together (disparity index of 54) and on INDOT’s FHWA-funded contracts (disparity index of 73).” It is unsurprising that typically DBEs receive a larger percentage of

Group-Specific Step One Availability

<i>Group</i>	<i>Step One Availability Percentage for Construction</i>
Black American-Owned	1.3
Asian Pacific American-Owned	0.1
Subcontinent Asian American-Owned	0.1
Hispanic American-Owned	0.6
Native American-Owned	0.2
White Woman-Owned	8.5
Total Potential DBEs	10.8

Source: Figure I, page 5, Proposed DBE Goal-Setting report.

subcontracting dollars on contracts with goals than on those contracts without goals. If a prime does not meet the MWBE or DBE goal, that prime risks losing the project — unless good faith efforts can be shown. The motivation to meet the goal and avoid the risk of a low-bidding prime losing the work is obvious. This pattern does not establish discrimination. What it does is illustrate the power of imposing goals on public contracts.

The study then recommends the expansion of goals set on contracts without asking why the disparity between goaled and non-goaled contracts currently exists.

Annual DBE Goal-Setting For DBES and MWBES

Having found justification for DBE goals for all groups, the study turns to determining the actual annual goals for MWBEs and DBEs.

The BBC study explains that each year a state MBW/WBE Commission “establishes overall annual goals” for MWBEs. A goal for construction is set separately from goals set for professional services or goods and support services. Goals apply on both the prime and subcontracting level. The study insists the MWBE goals are aspirational, though construction contractors might say differently. The study also points out that, “There are no provisions in the MBE/WBE program that give explicit preferences to MWBEs over majority-owned businesses.”

However, the study also details how prime contractors must either meet the MWBE goal or be granted a good-faith waiver.³³ The impact of the MWBE goal on whether a low-bidding prime gets the contract is apparent.

The study reaches an availability percentage for MWBEs of 11.5 percent.³⁴ This figure is not specific to construction but is for INDOT contracts in professional services, goods and support services as well as construction. Here are the group-specific Step One availability percentages for federally funded construction (based on total DBE availability of 10.8 percent):

Anecdotes: Qualitative Information About Marketplace Conditions

Anecdotal allegations of discrimination are part of almost every disparity study, as they are part of the BBC INDOT study. No race-conscious program has ever been upheld solely on the basis of anecdotes. A typical court decision on anecdotes is *Coral Construction vs. King County*. In that case, the Ninth Circuit explained the limited effectiveness of anecdotes:

“While anecdotal evidence may suffice to prove individual claims of discrimination, rarely, if ever, can such evidence show a pattern of discrimination necessary for the adoption of an affirmative action plan ... the MBE program cannot stand without a proper statistical foundation.”³⁵

The anecdotes in the BBC disparity study would certainly not be sufficient to justify the INDOT MWBE or DBE program.

The anecdotes — what the BBC termed “Qualitative information about marketplace conditions” — were obtained through input from “more than 600 business and trade representatives.” This input came in four forms: in-depth interviews; availability surveys; public forums; and written testimony. “The study team conducted in-depth interviews with 71 businesses and four trade associations.” These interviews touched on a number of topics, including “experiences working or attempting to work with Indiana state entities.” Interview participants were selected by a random sample of businesses stratified by business type, location and race/ethnicity/gender of the owner. Some of those interviewed worked as primes, some worked as subs and some worked as both.

A total of 555 businesses provided comments to the availability surveys, which asked firm owners and managers whether their companies have experienced barriers starting or expanding businesses. There were three public forums held around the state in January 2015 in Gary, Indianapolis and Evansville. Written testimony

was received through e-mail.³⁶ A number of conclusions can be drawn from the many anecdotal responses paraphrased or quoted in the lengthy Appendix E.

Reading the many pages of Appendix E, it becomes apparent that many problems are by no means limited to MWBEs and DBEs. For example, a “non-Hispanic white male owner of a construction firm reported the lack of a consumer base is the biggest problem faced for new companies.”³⁷

Many of those whose responses appear in the chapter view slow payment as a problem. As “The non-Hispanic white female owner of a WBE-certified goods and services firm indicated . . . slow payment causes a problem for all small businesses.” Learning about subcontracting opportunities was also a problem for many.³⁸ The solution to that is better communication to all potential subcontractors, regardless of the race, ethnicity, or gender of the company owner.

It is instructive to see comments in Appendix E comparing the experiences of businesses in the public sector with the private sector. For example: “Public work is all low-bid. So, we are forced to (use) the lowest subcontractors, which sometimes affects scheduling and quality of work. Private sector work is based on quality as well as price. We can choose our subcontractors” and consequently produce better work.”³⁹

There are a few claims of discrimination in the anecdotal section of the disparity study. “A Native American male owner of a non-certified construction firm stated that while he cannot prove any allegations of discriminatory treatment, he feels it exists.” And, “A Hispanic American female owner of an MBE- and WBE-certified professional services firm expressed that she believes there are additional barriers to being a woman- and minority-owned business.”⁴⁰

It is vital to note that no attempt at verifying these claims of discrimination has been made. There are two reasons why anecdotes should be investigated for accuracy:

- 1) It seems a matter of basic fairness that any preferential program which disadvantages some people according to their race, ethnicity and gender while advantaging others — as the INDOT DBE and MWBE programs do — should only be permitted where discrimination has been shown to be real, and not simply perceived. Unless they are investigated, these anecdotal accounts remain mere perceptions of discrimination.
- 2) Unless the claims of discrimination can be verified, the right remedy to that discrimination cannot be fashioned. To find and implement the most effective remedy, perception must be distinguished from reality. For example: What if an MBE interviewee claimed he was denied payment by a prime due to discrimination — when investigation of the claim would have revealed that the real explanation was incomplete and sloppy work as a sub? This individual’s claim could have been verified or disproven. If discrimination did indeed occur, those responsible could be debarred from INDOT contracting. That would solve the problem; but a sanction such as debarment would not be justified unless the problem actually happened, and was not merely perceived.

Conclusion

The 2015-2016 disparity study done by BBC for the Indiana Department of Transportation is the basis for MWBE and DBE goals the agency imposes on construction contracts. Is the study sufficiently persuasive to justify the proposed DBE goals? It seems unlikely:

- At the heart of any disparity study is its approach to availability, and at the heart of the BBC study’s approach to availability is a telephone survey. The survey may well have been answered by people unwilling to give accurate answers. Or the survey respondent may have said that sure, their firm was qualified and willing to contract with INDOT, when in reality that was not true. We will never know,

since there was little verification of the answers given.

- Subcontractor utilization data was incomplete. Since it is on the subcontracting level that MWBEs and DBEs do so much of their work this could be a crippling flaw.
- *Croson* and subsequent court decisions require that there be a showing of significant underutilization for each DBE group and that has not been shown in the BBC study.
- The disparity ratios in the study do not indicate where discrimination is occurring. The study fails to show discrimination on either the prime contracting or subcontracting level.
- The study's lengthy anecdotal section reveals that many of the problems cited are not examples of discriminatory behavior but problems faced by all small businesses. None of the anecdotal claims were investigated for accuracy, as they should have been.

What part of the study, then, is support for the proposed DBE goals? The goals are supposedly supported by "the substantial disparities on contracts to which INDOT did not apply DBE or MWBE goals."⁴¹ The problem with that reasoning is that it assumes these disparities are caused by discrimination.

