



## FIGHTING CITY HALL: THE POWER OF DISTRUST

A valiant candidate at many levels of Indiana politics, the author believes that there are three keys to the fight against “city hall.” First, it must be understood that failure is not just an option, it’s a given. That is, there’s a reason the Declaration of Independence starts with “When (*not if*) in the course of human events it becomes necessary for one people to . . .” Second, organized government, realistically viewed, is a protection racket at best and a holocaust at worst. Third, your fight will never be over. Or as John Adams wrote to his Abigail: “I must study politics and war that my sons will have liberty to study mathematics and philosophy, geography, natural history, naval architecture, navigation, commerce and agriculture in order to give their children a right to study painting, poetry, music, architecture, statuary, tapestry and porcelain.”

HORNING  
PAGE 3

## IS YOUR NEWSPAPER ECONOMICALLY NEUTRAL?

Newspapers once were First Amendment allies in the fight against city hall. Today, they are more likely to be on the other side. The author, a former legislator, explains how a “downtown” tax break went bad for one of the state’s largest newspaper corporations. In the process, the question is raised as to whether economic development dollars actually influence economic development.

HARPER  
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## THE NUMBERS CONTROLLED THE ‘INDY WORKS’ DEBATE

Mayor Bart Peterson, his concept supported by Sen. Richard Lugar and Indianapolis corporate leaders, publicly claimed that he could save \$35 million if he were successful in combining city and county government in Marion County. *The Indianapolis Star*, in banner headlines, repeated that claim without question. It would be five politically critical months before an intrepid state senator could get the real numbers into the public discussion.

YOUNG  
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## WHY THEY CAN’T RUN GOVERNMENT ‘AS A BUSINESS’

Politicians like to talk about running government “as a business.” But they cannot. And economists know why: Nobody, an office-holder least of all, can spend someone else’s money with the same attention that he spends his own. The author, a Fort Wayne certified public accountant, uses a government parking garage as his example.

REINKING  
PAGE 13

## DIARY OF A DULY ELECTED TROUBLEMAKER

The author, a GOP councilman in heavily Democratic and economically challenged Terre Haute, has amassed what may be a record number of solitary losing votes on local development issues. His letters as a councilman are heartening in their clarity of reason and in their perseverance. The councilman, with only a slight wink, gives credit to earlier training as an artillery officer in the U.S. Marines.

CUMMINS  
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## EXECUTIVE SUMMARY

*Without an honest broker in the public discussion, facts are junk; that is, they are whatever somebody says they are. The self-serving opinion of high office is treated the same as independent research or documented observation.*



### Politics Anyone?

A friend of this page, when he could not sleep, was in the habit of picking up Arnold Toynbee's "A Study of History" and reading the voluminous text at random.

One night, he was struck by what seemed to him an incongruous and detached conclusion by the great Toynbee, a man who had spent a lifetime making history predictive, turning the past to prologue: Toynbee found no instance where history could not have been reversed by a solitary man armed with a clear conscience.

Our friend has slept soundly ever since. The rest of us, though, may need a real-life example or two. And that is the purpose of this dedicated issue.

The foundation, under the euphemism "Fighting City Hall," commissioned the writings of a select group of . . . well, activists.

They all are Quixotic (in a good way), either acting out Toynbee's premise themselves or writing about someone who has.

*"Facts are stubborn things."  
(Tobias Smollett)*

Before you read their thoughts, take a moment to consider what obstacles stand in the way of a citizen

meaning to change Indiana government:

- There will be the political inertia of his neighbors, many of whom have learned that energy spent understanding government is wasted by the process of government, including and especially the electoral process. Economists call this "rational ignorance."

- It is nearly impossible to kick out a maladroitness county chairman let alone a gerrymandered U.S. representative. Election laws and party rules are leveraged in favor of incumbency to a degree that an actual toe-to-toe electoral battle, something you would have thought to be the very stuff of a democracy, is so rare as to be newsworthy in itself.

- Political tacticians have learned to take advantage of rational ignorance. The typical campaign is kept as shallow as possible.

Candidates who propose hard solutions, no matter how simple and direct, tend to scare voters who have come to believe they can trust no one. In sum, modern elections are fought between the 40-yard markers, not on the full field of issues and ideas.

- There is the indifference of the media. It is expensive for a publisher to marshal enough facts to challenge the powerful. It is cheaper to merely editorialize on what action the government should take on behalf of a commonly accepted "good." The reader who asks his newspaper to consider whether *any* government action is justified will meet only stares of incredulity.

- Finally, without an honest broker such as a trusted mass media, facts are junk; that is, they are whatever someone says they are. By either omission or design, the self-serving opinion of high office is treated the same as independent research or documented observation. How sorry that is for Indiana's prospects.

And yet, you will find little discouraging in the essays that follow. Even as they chronicle the ineffectiveness of an effort, they stand in testimony to its importance.

### The Good News

It is autumn and you have allowed one football analogy. We will risk another:

Vince Lombardi of the Green Bay Packers is famous for saying, "Winning isn't everything, it's the only thing." What he actually said, though, was something quite different: "Winning isn't everything, *but wanting to win is.*"

This is a journal for those Indiana citizens who want to win — not for themselves or for their particular faction but for their children, for their neighbors, for all of us too busy to take on the eternal fight against city hall.

And win we can. Andy Horning, who leads off the discussion, argues that not only can we Davids defeat their Goliaths but *only* we Davids can defeat their Goliaths.

He surely is right that we should ready our smoothest stones and supplest slings.

— tcl

## FIGHTING CITY HALL



### THE POWER OF DISTRUST

*Leadership can be telling your neighbors that they have chosen badly and there is a mess to clean up*

by ANDREW HORNING

From that wonderful movie, “Mr. Smith Goes to Washington,” to the execrable “Legally Blonde 2: Red, White and Blonde,” Hollywood paints a positive, exciting and morally proud picture of the David *vs.* Goliath phenomenon we call “fighting city hall.”

Fighting oppression, corruption and bad laws (or even fighting for a bad law, as in “Legally Blonde 2”) seems so wholesome and rewarding that you’d think everybody would be doing it. But ask the average citizen to join you in a fight against city hall and you’ll almost always see recoiling horror as if you’d asked him or her to taste a road-kill soufflé. This is not without reason.