In fact, the coercive nature of DBE goals — either meet the goals or show good faith effort or lose the contract — is the likely explanation for these disparities. ♦

Endnotes

1. Proposed INDOT DBE goal setting report, p. 4.
2. *Croson*, 488 US 469 (1989).
3. *Croson*, 488 US at 500.
4. *Croson*, 488 US at 509.
5. INDOT study, Appendix C, p. 14.

6. INDOT study, Figure F-2.
7. INDOT study, Figure F-3.
8. INDOT study, Chapter 5, p. 1.
9. INDOT study, Chapter 5, pp. 1-3.
10. INDOT, chapter 5, p. 4.
11. INDOT study, Appendix C, pp. 11-12.
12. INDOT study, question B10, Appendix C, p. 23
13. INDOT study, question B10. Appendix C, p. 23.
14. INDOT study, Appendix C, pp. 29, 33.
15. INDOT study, Appendix C, p. 17.
16. INDOT study, Appendix C, p. 32.
17. "Information Regarding the Disadvantaged Business Enterprise Goal for Federal Fiscal Years 2017 through 2019," p. 4.
18. INDOT study, Chapter 4, Figure 6-1; p. 6.
19. INDOT study, Chapter 4, p. 5.
20. INDOT study, Chapter 6, pp. 3-4.
21. INDOT study, Chapter 7, Figure 7-1; p. 1.
22. INDOT study, Executive Summary, p. 3.
23. *Croson*, 488 US at 478.
24. 407 F.3d 983, 999 (2005).
25. INDOT study, Chapter 8, Figure 8-2; p. 3.
26. INDOT study, Chapter 4, p. 1.
27. INDOT study, Chapter 8, Figure 8-3; pp. 2-3.
28. INDOT study, Appendix F, Figure F-20.
29. INDOT study, Executive Summary, p. 8.
30. INDOT study, Chapter 7, p. 7; Figure F-16;
31. INDOT proposed DBE goal setting report, p.10.
32. INDOT proposed DBE goal setting report, p. 9.
33. INDOT study, Chapter 1, pp. 2-3.
34. INDOT study, Chapter 5, p. 7.
35. 941 F.2d 910, 919 (1991).
36. INDOT study, Appendix E, pp. 1-3.
37. INDOT study, Appendix E, p. 6.
38. INDOT study, Appendix E, pp. 53; 78.
39. INDOT study, Appendix E, p. 28.
40. INDOT study, Appendix E, pp. 10; 128.
41. INDOT study, p. 8.

Book Review

“The Scandal of Money: Why Wall Street Recovers but the Economy Never Does” by George Gilder (Regnery Publishing)

by MARYANN O. KEATING, Ph.D.

Maryann O. Keating, Ph.D., a resident of South Bend and an adjunct scholar of the foundation, is co-author of “Microeconomics for Public Managers,” Wiley/Blackwell.



(Oct. 5) — If negative interest rates do not make any sense to you, this book will be of interest. George Gilder, techno-utopian advocate, reminds us of times when money and interest rates stood for something other than tools to be manipulated by officials of the Federal Reserve System (the FED) in a futile attempt to control the economy. Gilder’s 1981 international bestseller “Wealth and Poverty” advanced the case for supply-side economics and capitalism, and “The Scandal of Money” could play a similar role in getting U.S. monetary policy back on track.

Gilder criticizes economists and policy makers on the left and right for what he believes is an incorrect view of the economy that fails to address the demoralization of Main Street, the debauching of Wall Street, and the doldrums of innovation in Silicon Valley (xvii). Gilder presents his conception of the time value of money in terms of information theory. He shows how money creation, interest rate targeting, and exchange rate manipulation by monopolist central banks have created a “hypertrophy” of finance destroying an essential learning curve that creates new wealth. This dysfunctional financial environment cancels out

entrepreneurial job creation and threatens the economic well-being of middle-class families. Gilder proposes a restoration of “real” money either through some linkage with gold or a privately created medium of exchange, such as Bitcoin.

“The Scandal of Money” does not share in the negativity of “fashion-plate pundits” such as Thomas Piketty reconciled to a secular stagnation theory of permanent growth slowdown (91). The ignored elephant in the room is the eclipse of money as a measuring stick, a scale of value, and a signal of opportunity (9). This channel for productive innovation gave way, according to Gilder, on a single, identifiable day, Aug. 15, 1971, when President Richard Nixon permanently detached the U.S. dollar from gold.

Economists, including Paul Samuelson and Milton Friedman, urged Nixon to leave Bretton Woods’ residual gold standard. In 1988, Gilder actually traveled with Milton Friedman through China and witnessed Friedman’s chief advice to Chinese government leaders, “to get control of their money supply” (30). In this book, Gilder argues that Friedman incorrectly assumed that velocity (or the turnover rate of money) was reasonably stable and unaffected by changes in the money supply (34). “The Scandal of Money”

does not address the possibility that, given professional and political will, government officials can reasonably control the money supply in spite of changes in velocity (35).

Although he documents Friedman’s concern with what monetarism has begotten, Gilder somewhat misrepresents Friedman’s view of monetary economics (32). It is incorrect to say that Friedman’s

“(Gilder) reasons that what matters for the economy are freedom, property rights, tax rates and the rule of law, which enable the growth of knowledge and wealth. The money supply itself is far less important.”

monetarist theory justifies the role of the Fed in promoting full employment or to suggest that in a fully free-market economy the central bank maintain top-down control (33). On the contrary, Friedman favored a monetary rule and adamantly opposed discretionary policy. He wrote, “An announced, and adhered to, policy of steady monetary growth would provide the business community with a firm basis for confidence in monetary stability that no discretionary policy could provide even if it happened to produce roughly steady monetary growth (“The Case for a Monetary Rule,” *Newsweek*, Feb. 7, 1972).

Friedman also expressed mixed feelings on the independence of the Fed versus political accountability. Unfortunately, it was only towards the end of Friedman’s career that Public Choice economists warned against the naïve assumption that officials and professionals could be convinced through reason to act in the public interest.

Gilder, in developing his thesis, describes how following the dollar’s release from its gold link, interest rates began to move up and down, in unprecedented ways. This severely damaged the critical role of interest rates in reflecting time preferences; therefore, chaotic international currency markets reflected interest rate instability. The financial sector, relishing this volatility, thrived and profits derived from “flash boy” trading triumphed over work and thrift. Income inequality broadened, as the top 10 percent of earners increased their share from 33 percent of all income in 1971 to 45 percent in 2010 (11). Central banks and government Treasuries gained by issuing new money, and the general public sought shelter for their savings and efforts in real estate appreciation as they experienced a

sharp rise in the cost of food, fuel, medical care, housing, and education (12). Despite attempts by Fed Chairman Paul Volcker to maintain an informal gold price target, there was no permanent repair to the world’s exchange rate system or a restoration of a monetary restraint on government overreach (13).

Gilder presents the financial world in a helpful two dimensional diagram. International exchange rates on the horizontal axis maps out the geographical span of enterprise and time on the vertical axis is represented by interest rates that

mediate between past and future. Regrettably, government bodies assisted by increasingly nationalized banking systems manipulated both currencies and interest rates. In the process, they destroyed the information needed to effectively allocate credit in a way that creates new assets to repay public and private debt.

Gilder sees “The Scandal of Money” as part of his quest to identify how monetary

factors determine business and technological realities. He reasons that what matters for the economy are freedom, property rights, tax rates, and the rule of law, which enable the growth of knowledge and wealth. The money supply itself is far less important. However, by controlling money supplies, central banks and their political sponsors determine who gets money and thus who commands political and economic power (31).

According to Gilder, global profits have migrated to incestuous exchanges of liquidity by financial institutions transfixed by the oceanic movements of currency values. Government policy has trivialized banks, transforming them from a spearhead of investment to an obsequious role of borrowing money from the Fed at near-zero rates and lending to the Treasury at rates

“China has rejected the twists and tricks concocted by Western economists by opting out of a floating-currency regime and effectively tying its currency to the dollar.”

yielding a tidy risk-free profit on which to leverage more through implicit and explicit government guarantees (57).

The chapter entitled “The High Cost of Bad Money” suggests that a drastic abuse of money and banking has been at the root of a forced transfer of wealth from Main Street to Wall Street. Deepening the global economic doldrums, bad money has sharply skewed the distribution of wealth and income, bringing to a halt fifty years of miraculous and broad-based advances in global living standards (56).

Gilder’s concern is the extent to which discretionary monetary policy has skewed not just interest rates and exchange rates, but also prices. This falsification stultifies entrepreneurs, deceives savers, and fosters tyranny (61). The Scandal of Money emphasizes the three fundamental function of money: a means of exchange, a standard of value, and a store of value. As a standard of value, money obviates the need for impossible calculations, such as those needed for barter. Although money is not an accurate gauge of the intrinsic worth of goods and services, it acts as a means of exchange in facilitating exchange, when the value of thing being traded exceeds its value as a collectible (74).

Gilder’s unique contribution in this book is his understanding of money in relation to information theory, developed by Kurt Gödel, John von Neumann, Alan Turing and Claude Shannon. Information is not order but disorder, not predictable regularity but unexpected modulation, the surprising bits. Prices, interest

“A reader does not have to fully agree with Gilder to recognize that the U.S has abandoned the fiscal discipline required to make floating exchange rates work. In addition, the Federal Reserve System's attempt to allocate credit through interest rate targeting has warped investment decisions and inhibited innovation.”

rates, and exchange rates, when they are permitted to function and are not arbitrarily manipulated, hum along revealing occasional unexpected information. Through this process, human creativity and economic innovation yield learning which in turn adds to our stock of knowledge. However, this process of disorder from order depends on regularities, such as monetary stability (64).

Unless a new global monetary order, similar to the one established in 1944 at the Bretton Woods Conference, is revived, it is impossible for Gilder to have a positive vision of the future. In subsequent chapters, including those entitled “Main Street Pushed Aside”, “Wall Street

Sells its Soul”, and “Restoring Real Money”, the author outlines what he terms the “Hypertrophy of Finance” and offers policy solutions for curtailing present currency trading, a playpen for financial predators, exceeding the traffic in goods and services for which money is intended to enable (110). He also argues that a zero-interest-rate policy and governments’ control of rates paid on the national debt represent a futile and economically destructive war against time (142).

According to Gilder, it is essential to link world currencies to gold or another source residing outside the political system (38). A guide for his position is Nobel Laureate for Economics, Robert Mundell, whose early theoretical work established the limitations on monetary and fiscal policy in open and closed economies given fixed or floating exchange rates. Mundell support for Bretton

Woods stability and for the establishment of the Euro is presented in this book as a justification for abandoning floating exchange rates.

China has led the world in growth for 25 years according to Gilder by following Mundell's inspiration. China has rejected the twists and tricks concocted by other Western economists by opting out of a floating-currency regime and effectively tying its currency to the dollar (45). The Chinese realize that in keeping accounts, setting priorities, and evaluating opportunities, money must be a measuring stick rather than a magic wand (21).

A metric cannot be part of what it measures, according to Gilder, and fiat money created by government fails this test. Moving toward a modern gold standard, complemented by bitcoin or other internet digital currency standard would eliminate the profits from creating money by central banks and large traders, called seigniorage (67). Gilder hypothesizes that new breakthroughs in information theory allow for the separation of monetary security from the identification function of the network tracking the currency. Bitcoin and other digital currencies eliminate arbitrary changes imposed on money through complex mathematics and software using a time-stamped public "block-chain" of transactions (63). In other words, monetary security can be heterarchical rather than hierarchical- distributed on millions of provably safe devices beyond the network and unreachable from it (71).

An armchair reader with an interest in finance and technology will enjoy and benefit from this book. However, *The Scandal of Money's* greatest value may be inspiring graduate students seeking fruitful and exciting dissertation topics. Is gold a "barbarous relic" or a useful indicator of expected inflation which is relatively benign or of predictable deflation in which prices sink as a result of real value creation (156)? Should a path

to sound money rely on "Hayek" money pegged to different commodities (82) or "Shelton" bonds, five-year Treasury notes payable in gold (163)? Are decentralized bitcoin block-chain ledgers more secure than the current credit card systems using protected networks and data centers (172)? How serious is Gilder's suggestion that ultimately the taxpayer may be the default financier for large Silicon Valley "unicorns" that are more eager to purchase start-up rivals than to compete with them (122)?

Useful as well would be a discussion of the relative benefits of explaining the time value of money using Gilder's concept of entropy versus traditional present value formulas. Each of these topics would be of far greater value than another study on targeting interest rates, a practice deplored by Milton Friedman and considered futile by John Maynard Keynes.

Conclusion

"The Scandal of Money" does not address the U.S. dollar's role as an international reserve currency. However, currency reserve status has too long been used as an excuse rather than a reason for the difficulties attending the structural reforms needed to normalize monetary policy. A reader does not have to fully agree with Gilder to recognize that the U.S. has abandoned the fiscal discipline required to make floating exchange rates work. In addition, the Federal Reserve System's attempt to allocate credit through interest rate targeting has warped investment decisions and inhibited innovation.

Governments never learn; only people do. It is time for another generation to read Gilder in order to understand not the scandal but the ideal role that money plays in trade, investment, and creative economics. The author is correct in saying that reform of the world monetary regime is less a far-fetched dream than a rising imperative (70). ♦

Backgrounders

by **JAMES E. MCCLURE, Ph.D, (top)**
and **T. NORMAN VAN COTT, Ph.D.**

The authors, adjunct scholars for the foundation, are professor of economics at Ball State University. A version of his essay was published by the Foundation for Economic Education.



Grade Inflation Redux

(Sept. 14) — In a 2011 article, “Too Many Rhinestones,” Professors T. Norman Van Cott and the late Clarence Deitsch examined Ball State University’s (BSU) grade-inflation problem. After comparing grade distributions and grade-point averages (GPAs) from fall 1990 and fall 2009 in principles-level courses, they found that BSU was no exception to the nationwide trend of ever more A’s and B’s, fewer D’s and F’s and higher GPAs.

The article created considerable local turmoil, to wit: an Indiana state senator queried the BSU president about the university’s grading policies; the local newspaper and student newspaper carried feature stories based on the study; other newspapers around the state ran the article as an op-ed; and the BSU president and provost denied that grade inflation was occurring.