We wouldn’t have politics if all people could behave. And because most well-behaved people avoid politics, we default at least some political power to those who can’t behave at all; the very people who make government necessary in the first place. This has always made politics a perverse and obviously dangerous business in which we should place no trust.

There is one safeguard known generally to the wise, which is an advantage and security to all, but especially to democracies as against despots. What is it? Distrust.<sup>1</sup>

Ironically, Americans, who claim to distrust politicians, have over the last century entrusted politicians with every aspect of our health, education, welfare, security, property, liberty — everything important.

Instead of distrusting government as a bureaucratic feud amongst sinners, most

of us have an abstract, deified view of government. This would explain why we know less about key politicians than we know about movie stars’ children, yet continually pray to government for our needs. It also explains how things are going so wrong.

Let’s acknowledge an unpleasant fact: The USA is going the wrong way. Just in the last 30 years with many noble fights against city hall, we’re working longer hours, taking fewer vacations, and spending less time with our children as our health-care system has fallen ill and other nations pass us by in key areas like life expectancy, infant mortality, height, standard of living and even liberty. Why?

I’ve known several well-intentioned, hard-working and decent people who unwittingly do great harm through their city hall efforts. I’ve had close dealings with razor-sharp city-hall-battlers who are authentic ghouls bent on our destruction. Remember, for example, that Hitler fought city hall, too, and a lot of people both ordinary and prominent, supported him. I’ve personally met scores of people who would be Hitlers if only they weren’t so incompetent. Yet in all of human history, the number of people who’ve fought city hall, won, and did it to truly good effect, is shockingly low.

So while it’s good movie-making to show a struggle against overwhelming odds, we should pause to consider that human history is nothing if not embarrassingly repetitive, and mostly bad. I believe that there are three key truths to consider when approaching city

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*Andrew Horning, an adjunct scholar with the foundation, was a candidate for mayor of Indianapolis in 1999, for governor of Indiana in 2000 and for the U.S. House of Representatives in 2002 and 2004. Nothing written here is to be construed as reflecting the views of the foundation or as an attempt to aid or hinder the passage of any bill before the legislature or to further any political campaign.*

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## FIGHTING CITY HALL

*“... a little rebellion,  
now and then, is a good  
thing, and as necessary  
in the political world as  
storms in the physical.”*

— Thomas Jefferson<sup>1</sup> in a cool  
response to Shay’s Rebellion

hall that will determine whether your fight will produce success, or the more typical failure (see the USSR, 1917-1991).

Truth No. 1 is that failure is not just an option — it’s the addiction of choice that started in the Garden of Eden and has been insatiable since.

The Declaration of Independence starts with the casual observation, “When in the course of human events it becomes necessary for one people to dissolve the political bands which have connected them with another . . .”

It’s not “If in the course of human events . . .” It’s “When . . .”

Social orders *do* fall apart, and nations *do* fall, though nobody wants it that way.

Thinking about why that is, you may find truth No. 2 smacking you in the face: While we act as though civil government is a benevolent god, it is instead the agent of oppression, slavery, genocide and war. At its best, organized government is a protection racket; at its worst, it is a holocaust.

Truth No. 3 is that your fight is never done. You can never turn your back on politicians. Even people who should know better get this wrong. John Adams wrote:

I must study politics and war that my sons will have liberty to study mathematics and philosophy, geography, natural history, naval architecture, navigation, commerce and agriculture in order to give their children a right to study painting, poetry, music, architecture, statuary, tapestry and porcelain.<sup>2</sup>

After 230 years, we study holistic psychobabble and movie-star macramé. How’re we doing, John? I believe there’s more truth in this oft-cited wisdom:

The condition upon which God hath given liberty to man is eternal vigilance; which condition if he break, servitude is at once the consequence of his crime and the punishment of his guilt.<sup>3</sup>

And yet, Americans have for decades floated on a rising tide of idiocy like what I’d heard from a powerful leader, “We live in complex times; we need complex laws.” We’ve trusted self-serving politicians to give them to us good and hard. Why? Because we believe that failure is not an option; and that we’re evolving, albeit uncomfortably,

to a higher social order. When asked to choose between leaders like Rutherford B. Hayes (who led us through a time of unprecedented and still unequalled growth, wealth, freedom, decency, reform . . . and a rare time when nothing bad happened) or FDR (I’ll not even start), we dismiss the best man as a “do-nothing” and pick the nefarious lout as our hero every time. Why? Because good leaders tell us what we don’t want to hear, *i.e.*, we’ve chosen badly and have a mess to clean up, while nefarious louts set aside these concerns with a godly, “don’t worry your little citizen head; I’ll take care of everything.”

And we’ve come to this sorry state because the overpowering majority of us take for granted what made this nation great, and will not fight to keep it. So good luck trying to find allies in your assault on city hall.

But enough pessimism. The good news is that to do what’s right you don’t need to convince “the people” to turn off basketball and pay attention to more important things. You don’t need numbers, money or force of arms. Anybody can do it. And success can happen.

So despite the odds you really should fight city hall or help others doing this necessary work.

Even those who seemingly didn’t know this, knew this, as the quote at left from Woodrow Wilson will attest.

In other words, fail or not, it is wise to fight city hall, put it on a leash, and then keep fighting city hall just as it’s wise to keep brushing your teeth against the never-sleeping bacteria that would otherwise steal your teeth. After all, scrubbing away filth and decay is a never-ending job that’s necessary to healthy, productive and enjoyable life.

If you are like most people, however, you despair that any resistance is possible against so great a force as government. You think, and not without good reason, that because government has guns and bombs and nerve gas (just down the street here in southwestern Indiana), that you, a mortal human, are powerless against the great Goliath.

Good news. Giants fall all the time — almost always to the passionate few who have always driven human history. It’s not just that David can beat Goliath; it’s more that only David can beat Goliath. England

*“Liberty has never come  
from the government.  
Liberty has always come  
from the subjects of the  
government. The history of  
government is a history of  
resistance. The history of  
liberty is the history of the  
limitation of government,  
not the increase of it.”*

— Woodrow Wilson<sup>4</sup>



was the global superpower at the time when a relative few colonists whupped them. Twice.