By the fall of 2011, however, the administration had switched its position. In an all-university faculty meeting, the provost said, “As noted by our own Professors Deitsch and Van Cott in their publication for the John W. Pope Center for Higher Education Policy, grade inflation does exist. I have already asked the deans to look at grade inflation but it is ultimately the prerogative of the faculty to uphold academic rigor. There is no excuse. That is your job.”

The provost’s charge to BSU’s deans had a curious effect.. The dean began a program to get the economics department to award higher grades. The provost also announced that he would form a task force to “investigate academic rigor” at

BSU. In a March 2013 memo to the president and provost, one of our economics colleagues, Courtenay Stone, reviewed the task force report. He said, in part:

“The report virtually ignores any evidence for the decline in academic rigor at BSU. It does not discuss, reaffirm or refute the published evidence by two BSU Economics professors on BSU grade inflation. Instead it offers a selective view of grades for a few courses which constitutes neither a serious study or discussion of grade inflation at BSU . . . (In summary) the report neither assesses the nature of academic rigor or quality at BSU nor offers recommendations to enhance it. This is unfortunate because the committee could have used their time and efforts to address a host of issues that are clearly reducing the state of academic rigor at BSU and across the nation. Instead, they choose otherwise.”

Although Stone’s memo spoke truth to power, it fell on deaf ears. The whitewash provided by the Academic Rigor Task Force Report was accepted by the president and provost. Grade inflation at BSU became a dead issue.

Table 1 presents evidence on course grades at BSU pre- and post-Deitsch/Van Cott’s spring 2011 publication. Column 1 lists the courses. The second and third columns note the GPAs in fall 1990 and fall 2009. The fourth and fifth columns indicate the GPAs in these courses in fall 2011 and 2015, the former being the GPAs in the fall semester after the appearance of the Deitsch/Van Cott article. The sixth column indicates whether GPAs fell between fall 2009 and fall 2011. The seventh column notes whether GPAs between fall 2011 and fall 2015 rose. The eighth column extends the terminal year of the Deitsch/Van Cott essay to 2015. The ninth column indicates whether fall 2015 GPAs exceed a B- (2.67).

As seen in column 6, the campus hubbub following publication of the Deitsch/Van Cott study together with the provost’s remarks appear to have had a slight impact on grades. Course GPAs fell in 15 of 26 courses. Now consider column 7. Consistent with the policies of the

administration subsequent to the fall of 2011, its creation of a task force whose “Report on Academic Rigor” both ignored the 2011 Deitsch/Van Cott study and turned it into a dead letter upon the administration’s acceptance of the report, grade inflation at BSU resumed in 13 of the 15 where GPAs had gone down.

Overall, considering all courses rather than just those where GPAs had gone down in 2011, GPAs were higher in 19 of the 26 courses. It was back to business as usual.

The next-to-last column in Table 1 extends the Deitsch/Van Cott study to 2015. In all but one course, “Intro to the American Criminal Justice System,” GPAs in fall 2015 were higher than they were in 1990.

The final column indicates that GPAs in 19 of the 26 courses (all introductory, mind you) were above B- (2.667), with another two courses barely missing the cutoff. This is important, as George Leef stated in his April 20, 2016, article “Grades Just Keep on Inflating: Why Does it Matter?”:

“It is a fraud on students who are misled into thinking that they are more competent than they really are . . . Dishonest grading from professors is as bad as dishonest health reports from doctors who just want their patients to feel happy. The truth may be unpleasant, but it’s better to know it than to live in blissful ignorance.”

When a student receives a grade at or above B-, they are being told that they have above-average ability in that area, which, as Leef says is a “fraud.” Students can be led into selecting inappropriate majors, which leads them to wasting valuable time, effort and money. And

Table 1: Grade Inflation Trends at Ball State

(1) Course	(2) Fall 1990 GPA	(3) Fall 2009 GPA	(4) Fall 2011 GPA	(5) Fall 2015 GPA	(6) GPA down Fall 2009 to Fall 2011 ?	(7) GPA up 2011 to 2015 ?	(8) GPA up 1990 to 2015 ?	(9) GPA 2015 above a 2.67 B-?
1. Principles of Accounting 1	2.41	2.77	2.73	2.84	Yes	Yes	Yes	Yes
2. Principles of Accounting 2	2.07	2.39	2.61	2.97		Yes	Yes	Yes
3. Principles of Biology 1	2.04	2.35	2.43	2.68		Yes	Yes	Yes
4. Principles of Biology 2	2.17	2.19	2.10	2.24	Yes	Yes	Yes	
5. General Chemistry 1	1.91	2.72	2.57	2.63	Yes	Yes	Yes	
6. General Chemistry 2	1.93	2.45	2.74	2.76		Yes	Yes	Yes
7. Intro to the American Criminal Justice System	2.43	2.58	2.48	2.36	Yes			
8. Elementary Microeconomics	1.84	2.28	2.06	2.33	Yes	Yes	Yes	
9. Elementary Macroeconomics	1.92	2.04	2.06	2.58		Yes	Yes	
10. English Composition 1	2.74	2.88	2.91	2.98		Yes	Yes	Yes
11. English Composition 2	2.73	2.98	2.79	2.88	Yes	Yes	Yes	Yes
12. Principles of Finance 1	2.00	2.47	2.48	2.91		Yes	Yes	Yes
13. Earth, Sea, and Sky: A Geographic View	2.32	2.33	2.64	2.62			Yes	
14. American History, 1492-1876	2.45	2.36	2.82	2.70			Yes	Yes
15. American History, 1877-Present	2.67	2.21	2.31	2.75		Yes	Yes	Yes
16. Principles of Management (Managing Behavior in Organizations)	3.12	3.30	3.24	3.14			Yes	Yes
17. Principles of Marketing	2.57	2.95	2.88	3.12	Yes	Yes	Yes	Yes
18. Mathematics and its Applications	2.14	2.36	2.33	2.76	Yes	Yes	Yes	Yes
19. Introduction to Music	2.73	3.18	3.05	3.00	Yes		Yes	Yes
20. Introduction to Philosophy	2.72	2.99	2.95	3.13	Yes	Yes	Yes	Yes
21. General Physics 1	2.51	2.77	2.92	2.72			Yes	Yes
22. General Psychology	2.25	2.60	2.40	2.49	Yes	Yes	Yes	
23. American National Government	2.31	2.47	2.35	2.82	Yes	Yes	Yes	Yes
24. Introduction to Social Work	2.46	3.20	2.86	3.13	Yes	Yes	Yes	Yes
25. Introduction to Sociology	2.32	2.71	2.84	3.04		Yes	Yes	Yes
26. Introduction to Theatre	2.51	3.23	3.11	2.95	Yes		Yes	Yes

then the question becomes what major to choose next. Fraud reappears as students make further choices based on those false signals.

Unfortunately, based on our experience at BSU, it appears that university leaders would rather let fraud continue than try to fight it.

by T. NORMAN VAN COTT, Ph.D.

A version of his essay was published by the Foundation for Economic Education.



Don't Cry for the Iceman

(Aug. 15) — One of my earliest memories is the iceman delivering large blocks of ice to my parents’ small triplex apartment in southern California. The ice was deposited in our “ice box” and kept food cool. Frozen? Nope; just cool. Of course, the ice didn’t

last forever. It melted and drained into a drip pan at the bottom of the ice box. The pan had to be emptied periodically to prevent water overflowing onto the kitchen floor. Once the ice had melted sufficiently, the iceman would appear with another large block of ice.

My ice-box memories are abbreviated because my parents soon bought an electric refrigerator. So did a lot of other people. As a result, iceman jobs disappeared. Or in the language of politicians and pundits, refrigerators and their producers “destroyed” icemen jobs.

Nevertheless, most of us would say that Americans are better off as a result of electronic refrigeration. What about the icemen? Did they smoothly transition into production of refrigerators? Probably not. More likely they moved to their next best employment opportunity, and next best is precisely that, next best. In other words, icemen lost. Iceman received a smaller piece from a larger economic pie. A rising economic tide does not necessarily raise all ships.

The “invention” of the wheel in pre-recorded history surely increased peoples’ living standards. What about the number of lost icemen jobs compared to the number of refrigerator production jobs? Does it matter? Yes, but not in the way you think or wish it were. To wit, the fewer jobs associated with producing the refrigerators, the better.

Having fewer people employed in producing refrigerators means people cannot only have superior refrigeration, but more of other things. This is how technological advances raise living standards. We ignore it at our peril.

Losing Jobs but Gaining Prosperity

I have found that people are more willing to accept this line of reasoning when it is supported by examples from the distant past. For example, the invention of the wheel surely increased peoples’ living standards, even though it reduced the number of jobs associated with moving things from one point to another. And the tremendous advance in U.S. agricultural productivity over the

last 150 years or so is another example.

Agricultural jobs fell while living standards rose.

As examples get closer to the present, however, political and economic pundits change the script. The consequences start being defined in terms of jobs lost in the industry adversely affected by economic change. Losers become targets for political entrepreneurs promising to reward job losers with special favors in exchange for their votes. This is not possible for changes that occurred in the distant past because losers of jobs are now dead and have no votes, except, maybe, in Chicago.

Don’t Stop Progress

Nowhere is the latter more evident than when U.S. jobs are “lost” because of imports. Suppose an influx of, say, Chinese umbrellas occurs at prices that undercut U.S. umbrella producers. Like the icemen, the umbrella producers lose regardless of whether they leave or stay in umbrella production. But they become a potential voting bloc that on which political entrepreneurs can capitalize. To the extent that these entrepreneurs can delay or restrict the entry of Chinese umbrellas into the United States, they become analogous to a political movement that would have restricted electronic refrigeration. Not good.

Incidentally, who gets what the U.S. umbrella producers lose? Not the Chinese, that’s for sure. All the Chinese get is the lower price Americans now pay for umbrellas. The beneficiaries of the lower price are Americans who buy umbrellas. None of the U.S. economic pie goes to the Chinese. Rather, a larger U.S. economic pie is re-sliced among Americans such that some get a larger piece and others a smaller piece, with the increases summing to more than the decreases.

The bottom line is that economics as a field of study is grounded in the proposition that people, individually and collectively, cannot command sufficient productive resources to satisfy unlimited consumption desires. This resource shortfall means that all societies, rich and poor

alike, have living-standard ladders with yet-unreached rungs. The only way to reach higher rungs is to devote less productive effort into reaching rungs.

Less means more? You bet. That's why University of California at Irvine economist, Richard McKenzie, could pen a Wall Street Journal op-ed some years ago titled "Help the Economy: Destroy Some Jobs."

by **TOM CHARLES HUSTON**

The author, an adjunct scholar of the foundation and an Indianapolis developer, is a former associate counsel to the president of the United States.



What's Wrong With Conservative Thinking

(Sept. 16) — A description of Donald Trump's child-care plan in the *Weekly Standard* is a perfect example of why I believe so much of what passes for conservative thinking these days is totally irrelevant to the real world.

Trump's tax deduction for child-care costs would be available to a taxpayer with taxable income of up to \$250,000 for single filers and \$500,000 for a joint return. You don't have to be a rocket scientist to understand that if you have taxable income not exceeding \$18,550 for which the tax rate is 10 percent the "benefit" of the deduction is less than if you have taxable income of \$500,000 for which the top marginal rate is 39.6 percent. Indeed, the deduction may be worth up to four times more to a married couple earning a half-million bucks a year compared to a married couple with a stay-at-home mom and a dad who works at a Walmart distribution center.

Trump's plan attempts to deal with this inequality by providing for a minimum child care benefit of \$1,200 a year in the form of a refundable tax credit. This is equivalent to a tax deduction of \$3,000 for taxpayers in the top-rate bracket. The minimum guaranteed benefit for the working poor is referred to by conservative critics

as a "tax transfer payment" while the rich couple's deduction is regarded as an "economy-growing tax cut." It is such thinking that has made so much of contemporary conservative policy talk incoherent to the working class.

Is the threshold issue not tax deduction versus refundable tax credit or whether there is a legitimate role for the federal government in helping workers or would-be workers who can't afford decent day care for their children?

Many limited-government conservatives will instinctively argue that there is no such legitimate role, however real the need. Many of these same conservatives will, on the other hand, argue that there is a legitimate role for the Import-Export Bank to subsidize loans to Boeing and GE, or for the Agriculture Department to subsidize crop insurance premiums for farmers, or for young taxpayers to subsidize the Social Security benefits paid to seniors.

Beyond this threshold issue is the question of what is the most cost effective and efficient way to deal with the problem. There are a broad range of possible answers if you assume it is a legitimate question. Ivanka Trump is a Democrat who would be campaigning for Hillary if her father weren't the Republican nominee. Her understanding of the child-care issue is based on the experience of high-salaried professional women who believe they are entitled to a taxpayer subsidy. This is a view for which I have little sympathy.

For many less fortunate mothers the cost of child care is a real problem that impacts them not on the margin of their high family income but at the core of their limited family budget. For these women I have a great deal of sympathy.

Phyllis Schlafly, RIP

(July 22) — The two most influential women on the American Right during the last half of the 20th century were Jeane Kirkpatrick, the Ambassador to the United Nations during Ronald Reagan's first term, and Phyllis Schlafly, who never held any public office but who influenced public policy more significantly than most anyone

who did. Schlafly died on Monday at age 92. Both of these women were formidable personalities, well-credentialed and widely published. Schlafly's first book "A Choice Not an Echo," supporting the candidacy of Barry Goldwater in 1964, sold an amazing 3,000,000 copies, one for every 13 people who actually voted for the senator. Jean Kirkpatrick's speech at the Republican National Convention in 1984 (until Reagan she had been a Humphrey Democrat) was a tour de force: The "San Francisco Democrats," she reminded the delegates, "always blame America first." As it was, so it is.

For years, these two formidable women were sure to draw the largest crowds and the most enthusiastic responses from audiences at the annual Conservative Political Action Conference. Schlafly's Eagle Forum was among the largest and most effective grassroots organization on the Right, and no Republican officeholder could ignore its positions on public issues. For more than half a century — from her advocacy on behalf of Barry Goldwater in 1964 to her endorsement of the candidacy of Donald Trump in 2016 — Schlafly was on the cutting edge of conservative politics in America.

Large numbers of able Republican women hold public office today, many of whom were inspired to get into the arena by Phyllis Schlafly, but none of them have her influence. Although much maligned by feminists, gays and other elements of the progressive coalition, she was a powerful force in American politics, and she leaves a big hole to be filled on the American Right.

by MARTINA WEBSTER

The author, a Realtor for 17 years, represents District 1 on the Sellersburg Town Council. She wrote this at the request of the foundation.