Of course, most people hold the pernicious pessimism that improvement must be incremental. While positive incrementalism sounds logical (progressing upward in small, “reasonable” bites, or even negotiating with Goliath), it has never worked. Don’t bother with it.

There is such a thing as incremental decay. Like dental problems, mildew and “federal” power, bad things often accumulate over time. Bad things can erupt suddenly as well.

But good things happen only with the compelling application of a toothbrush, a scalpel, a bleach bottle, a gun, or a smooth stone in a well-wielded sling. I am not aware of any exception to the rule that good must consciously, diligently, continuously and forcibly triumph over evil . . . or good loses every time.

Please don’t ever let it enter into your head that something’s too big or extreme for it to work, because that’s just not reality. Consider the social movements in our history: revolution, emancipation, suffrage, Prohibition, the War on Drugs, Social Security, Income Tax . . . for good and (OK, mostly) ill, major social change is typically a rapid upheaval begun by a passionate minority. David really does beat Goliath.

This means that a vote for an independent or Libertarian or U.S. Constitution or Green Party candidate isn’t wasted. On the contrary, it counts more than a vote already assumed to belong to the entrenched Big Two. Even a three-percentage-point swing away from the mighty sends cold chills up their twisted, yellow spines.

Because David does beat Goliath, even attacking the government head-on (like the signing of the Magna Carta, the Kentucky-Virginia resolutions or [www.thefreedomfarm.com](http://www.thefreedomfarm.com) just might work. Even you, an out-voted, out-gunned and out-ranked citizen, could possibly take the helm of our ship of state and turn it about.

So, based on my experience as a political activist and candidate since 1994, and on an unfounded well of optimism, I’d like to offer the following encouragement to those who would fight to right wrongs. If

you’re disciplined, informed (knowing that David had God in his corner) and do what’s right, you will accomplish far more than is reasonable:

I found that letters to the mayor actually get read and sometimes make a difference. I found that speaking out at public meetings really can be effective. I found that all you have to do to become a political candidate is fill out a few forms and keep standing through the dizzying nonsense that follows.

And I found that while most people won’t raise a finger to help you, they really and desperately want you to knock down that Golden Calf they’ve come to fear; and you’ll find yourself buoyed on their hopes.

OK, so you will probably lose in the conventional sense. I personally endured two million people voting against me in a single day.<sup>6</sup> So what?

Or maybe you’ll succeed in your goal but see some undeserving politician get the credit. No matter. I can personally attest that even in what others call failure and injustice you’ll feel great about Doing the Right Thing.

No, really. I’m serious.

It takes courage and perseverance. I can’t say it’s easy to do. But if non-government-mediated betting were legal in Indiana, I’d bet that you would agree with me that now more than ever it is time for David to put a rock in his sling and call Goliath a sissy.

## Endnotes

1. Demosthenes: Philippic 2, sect. 24.
2. May 1780; letter to Abigail Adams.
3. John Philpot Curran: Speech upon the Right of Election, 1790.
4. From a letter, Jan. 30, 1787, to James Madison. The Papers of Thomas Jefferson, vol. 11, Julian P. Boyd (1955).
5. Address, Sept. 9, 1912, to the New York Press Club. The Public Papers of Woodrow Wilson, vol. 25, p. 124, ed. Arthur S. Link.
6. The author received about two percent of the vote as the 2000 Libertarian candidate for Indiana governor.

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## FIGHTING CITY HALL

*"Rare is the newspaper that doesn't condemn suburban 'sprawl,' support heavily subsidized rail transit (to and from downtown) and emphasize downtown politicians, downtown cultural attractions and downtown problems. And because they own downtown real estate, newspapers often have a financial interest in boosterism. More important, reporters and editors work downtown. So they hear its stories and sympathize with its redevelopment schemes. They can easily come to see their work neighborhood as the center and symbol of the city as a whole."*

—Virginia Postrel,  
Forbes, Feb. 7, 2000

*"Newspaper writers still operate under the old monocentric city paradigm where the city center is the economic, social, cultural and political engine for the regional economy. And corporate bosses still talk about downtown revitalization as if it were citywide revitalization."*

—Dr. Sam Staley, the  
Reason Foundation

*Fighting city hall used to be work that newspapers leaned into with gusto. Now, as the next two essays attest, the newspaper is as likely to be on the side of city hall. Here, a Fort Wayne paper, which characteristically takes strong positions on tax issues, has trouble finding its voice when one hits home.*

### Journalism Economics (Updated)

by MITCH HARPER

The Fort Wayne News-Sentinel editorial board and columnist Kevin Leininger were chattering about the less-than-expected tax credit that the Indiana Economic Development Corporation (IEDC) had determined will be allowed for the new Fort Wayne Newspapers, Inc., printing plant at Main and Van Buren.

It's quite a difference from what Fort Wayne Newspapers had been expecting — \$250,000 instead of \$2.5 million.

The Indiana Code provides that the credit be 25 percent of what is determined to be a "qualified investment." A qualified investment is the cost of the redevelopment in a qualified "Community Revitalization Enhancement District" (CRED). The awarding of the credit is made by the Indiana Economic Development Corporation.

So far, so good. the Indiana Code says 25 percent. The Code is a compilation of Indiana statutes as passed by the Indiana General Assembly, an elected body.

Generally, once the legislature empowers an agency to take an action, the agency needs to establish rules which govern the procedure and standards which will direct how the agency executes the charge given it by statute. Those rules are then codified in the Indiana Administrative Code (IAC).

That's where the rub comes in. Many are saying that the IEDC has changed its definition of how it determines what makes up the qualified investment. The question is not whether the tax credit should be 25 percent — that is set by statute.

The question is 25 percent of what? There the IEDC would seem to have some discretion under the statute. Here's where the IEDC is different from most

other state agencies and sponsored entities. The IEDC has not promulgated many rules for inclusion in the IAC.