Here Is a Fix for the Homestead Tax Credit

(Sept. 20) — We should educate people on the tax-rate formula every chance we get. The more

who understand the concept, the better the dialog on government spending.

For starters, could giving up a tax exemption lower your taxes? Consider that it is time for the Legislature to designate something other than the Homestead Credit as the marker for the benefit a property owner gets with the 1-percent property tax cap. Let me explain:

$$\text{Tax Rate} = \text{Levy (budget needed)} / (\text{NAV}/100)$$
—The NAV is Net Assessed Value of the taxing unit. NAV is calculated by taking the Gross Assessed Values and subtracting off credits, abatements, exemptions and TIF (Tax Increment Financing). The Homestead exemption that many of us get on our homes is an exemption that gets subtracted from the gross assessed value of our county/town/school district.

Every year, however, more and more parcels are hitting the property-tax caps. With that, the need for the Homestead exemption disappears. If my home is at the 1-percent cap, I could eliminate my Homestead exemption and still not pay higher taxes.

Oops. That's incorrect — at least currently. If I were to withdraw my Homestead exemption I would be taxed at 2 percent, like a landlord. Taxing units, particularly in cities and towns, lose millions of assessed value to Homestead exemptions that might really no longer be necessary.

The irony here is that if each of those exemptions fell off as a homeowner reached the cap it could potentially lower her taxes. It might not change a thing for that particular homeowner but, regardless, she is protected by the caps. If all the homeowners in a taxing unit dropped the exemption when they hit the cap, it could lower the tax rate for all parcels in that unit.

So yes, eliminating your Homestead exemption could lower your taxes. That is, if the legislature can find some other way to verify that you are residing in your homestead and therefore are under the 1-percent cap protection.

Now, I'm not asking for full-fledged repeal of the Homestead exemption across the state. I'm a

Realtor and I know that in some cases it could have devastating effects on mortgage approvals. But each year more and more local governments are feeling the pain of the property-tax caps. Once a homeowner hits the caps, the exemption could and should drop. It would help them, other parcel owners and the taxing unit overall.

In sum, legislators would be wise to create some other mechanism for county government to designate a homestead without tying an exemption to it.

by **MARYANN O. KEATING, Ph.D.**

Maryann O. Keating, Ph.D., is a resident of South Bend and an adjunct scholar of the foundation.



Some Sympathy for Public Officials

(Oct. 28) — At times, one has to sympathize with public officials. Put yourself in the shoes of a member of the South Bend Board of Public Works.

On Monday, Nov. 24, a plan to shelter up to 60 homeless men from Dec. 1 to April 1 was submitted to South Bend Common Council, and on the following morning, the Board of Public Works was expected to consider the proposal.

According to the plan presented by the Department of Community Investment the city would pay up to \$125,000 to purchase a building across the alley from Hope Ministries' Project WARM, a weather amnesty program that provides overnight shelter to homeless individuals living on the street during the winter.

Project WARM is willing to contribute \$45,000 for staffing and general maintenance, and Hope Ministries as much as \$30,000 for long-term maintenance and rehab. Hope Ministries, the South Bend Center for the Homeless and Life Treatment facilities are all private nonprofits with experience in providing these services locally, but they presently project limited excess capacity for men, women and families. Last winter, over 50 people were living on the street. The number is

expected to increase but not to exceed 100 this year.

Last May, the city closed the southbound lane under a viaduct. An encampment has grown in recent months of men and women sleeping under shelter of the viaduct. Community activists have provided food, sleeping bags, tents, pillows, coolers and shoes.

The encampment raises issues of public health and safety and negatively impacts costly new apartment and tech businesses planned for the area. The City has allocated \$500,000 of federal grant money to a permanent supportive project in the Rum Village area, but it will not be completed until Fall of 2017. Some members of the Common Council are calling for immediately providing portable sanitary facilities for the encampment; other members hope to find alternative intermediate solutions to avoid a visible and growing encampment on Main Street.

Does any policy tool exist to assist you if you were a member of the Public Works Board having to make a quick decision on spending \$125,000 in tax dollars for this proposal?

No doubt, you are aware that private households could benefit from retaining these funds for personal needs and also that the revenue may be better allocated to other public projects. And do not forget that the contributing nonprofits will need to cut back on alternate projects. A \$125,000 tax expenditure forfeits economic value that perhaps could be better used elsewhere. If the Board approves this proposal, can you be certain something of equal or greater value will be created?

As an individual, you may be vehemently opposed to such social projects or you could be wildly in favor of them. But all this is beside the point; the vote is immediate and the City Council is committed to addressing the problem. The issue, then, regardless of which residents are receiving the benefits or paying costs, is whether the proposal being considered meets your back-of-the-envelope calculation of positive net benefits.

The total cost of the proposal is estimated at \$200,000 (\$125,000 paid in tax revenue for a property with no residual value to the city and \$75,000 in private non-profit contributions). The facility would be open by Dec. 1 and would close its doors in approximately 120 days. If the facility, which is designed for 60, averaged 50 men per night, the shelter would offer lodging for 6,000 nights. This works out to about \$34 a night per occupant (\$200,000/6,000).

Overestimation of needed beds could easily double costs per person, in which case distributing hotel vouchers may be the best approach. If, however, the estimate of 50 residents per night is in the ballpark, you, as a voting Board member, need to determine if the per-person-per-night value is approximately \$34.

Homeless residents, valuing their health on severely cold nights, may voluntarily seek shelter in the facility; this choice indicates that the shelter would create something of value. However, in addition, you need to determine the public good — moral, safety and health values for town residents in general if the homeless were legally directed to shelter this winter.

If the sum of private benefits to the homeless and public benefits equals or exceeds \$34 per person per night, this proposal passes the positive net benefits hurdle; actually, it does not appear outlandish. Ultimately, as a Board member you would need to vote yea or nay in trust for the rest of us. Good luck.

by **CRAIG LADWIG**

The author is editor of this journal.

“In an all-Navy message published Tuesday, Chief of Naval Personnel Vice Adm. Robert Burke said a three-pronged training approach will equip senior leaders and rank-and-file personnel for the changes (to open transgender service).” — military.com, Sept. 16, 2016



The Combat Vietnam Veterans' Unplugged Motorcycle Club

(Sept. 21) — Having breakfast one Sunday off U.S. 931 in Kokomo, reading about NFL players protesting Western Civilization, I was witness to one of those micro-events that runs counter to the popular national narrative.

It was a group of veterans on motorcycles. They rumbled in off the highway, some with a wife or girlfriend on the buddy seat. What you noticed was that they were aged for motorcyclists, in their late 60s and 70s. Also, they did not exude that victim status assigned by today's culture to their like.

Indeed, they looked menacing — a lot like a biker gang, which, in fact, they were, an exclusive one. The black leather jackets and vests carried the banner “Combat Vietnam Veterans M.C. (Motorcycle Club),” chapter unknown. I did not see any safety helmets.

They sported assorted patches and pins depicting service medals and unit insignia undecipherable to anyone but other Vietnam combat veterans. One had a baseball cap with the quip, “We Were Winning When I Left.”

Now, there are a number of veterans groups organized into motorcycle clubs around the country. They have web sites explaining the club's mission, generally a list of civic or charitable objectives. This was not one of them.