That, in turn, has made it difficult for local economic development officials and companies seeking incentives to know with certainty how much in credits would be allowed.

There is a reason why the IEDC has not promulgated many rules in this regard. It is probably that the agency wishes to be flexible and limber in how it constructs incentives for companies it is trying to recruit for investment in Indiana.

That can be a good thing. Certainly, local economic-development officials and, yes, even newspaper columnists and editorial writers would have said that was a good thing, or at least when the state incentives granted seemed generous.

Now, the lack of established rules might indicate to them that something's not such a good thing.

Apparently, the IEDC is attempting to rationalize the granting of both CRED and EDGE (Economic Development for a Growing Economy) credits. What standards and procedures IEDC may determine to be best is a matter open for discussion by economic-development officials, newspapers and the public.

However, the need for codification of the administrative rules hasn't changed from two months, four months or six months ago. Today, what has changed is the perspective of the eco-devo officials and the newspaper editorial staff regarding the need for published rules.

Now for the CRED question: Why would a business proceed with a major construction project without having \$2.5 million of the construction costs locked in? It is possible to get a letter of commitment from the IEDC before construction commences.

If this financing were crucial, it would seem the professionals advising Fort Wayne Newspapers would have insisted on that letter of commitment being in hand. Q



Mitchell Harper, an adjunct scholar of the foundation and a Fort Wayne attorney, is publisher of the blog, Fort Wayne Observed, on which this essay was first posted. Harper is a former state legislator who represented Fort Wayne.



### THOSE WHO CONTROL THE NUMBERS CONTROL THE DEBATE

*In the discussion of Indy Works, Mayor Peterson's undocumented guess was 'close enough' for one editor*

by MIKE YOUNG

There is a truism that goes like this: Those who control information control the world. In the case of consolidation of Marion County government, one may say: Those who control the numbers control the debate. This certainly was the situation when it came to Indianapolis Mayor Bart Peterson and "Indy Works," his bold initiative to seize township government in Marion County.

From the outset, the mayor publicly proclaimed that taxpayers would save \$35 million if he were successful in his efforts.<sup>1</sup> *The Indianapolis Star* proclaimed so in banner headlines and every television and radio station followed suit. Every problem the city and county faced could be rescued by consolidation and the \$35 million it would save.

To paraphrase another truism, if one says something long enough, people will believe it. This became a reality in Marion County. Not only did the citizens believe that consolidation would save \$35 million, city corporate leaders, former deputy mayors — both Republican and Democrat — attested to this fact, and U.S. Senator Richard

Lugar wrote an op-ed piece supporting the concept.<sup>2</sup> It appeared Mayor Peterson had made his case, and he was about to accomplish a feat that eluded former Mayor Lugar — total consolidation of Marion County government.

The mayor's proposal was a dark cloud looming large on the horizon. It was a confusing proposal with little or no facts supporting it. Because the General Assembly was in recess, there was no way to hold hearings or obtain fiscal information. The general public also had no access to independent data. There was no expedient method for scoffers to analyze the numbers. This gave the mayor five months to say whatever he wanted with impunity. A former state budget analyst even confirmed the mayor's contention.<sup>3</sup> Since the mayor controlled the numbers, he controlled the debate. The dark cloud of the mayor's bold idea was about to settle over the State House in January 2005.

State Representative Phil Hinkle of Indianapolis, chairman of the House Local Government Committee, had the unenviable

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*State Sen. R. Michael Young of Indianapolis was chairman of the study commission charged with reviewing the "Indy Works" proposal. Dr. Sam Staley and other scholars of the foundation received a grant from the commission to survey experts on city-county consolidation. Nothing written here is to be construed as reflecting the views of the foundation or as an attempt to aid or hinder the passage of any bill before the Legislature or to further any candidacy.*

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## FIGHTING CITY HALL

*If one is to believe the mayor's idea would save \$35 million, it would seem reasonable that fiscal documents would be readily available. If they were, they were not delivered to Rep. Phil Hinkle's committee in a timely manner.*

task of conducting hearings on House Bill 1435, which embodied Mayor Peterson's legislative proposal. Representative Hinkle did not come to this challenge unprepared. He served as a City-County Councilman for several years. Chairman Hinkle conducted two hearings totaling 12 hours in February 2005.

As the hearings progressed, the committee questioned the mayor as to his calculations of the savings and requested documents that supported the mayor's proposition. If one is to believe the idea would save \$35 million, it would seem reasonable that fiscal documents would be readily available. If they were, they were not delivered to the committee in a timely manner. According to Representative Hinkle, the administration's response to those requests ranged from two days to two weeks.<sup>4</sup> Due to the delay and inadequacy of the numbers, the committee altered H.B. 1435, which deleted much of the mayor's proposal. House Bill 1435 died in the House of Representatives when House Democrats staged a walkout. When the House Local Government Committee held hearings on Senate Bill 307, which dealt with Marion County Municipal Corporations, language was inserted to correspond with the language that died in H.B. 1435. This was a strategy designed to ensure that the issue would go to conference committee where further hearings could take place. Mayor Peterson continued to control the debate because he controlled the numbers.

As the author of S.B. 307, I looked forward to speaking with the mayor about his ideas. During an October 2004 meeting, I told the mayor I was uncomfortable with his proposal because it lacked details on how the savings were to be obtained and how they would be used if realized. I did say, however, that I would try to be helpful when it came to enacting the police consolidation plan. From the time that H.B. 1435 was inserted into S.B. 307 (mid-March to April 22, 2005) the mayor never gave me the courtesy of discussing his proposal. After several attempts to contact the mayor through his representatives at the State House, a meeting was arranged. There was only one week left in the 2005-2006 session. The mayor had wasted almost five weeks of valuable time. At that meeting, I reiterated to him that I remained cool to his proposal because of the lack of fiscal

analysis, but stood ready to be helpful on police consolidation.

During the conference committee, the mayor again touted his efforts to save the taxpayers of Marion County \$35 million. Although he did not show any fiscal basis for these savings, he brought aboard a valuable ally, the Indianapolis Professional Fire Fighters Union, Local 416. To the union's credit, it had a plan that was succinct, professionally delivered, with line-by-line explanations that purported to save \$20 million in fire consolidation.<sup>5</sup> That was remarkably similar to the savings touted by Mayor Peterson. Their numbers were not verifiable, and the report did not indicate if it was reviewed by a Certified Public Account or anyone familiar with local government finance.

When asked if the Indy Works plan had considered transition costs into the \$35 million savings, the mayor responded, "Yes."<sup>6</sup> The mayor was asked for the information, but the committee did not receive the information until it was sent to Representative Hinkle in June 2005.<sup>7</sup> Therefore, the conference committee did not recommend fire consolidation.

In an effort to show bipartisanship, the Republicans offered a compromise. Senate Bill 307 allowed for police consolidation, consolidation of the airport police and fire departments with the city police and fire departments, consolidation of fiscal responsibilities of the offices of Auditor and City Controller (office of Fiscal Management) and giving the County Executive (Mayor Peterson) control over all city-county budgets. This was contingent on approval by the City-County Council. This item differed from the mayor's original scheme, in which he requested outright authority by legislative fiat with no approval of the council. It is important to note here that not one Democrat in the House or Senate voted for S.B. 307. The mayor still controlled the debate, but the dark cloud that had settled over the State House was beginning to break up and the light of day was shining through.

Senate Bill 307 called for a summer study committee to review Mayor Peterson's Indy Works proposal. It included \$45,000 for outside experts to review academic and fiscal data. Thus began the unfolding of the numbers and the control of the debate.



Before the Marion County Consolidation Commission met for the first time an interesting development took place. The mayor introduced his budget for the coming year. As part of the \$35 million in savings, almost \$900,000 came from the consolidation of the fiscal responsibilities of the offices of Auditor and Controller. When the budget was reviewed, however, it contained increased spending of approximately \$54,000.<sup>8</sup> The consolidation of those offices did not save taxpayers the money promised; instead, it increased their liability. The question now became, if Indy Works could not realize savings on the small items, how could it save tax dollars on the big-ticket items? This became the first indication that the numbers did not add up. The sun was shining through, and the debate began to change because the mayor's control of the numbers was beginning to vanish.

Just as the commission was preparing for its second meeting, a report commissioned by the Democrat controlled City-County Council was released. The document was prepared by Wabash Scientific, Inc. Its charge was to evaluate police consolidation. The report noted “. . . that it is highly unlikely that the final outcome of any consolidation process would generate 100 percent of the savings/benefit projections . . .”<sup>9</sup> The savings projected by the examination was \$3,406,000. Ironically, Indy Works touted savings of \$9.7 million.<sup>10</sup> During this time, *the Indianapolis Star* reported that Mayor Jerry Abramson of Louisville said of his city's effort of consolidation, “We didn't promise anyone we'd save any money — they wouldn't have believed that.”<sup>11</sup> This laid the groundwork for the second meeting of the commission. Mayor Peterson had agreed to testify, and it was the commission's opportunity to question the mayor about his numbers.

In the Indy Works proposal, the resource section contained “Scholarly Publications.” I read most of the research and asked the mayor how he justified the conclusions of the scholars he chose to support his idea when it appeared they disagreed with his theory of consolidation.

- Bert Swanson concluded in his report, “Quandaries of Pragmatic Reform: A Reassessment of the Jacksonville Experience,” that after consolidation, property taxes increased, expenditures

increased and savings expected in public safety did not materialize.<sup>12</sup>

- Richard Mattoon determined that economies of scale for technical aspects of government, such as water works, sewage disposal and electrical services, worked best in consolidation.<sup>13</sup>

- An article titled, “Do We Really Want to Consolidate Urban Areas?” by Roger Parks (one of the consultants for the study conducted by Wabash Scientific), stated, “In 1993, as in 1970, our data show these recommendations [police consolidation] are not well grounded . . .”<sup>14</sup>

- William Blomquist in association with Roger Parks found that “it may be that residents of the pre-Unigov city could be better served by a decentralization of their police and public schools than by any merger with surrounding departments and districts.”<sup>15</sup>

- As reported by Vincent Marando in his study of “City-County Consolidation: Reform, Regionalism, Referenda and Requiem,” a Rand Corporation study determined there may not be savings for services such as police protection.<sup>16</sup>

When asked if the mayor agreed with these assertions, he said he disagreed with my conclusions of what they reported.<sup>17</sup> As a final point to scholarly research, Drs. Larry DeBoer and Jeffery Mann of the Department of Agricultural Economics at Purdue University found that “consolidation creates a local monopoly in government service provision, eliminating these incentives for efficiency.” In addition, they found there were no economies of scale when it came to police and large fire departments.<sup>18</sup> After this meeting, the mayor's numbers came into question.

The commission grew concerned, if the experts chosen by the mayor to support his premise, disagreed with him on his theory, and the Wabash Scientific study found a \$6 million shortfall in the expected savings of police consolidation, then, maybe, most of the mayor's assumptions and data were incorrect. The commission decided to dissect each element of the Indy Works proposal.

In looking at the court system, the commission invited Judge Ted Sosin of the Marion County Circuit Court and Judge Robert Spear of the Marion County Small

*Not one Democrat in the House or Senate voted for Senate Bill 307. The mayor still controlled the debate but the dark cloud that had settled over the Statehouse was beginning to break up. The light of day was shining through.*

## FIGHTING CITY HALL

*If the experts chosen by the mayor to support his premise disagreed with him on his theory and the Wabash Scientific study found a \$6-million shortfall in the expected savings of police consolidation, then, maybe, most of the mayor's assumptions and data were incorrect.*

Claims Court (Perry Township Division) to testify. Their testimony indicated that consolidation would lead to more paperwork and require more employees, leading to inefficiencies and increased cost.<sup>19</sup> The commission learned that consolidation of the Marion County Superior and Municipal courts took place in 1996. What purported to be savings of \$5 million per year translated into a \$2 million increase the year following consolidation.<sup>20</sup>