“We are computer illiterates,” a member volunteered when asked for an Internet address. The group professes no real purpose or good work for which to register, he explained. They simply ride around the country in their colors “telling each other lies.” And if those were holster bulges, the membership was prepared for anyone who might violently object to that.

These were not men who ever needed much help from the government. Nor did they carry themselves as those who consider their military service a particular sacrifice. The attitude was one of “duty and honor,” the message on several patches — that and the heavy sense of resignation

surrounding men who by mercy have survived an experience that cannot be fully shared with the innocent.

The young party laughing at the corner table could not know that few of these men had enlisted out of any outdated, maudlin sense of patriotism. Nor had they been necessarily out of work, in trouble with the law, making a diversity statement or looking for a military career. They certainly hadn't answered any popular call that they were needed to fight for their country.

In fact, some did not enlist at all. They were conscripted, yanked off the street and drafted into distant jungle combat by a government preoccupied at home with impossible visions of social justice. One by one they came back, having done the job ordered, which (trigger warning) was to seek out the enemy and kill as many of them as possible, and then be prepared to do it again as need be.

Oh, and the Combat Vietnam Veterans M.C. doesn't parade. Nobody wants to be reminded of any of that on a sunny autumn day in 2016.

Clarity and the Local Economy

(Aug. 31) — Those Indiana communities that can discuss fiscal and economic matters in clear and honest terms, what attracts investment and what does not, will have an advantage. Fort Wayne, in the midst of a discussion whether to take the Legislature up on a new tax exemption, will not be among them.

An Aug. 25 editorial in the *Fort Wayne Journal Gazette* implied that a proposal exempting the tax on business personal property (machinery and equipment) would amount to an annual loss of \$51 million in tax revenue:

“Introduced by City Council Tuesday, the proposal would (exempt) business personal property taxes charged on non-real-estate items



(File photo)

owned by businesses. It last year amounted to just over \$51 million in revenue countywide, according to Allen County Auditor Tera Klutz.”

The auditor, asked to verify that the \$51 million as used in the editorial — that is, used as the projected annual loss due to the tax exemption — left the newspaper uncorrected. Indeed, she refined the figure — \$51,080,443.39, to be exact. Unasked of the auditor, though, were questions that a newspaper might have thought of interest to the discerning taxpayer:

- No one is doubting that a county auditor knows how much revenue is collected by a particular tax in a particular year. But does the \$51,080,443.39 as applied to the editor's argument take into account that each year at least 7 percent of property routinely falls off the tax rolls?
- Did the auditor's figure reflect that the exemption would be applied only to newly purchased equipment? That would mean the effect would be gradual and certainly not an annual cost anywhere near the tax revenue for a given year. In fact, the exemption wouldn't be fully in effect until all current business equipment had worn out or been replaced.
- Finally, would the process, when all dynamics are considered, cause any reduction at all in the amount of property tax levied (in nearly every case the overall tax base, total assessed valuation and year-over-year levies

would continue to grow)? That would more than make up the difference in foregone business personal property taxes.

Considering the economic boon of exempting a tax on business equipment, which, of course, is used to create jobs for taxpaying workers, the finance expert for the Indiana Chamber of Commerce, Bill Waltz, added this:

“Local units will not see revenue decreases, but smaller revenue increases. And then there is the less measurable impact — the positive effects of enhanced economic activity, and more businesses making additional investments in their operations and employees.”

It is difficult to understand why a newspaper would defend a fanciful or at least arbitrary number. It leaves its readership in the sorry position of depending on the government, the county auditor, acting as a referee, to keep the facts straight in an important policy discussion, one that will be repeated throughout the state in coming months.

Democracy by the Distant and the Detached

(Aug. 24) — So, after 12 years of Republican leadership, four of them with a super majority, now with a place on the GOP presidential ticket, what could be wrong?

At the top of my list is the absence of serious education reform, the kind detailed in fall issue of this journal. Systemic change has been pushed aside at the Statehouse with a “not the right time.” Republicans in an election year would rather talk about economic accomplishments. Their record there, however, is run-of-the-mill.

A sponsored post is popping up on Facebook this week proclaiming: “Under Republican leadership in Indiana, wages have been on the rise; let’s continue our economic momentum.”

Indiana, though, scores low on the three variables that make up this year’s American Legislative Exchange Council (ALEC) “Economic Performance Ranking.” These are the variables

most influenced by legislative decisions rather than national trends.

The variables and Indiana’s ranking are: state gross domestic product (37th), absolute domestic migration (34th), non-farm payroll employment (39th). Interestingly, two variables on which Indiana ranked highest dealt with issues on which the GOP leadership had dragged its heels: repeal of the estate-inheritance tax and passage of right to work.

The leadership seems content — pleased, even — that Indiana is no better than average and a couple of years behind. That tells me I am being ruled by a political class that is hedging its bet (a tax cut here, a tax increase there, a bit of crony capitalism over there). You make fewer enemies, you minimize contentious floor votes, you stay in office.

That may be harsh. Perhaps the uncertain economic times call for hanging back when it comes to taking risks with tax revenue, even to attract jobs and investment. Certainly, stepping forward can be career-endangering. Ask Sam Brownback, governor of Kansas.

Brownback, after pushing through what *Forbes Magazine* called a “bold and forward-thinking” tax program, is now a pariah. The “Kanzoids,” as the state’s congressional staffers occasionally call their constituencies, are in an uproar. Schools are said to be falling apart, roads degrading, etc.

No matter that the real problem, as usual, is poor spending priorities in a legislature, one unaccustomed to having so little money to waste (the state spends 34 percent more than comparable states, according to *Forbes*). For the so-called “Kansas Experiment” is as impressive as it is unreported. Private-sector jobs there in the 14 proceeding years grew by just 2.3 percent total (or .02 percent per year). Over the last three years, private-sector employment has almost doubled, one of the reasons Kansas overall is 27th to Indiana’s 40th on that ALEC ranking.

Which leads to a second failing on my list — local identity. The GOP has fallen into the Democrat habit of choosing political leaders

whose priority is being political leaders. But the reward for public service should be nothing more involved than returning to your hometown accountable to your friends and neighbors — a Trumanesque vision, to use some Democrat lingo. Politics should not be merely a ticket out of here.

Has anyone seen Richard Lugar lately? Dan Quayle? David McIntosh? Dan Coats? Steve Goldsmith? Evan Bayh? (Oops, there he is.) In defense of such expatriates, former U.S. Rep. Lee Hamilton told the *Fort Wayne Journal Gazette* over the weekend that the question isn't of legal residency. Rather, it is of intent, and that, says Hamilton, "can be argued every which way,"

Well, let's argue it this way: Our elected representatives, with exceptions too few to matter,

think of us not as neighbors but as "aliens whose bizarre emotions they must attempt occasionally to anticipate and manage," to use Peggy Noonan's construction.

Empathy? Increasingly, they've never had a real job. A widely circulated set of *Washington Post* GIFs shows how "public service" or "politics" is overtaking other occupations listed for U.S. congressmen.

After these 12 years, the best of us seem to think that returning to our home state and honest work is something to be avoided at all cost, even if that means putting off difficult issues critical to our future.

That's disturbing every which way you argue it.





NATIONALLY

74 percent "yes" and 26 percent "no."