Next, the commission turned its attention to the offices of Township Assessors. The Indy Works plan claimed there would be savings of \$1.6 million per year.<sup>21</sup> The best that can be said of this claim was that it was misleading and the research was sloppy. The plan stated that township assessors employed 184 personnel when the actual number of employees on the payroll amounted to only 136. The mayor's report indicated that the combined budgets of the assessors were \$10.7 million. Budget records of the Auditor's office, however, reported \$8.7 being allocated. In addition, the administration's proposal claimed that Marion County Assessors were less efficient than the city of Minneapolis and the County of Mecklenburg, North Carolina. When a job-to-job analysis was completed for the commission, it discovered that the per parcels cost of Minneapolis Assessors was \$30.48, for Mecklenburg County Assessors \$20.55, and for Marion County Assessors \$17.62.<sup>22</sup>

The amount of savings that Indy Works predicted could be saved in the offices of Assessor and the Small Claims Courts amounted to \$2.165 million.<sup>23</sup> This paled in comparison with the almost \$30 million the plan said would be found in consolidation of the police and fire departments. Senate Bill 307 allowed the commission to hire experts to investigate certain aspects of the Indy Works proposal. One of the areas dealt with the financial data. To that end, the commission hired Reedy & Peters LLC, Certified Public Accountants and Consultants. Their charge was to investigate the premise and assertions of Mayor Peterson's consolidation plan and to review the historical data. As might be expected, allies of the mayor opposed this proposition. The commission voted to hire the consultants. Although police consolidation was in the hands of the

City-County Council, the commission felt it important to seek an overview of the proposal's police-consolidation numbers. Reedy & Peters reported to the commission that, at most, there would only be savings of \$2.023 million.<sup>24</sup> This is remarkably close to the savings of \$3.406 million found in the Wabash Scientific report. The mayor's confident challenge to prove his numbers wrong had been taken up. Two independent studies found the plan to be short of expectations ranging from \$7.4 million to \$6.5 million. Both reports, however, indicated doubts that Indy Works could achieve even these results.

The first action by commission members who represented the mayor's position was to attack the Reedy & Peters report. The administration had two financial experts review the findings of the Reedy & Peters report. While the commission found their (mayor's experts) analysis to be dubious, there was an interesting statement from Umbaugh Associates. In a letter dated November 23, 2005, to Mr. Robert Clifford, Controller for the City of Indianapolis, the firm stated, "We have not examined the underlying assumptions nor have we audited or reviewed the historical data. Consequently, we express no opinion nor provide any other form of assurance thereon . . . ." This was interesting to the commission. The firm hired to cast doubt on the Reedy & Peters findings never investigated the assumptions or data. Regardless, two independent firms (Wabash Scientific and Reedy & Peters) now challenged the veracity of Mayor Peterson's assertions as to the savings in consolidation.

Reedy & Peters, in their report to the commission, found 27 errors, mistakes or omissions in the Indy Works proposal.<sup>26</sup> These items ranged from simple mistakes to, what the commission determined, deliberate omissions.

These omissions included, but were not limited to: capital expenditures used to fund the fire departments, the 2004 "Pro Forma" tax rates, the exclusion of Wishard Hospital EMS costs, understating required fire staffing, underestimated pension cost and understated fire and EMS tax rates.<sup>27</sup> In other words, the mayor's documentation was not reliable. The majority of the savings

that Mayor Peterson purported came from the consolidation of the fire and EMS services. These savings, if true, amounted to \$20.7<sup>28</sup> million. Reedy & Peters found that, at most, potential savings would be \$1.3 million<sup>29</sup>, and most, if not all, of these savings could be accomplished without consolidation. They concluded that:

“We find that significant data was omitted from the Works proposal, thereby understating IFD and ambulance costs and over-stating potential savings. Also, we find that the financing model is severely under-funded going forward and depletes approximately \$20 million of township fire fund cash balances in approximately 18 months. Further, we find that the tax rate outcome of a funded financing solution provides tax savings to the IFD area while raising taxes in the township areas outside IFD.”<sup>30</sup>

The last point of the above statement is important. Mayor Peterson had insisted that taxes would not increase in the suburbs as a result of “Indy Works.” The Reedy & Peters report found this not to be the case. They surmised there would be a tax shift from the Police Special Service District to the townships of approximately \$31.5 million and a little over \$9 million would be shifted as a result of consolidation of the fire departments.<sup>31</sup> In the Police Special Service District for example, if township taxpayers wished to avail themselves of \$855,365 in savings they would have to accept \$30.3 million in increased property taxes.<sup>32</sup> It was a deal the commission would not accept.

One could reasonably conclude that with this information, the Indy Works proposal would be dead on arrival when the General Assembly reconvened in January 2006. That was not the case. The mayor had a valuable ally — *the Star*. I challenged the paper to hire an independent consultant to review the conclusions of the Indy Works proposal in comparison with the findings in the Reedy & Peters’ report, if they were in doubt of its veracity. It was my hope that the paper would see the fallacy of the mayor’s contentions. Instead, the newspaper continued its unyielding support. This would be confounding if it were not for the fact that another Gannett newspaper followed the same scenario in Louisville, Kentucky, when the Louisville mayor was pressing for consolidation. An academic study of

consolidation efforts in Louisville, by the University of Louisville, found that the newspaper went after those who opposed consolidation, accusing them of special interest and ridiculing opponents.<sup>33</sup> The same methods were used in Indianapolis. In an editorial cartoon that appeared in *the Star*, Speaker Brian Bosma was shown sitting on a stool, in a classroom, being taught by government leaders about the need for consolidation. The caption of his response to the lesson was: “Uh, I still don’t get it.”<sup>34</sup>

When the commission added a provision to Senate Bill 1 to have the fire training center located in Wayne Township of Marion County, the *the Star* ran an editorial stating that I was paying back friends in my district.<sup>35</sup> When I confronted Tim Swarens, editor of the Opinion-Editorial pages of *the Star*, with inaccuracies in the editorial, he responded that they were close enough (to the truth).

While the light of day proved that the Indy Works numbers just did not add up, *the Star* continued its push for consolidation.

The commission recommended that S.B. 1 be considered by the Indiana General Assembly in the 2005-2006 session. This bill called for functional consolidation of Marion County Fire Departments. The township fire departments would have remained independent but would have worked together with the Indianapolis Fire Department, with the mayor as the chairman, to enact functional consolidation of those services that would bring about efficiencies and reduce expenses. Senate Bill 1 failed on the last night of session as time ran out before the bill could be called for a vote.

The fight to control the debate over consolidation has been long and difficult. For almost two years, Mayor Peterson controlled the numbers and the debate. After the final report of the Marion County Consolidation Committee was released, the control of the numbers changed, and so did the debate. It has been almost a year since the commission’s report was issued and, as a result, we no longer hear of \$35 million savings.

The debate is not over. Mayor Peterson will again call for consolidation, but this time around the debate will not be about the numbers.

*Reedy & Peters, in their report to the commission, found 27 errors, mistakes or omissions in the Indy Works proposal. These items ranged from simple mistakes to what the commission determined were deliberate omissions. The mayor’s documentation was not reliable.*

## FIGHTING CITY HALL

When I confronted Tim Swarens, editor of the Opinion-Editorial pages of the Star, as to the inaccuracies of the editorial, he responded that they were close enough (to the truth).

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### WHY THEY CAN'T RUN GOVERNMENT AS A BUSINESS

*Making a profit on a Fort Wayne parking garage  
turns out to be more difficult than it looks*

by **RON REINKING**

Experience is showing us that the political promise to “run government as a business” must be treated with the same suspicion as is its companion, “the check is in the mail.”

Ambitious politicians, Republican ones especially, find this tempting. For if voters can be convinced that government can indeed be run as a business, then there is no reason a city or county cannot take on all manner of projects — sports stadiums, opera houses, convention centers, parking garages, anything that can be described as being for the public good.

But public officials, no matter how ambitious and no matter how capable, cannot keep that promise. Officials, as the rest of us, cannot spend someone else's money with the same attention that they spend their own.

It is a fact well understood by economists. Here is Milton Friedman, a Nobel laureate, with the bad news:

There are four ways in which you can spend money. You can spend your own money on yourself. When you do that, then you really watch what you're doing, and you try to get the most for your money. Then you can spend your own money

on somebody else. For example, I buy a birthday present for someone. Well, then I'm not so careful about the content of the present, but I'm very careful about the cost. Then, I can spend somebody else's money on myself. And if I spend somebody else's money on myself, then I'm sure going to have a good lunch. Finally, I can spend somebody else's money on somebody else. And if I spend somebody else's money on somebody else, I'm not concerned about how much it is, and I'm not concerned about what I get. And that's government. And that's close to 40 percent of our national income.

Friedman, James Buchanan and, further back, Frederic Bastiat and Adam Smith elevated the economic argument against big government. It is not merely that “it costs too much” or “it's wasteful,” complaints politicians easily field by citing inarguable good, social justice or dire emergency. Government must be kept small, rather, because government, in a demonstrable sense, is impossible.

By that it is meant the resources needed to oversee people spending other people's money are limited; the list of socially or politically desirable projects is not.

Government, in other words, is tough medicine, one that should be prescribed only as a last resort.

*“If I spend somebody else's money on somebody else, I'm not concerned about how much it is, and I'm not concerned about what I get. And that's government. And that's close to 40 percent of our national income.”*

— Milton Friedman



*Ronald R. Reinking, CPA, an adjunct scholar of the foundation, owns an accounting firm in downtown Fort Wayne. A member of numerous charitable and educational boards, Reinking is the author of a series of recent articles on Indiana economic development and public-private ventures. He regularly speaks to service clubs and other organizations on behalf of the foundation.*

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## FIGHTING CITY HALL

*Fort Wayne's publicly operated parking garage, built to accommodate a downtown boom, has instead accumulated \$930,000 in losses since 2002. In recent years, the garage has been losing an average of \$136,000 annually.*

### Easy Come, Easy Go

Those in Indiana who would ignore that advice, and there are many, from the governor's office to your mayor's office, got a scare this summer. The Indiana Economic Development Corporation (IEDC) said enough is enough. The corporation applied a new standard to tax exemptions granted under its Community Revitalization Enhancement Districts (CRED) program.

Specifically, it notified one of the largest newspaper corporations in the state, Fort Wayne Newspapers, Inc., that the firm would not be getting an expected \$2.5-million credit for its new press building.

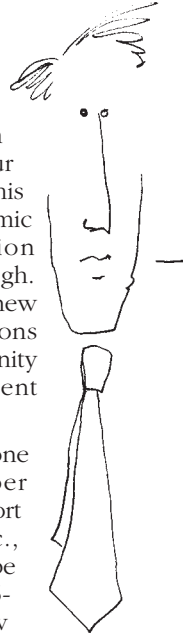
If you could have heard over the screams of anguish from the editorial writers and local politicians (some endorsed by the newspaper and some not yet endorsed) you would have heard the sound of solid economic judgment in the CRED decision.

The new printing plant brought few, if any, new jobs to the downtown area. Also, it was unlikely that the newspaper would have located elsewhere, although its executives made predictable noises to that effect.

At political risk from the new CRED standards are dozens of headline projects around the state, projects whose large public subsidies are rationalized by the questionable assumptions that 1) city halls can guide the local economy; and 2) the Statehouse will provide the cash.

In all, it represented a watershed in economic policy within the Daniels administration, one that also seemed to question the wisdom of unfettered public bonding and other misapplications of private businesses subsidized with public financing.

Indeed, Friedman's dictum can be seen in the cost overruns reported for the Indianapolis-Marion County Library, the contracting for which is now the subject of a grand-jury investigation. There are additional costs for Lucas Oil Stadium and disclosure



of what appears to be a sweetheart deal for the politically savvy owners of the quarterback-heavy professional football team that will play there.

*"Criminal rehabilitation was debated recently in City Hall. It's an appropriate place for this kind of discussion."  
(Mike Royko)*

In my neck of the woods, there are the disappointing financial statements for the Grand Wayne Convention Center in Fort Wayne and the questionable outlay of tax dollars for a grandiose new library addition there.

My mayor has used tax dollars in an attempt to rejuvenate a failed shopping area on the south side and there is land speculation downtown on rumors that the city will help build a baseball stadium there (the "old" stadium was built 13 years ago).