- It's "Morning in America" part two.
 - The future is unknown but likely better than the known under Hillary.
 - The repudiation of the elite ruling class clearly shows the frustration felt everywhere. I think traditional blue-collar families and blacks did not produce for the Democrat party because these groups are tired of the class politics. There is no room in the party for those who don't feel its the fault of an oppressive Republican ruling class; they work hard, and they are not victims. The question is whether President-elect Trump will transforms the GOP so as to earn the trust of the average American, who wants to be represented even though he or she is not a special class victim of society. We do need to understand job-creation better than we do, and to understand that we lose more jobs to automation and technology than to trade or immigration. Does anyone remember that a 20-hour work week was once thought to be a positive development?
 - Trump is still a leap of faith but the alternative would have been disaster. Using government for self-enrichment is despicable.
 - Much of what Obama has done needs to be reversed along with over 5,000 regulations enacted by various governmental agencies.
 - Let's go back to self-determination, being responsible for yourself and your community. No more living off the government.
 - I am hopeful that we can regain losses in religious liberty with new Supreme Court Justice appointments in the coming years. I am hopeful that many paralyzing and punishing executive orders and agency regulations can be rolled back. I am hopeful that economic policies will encourage growth and job creation that will result in less of a welfare burden. I hope local social services can be made more efficient and truly helpful and respectful of those they serve. I just want to be left alone to live my faith and my life without worrying about being persecuted.
 - The trajectory of country has changed. I don't know for sure if it will be for the good. I do know there wasn't much alternative.
- ## The Reality Check
- "Are you encouraged by the election results?"
- It is time for a different perspective on the issues facing our country. I think President-elect Trump will look at the problems of the U.S. through different lenses. Mike Pence and Todd Young will keep our Hoosier values on the desk and defend them valiantly.
 - Though I disagree with President-elect Trump's delivery, I am encouraged that the message U.S. citizens have sent to Washington is one of distrust of the entrenched elite political class. Listening to those who actually work to better themselves, and who are largely those that provide stability to this country, would be the first step in placing the U.S. back on track to stabilize and maintain our way of life.
 - The rank and file of Trump supporters will be worse off after four years.
 - We have much work to do. The country is divided but there is still a plurality that believes in liberty and wants the benefits that policies based on liberty would provide. I believe that the most important thing that we need to do as a people is to roll back the size and control of the government on all levels, especially the federal level. The press has exposed itself as the lackey that it is for the elite. We will have to work creatively to get our message out to the people as there will be much resistance to what we are trying to do.
 - Americans got off their Barcaloungers and voted to get America back on track.
 - I don't know how much of the conservative agenda we will get from Donald Trump but we will get some of it, and we do not have to deal with any of Hillary Clinton's awful agenda. This is the last, best chance we have of stopping the nation's slide into progressive self-destruction.
 - We're screwed either way. If there is a silver lining, it is the repudiation of both a corrupt criminal in the Democratic candidate and a middle finger to the national Republican elite. That said, there is little to be optimistic about.
 - We no longer will be bullied by Barack Obama's executive orders pushing his own agenda.
 - I was surprised as the evening unfolded. With the dawn, I'm wondering if all those premium rate increases that went out over the past week made a difference. Neither candidate worked for me. This is like getting a really cool old car but not quite trusting the brakes.
 - Republic leaders need to develop a legislative agenda that will pass both houses. This will involve some compromises but passing an 80 percent solution is much better than going down in flames with a 100 percent proposal.



Photo by Andrea Neal

professionally walk some of those back and keep Indiana a "state that works."

- Yes, as this election solidifies Indiana's conservatism. No, because more of the same decisions that have kept

- Indiana's economy flat for decades will most likely continue for at least four more years, setting Indiana even further behind the rest of the country. It will be more of the same: that is, declining pay for the majority of workers because manufacturing is seen as a cure-all by too many elected state officials and legislators.

STATEWIDE

70 percent "yes" and 30 percent "no."

- I can now stop my mental process of packing my belongings; Indiana won't become another financial Illinois.
- Super majorities are a high risk.
- The Party will continue as before. If the U.S. becomes more protectionist with reciprocal levies placed on Indiana exports it could suppress economic opportunity.
- While I didn't agree with everything Mitch Daniels did, he largely turned our state around, and in my opinion was our best governor in my lifetime by miles. We're still headed in a generally positive direction. John Gregg and Organized Labor would have turned much of that around.
- I worry that we will be back to the \$2-billion "rainy day" fund while the poor, the disadvantaged and the schools, roads and infrastructure are once again ignored.
- I think our new governor will keep us on the good path we are on now. I hope all the wreckage of Common Core can be removed from our school and we can implement stronger education in history, principles of economics and great literature.
- Same old, same old.
- A lot of political promises were made that were not necessary for the Holcomb's victory. I hope he can

Twenty-seven of the 160 members contacted completed this quarter's opinion survey for a response rate of 17 percent. The survey was conducted Nov. 9-11.

- There is a yes and no to this answer. I believe that the Republicans were the better candidates, but that's not saying a lot. They won most of the races because of Trump carrying the ticket. As far as ideas and policies, the Republicans were lacking in many areas. They nonetheless are well situated to do good things for the state. The situation, though, is much like Mike Pence's term when things did not get done.
- Actually surprised. We were social media'd to death. I think the establishment was kicked to the curb.
- With the governor and superintendent of public instruction now both of the same party, there will be no excuse for ignoring the public-education mess. Of course, this does not guarantee there will be sound policy, merely agreed-upon policy. With Republicans having both the governor's office and super majorities in both houses, I worry that they might do some stupid stuff just because they can.
- Both parties offered terrible choices, and I don't see state Republicans getting the message that was delivered nationally, that is, we're sick and tired of the central-planning, government-is-the-answer status quo. Liberty was not even on the statewide ballot for R's and D's, and true liberty candidates barely registered a blip.
- School choice has been saved, which is critical to our educational success. I hope the Republican leadership will be less beholden to the Chamber of Commerce.



Courtesy of the South Bend Tribune

LOCAL

72 percent “yes” and 28 percent “no.”

- Chicago might let dead people vote but only Allen County actually elects them to office. The late Roy Buskirk’s win came more from the cleverness of voters than from their ignorance. Not voting for him might have put a Democrat on County Council. By putting Buskirk in office, voters gave the county GOP the ability to choose another Republican after the first of the year.
- Lake County has a Republican Commissioner!
- St. Joe County just doesn't get it. It's still run by our local combination of Organized Labor and the Irish Mafia.
- There is much more balance in our county government between Republicans and Democrats, and I hope to see them continue to get along together to keep the county moving.
- I hope they can keep government expansion under control and that they will not foolishly spend all the money from the sale of the utilities. I hope they will not annex my rural area.
- Same old, same old.
- There were no meaningful local choices.
- Mass transit equals bad money spent badly.
- Our area is slightly Democrat and tends toward big-government solutions. We did get a few key people elected, and with good leadership at the state level we can do well locally. That is a big “if.”
- With the exception of the transit election, all else went great in Indianapolis.
- Same people were elected locally who have been dismal failures at picking economic winners and losers. There will be continued increases in local taxation and regulation and feathering the nests of the politically influential.
- The national and state election choices set the tone for the local community.
- I am doubtful that much will change since Republicans have always controlled Allen County. It will be interesting to see Fort Mayor Tom Henry's agenda going forward.

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.



INDIANAPOLICY

Review

A journal of classical liberal inquiry observing its 28th year