And that is just to name a few. Regardless of the IEDC decision, much of the same is planned for virtually every city of size in Indiana. We would focus your attention, however, on one — the Plaza Parking Garage in Fort Wayne. It is both the simplest and clearest example of what goes wrong when your city fathers set out to "run government as a business."

### Please Park Here

It was a fine spring evening in Fort Wayne and a group of officials, downtown boosters and reporters had gathered on the roof of the parking garage for what could be described as an economic-development pep session. "Great downtowns require great programming," one participant was quoted as saying in a sort of public-policy toast.

Few in the Fort Wayne area applauded her idea of tax-supported ice-sculpture competitions and laser-light shows. Even fewer, however, applauded the idea of a downtown baseball stadium or a subsidized luxury hotel. Most taxpayers were repulsed by these prospects.

If downtowns require good programming, it is highly unlikely to come from people whose money is not on the line. A basic understanding of economics is essential, and an element of personal incentive would be a real plus, too. The city-county garage, though its roof makes a pleasant

site for a summer party, is just one example of several government projects gone sour in ill-fated attempts by government to run a business in a competitive free-enterprise environment.

So instead of cashing in on a presumed downtown boom, the garage has accumulated \$930,000 in losses since 2002. In recent years, the garage has been losing an average of \$136,000 annually, by the foundation's estimates.<sup>1</sup>

In a classical political response, officials would seem to blame others — in this case, the supposedly doltish consumer, the public. "They would rather pay a \$5 ticket than park in the parking garage and walk a block and a half," was one quote. "We offer some of the best rates in the downtown area, but people don't want to walk two blocks," was another.

## Second Guessing

Parking-industry professionals would have cut that annual loss by at least three-fourths by making even the most obvious operational improvement: more effective promotions, containing expenses to industry standards, operating the garage during all popular summer festivals, automating equipment and other changes. Interestingly, after public exposure, the garage board of directors immediately responded with some remedies to stop the bleeding.

Why were such bad management and the resultant disastrous financial losses tolerated? The charitable answer is that our city and county officials are ill-equipped to oversee a garage's operation. A more severe critic, however, would point out that these officials are nonetheless stewards of the public purse. That means they should try, as much as is humanly possible, to treat our money as if it were their own.

Allen County public officials could not make the hard and demanding decisions necessary to protect the public purse when in doing so their public personas would be compromised. Indeed, losing \$930,000 of

| CITY OF FORT WAYNE<br>Plaza Parking Garage<br>Financial Performance 2002 - 2005 |           |         |           |           |                   |
|---|-----------|---------|-----------|-----------|-------------------|
|   | 2002      | 2003    | 2004      | 2005      | Cumulative Totals |
| Receipts  |           |         |           |           |                   |
| Parking receipts  | 480,108   | 551,057 | 502,838   | 446,866   | 1,980,869         |
| Other receipts  | 4,465     | 1,731   | 1,401     | 1,031     | 8,628             |
| Total receipts  | 484,573   | 552,788 | 504,239   | 447,897   | 1,989,497         |
| Operating Expenses  |           |         |           |           |                   |
| Housekeeping  | 2,114     | 1,250   | 4,395     | 3,757     | 11,516            |
| Electrical  | 1,412     | 2,095   | 1,296     | 2,252     | 7,055             |
| Parking/Garage equipment  | 59,848    | 25,290  | 24,485    | 24,888    | 134,511           |
| HVAC  | 760       | 713     | 158       | 198       | 1,829             |
| Elevator expenses   | 1,325     | 3,836   | 1,685     | 2,137     | 8,983             |
| Building and general expense  | 163,040   | 63,812  | 45,083    | 7,847     | 279,782           |
| Security and life safety  | 2,850     | 9,468   | 2,394     | 1,371     | 16,083            |
| Exterior common area maintenance  | 56,810    | 51,921  | 53,922    | 63,426    | 226,079           |
| Administrative expense  | 135,860   | 134,285 | 123,708   | 118,651   | 512,504           |
| Utilities   | 50,675    | 52,701  | 59,149    | 59,080    | 221,605           |
| Insurance   | 13,873    | 18,159  | 17,732    | 18,671    | 68,435            |
| Payment to owner  | 669,435   | 173,779 | 291,457   | 296,496   | 1,431,167         |
| Total Expenses  | 1,158,002 | 537,309 | 625,464   | 598,774   | 2,919,549         |
| Net Gain (Loss)   | (673,429) | 15,479  | (121,225) | (150,877) | (930,052)         |

public funds was not overly important as long as the officials were not exposed, no personal blame was assigned and jobs or elections were not endangered.

## A Brewing Storm

The city of Fort Wayne has an operating budget of about \$200 million. The garage's operation consumes less than \$600,000. The instructive thing, however, is that all the political, legal, administrative and financial woes that have plagued this micro-mini operation are most likely virulent in all the other aspects of the city's "business."

For example, if officials readily admit to the loss of \$10,000 monthly on parking cars, it is not hard to predict that management of a multi-million dollar convention center would exceed their bureaucratic level of competence. Or that picking sites for baseball stadiums pushes their envelope. How about developing shopping centers, taking over liquor stores, revitalizing downtown or a dozen other business projects attempted in the last decade?

And Fort Wayne's plate is full with new projects:

- The new Grand Wayne Center (cost: \$32 million in improvements alone) is in its first year of operation. The real cost cannot be generally known because so much is buried in planning and administrative budgets of the city and not allocated directly to the project. The bonding, for instance, is funded through

*The instructive thing is that all the political, legal, administrative and financial woes that have plagued this micro-mini operation, the city-county garage, are most likely virulent in all other aspects of the city's "business."*

## FIGHTING CITY HALL

*The cost of Allen County's library improvements will be \$82 million, making it one of the best for its size in the country. Taxpayers should hope that electronic data exchange via Internet is only a fad.*

the Fort Wayne Redevelopment Authority in a contorted financing arrangement, one not reflected as a civil city liability although it very much is a taxpayer liability.

The convention center is said to need an accompanying hotel (cost: \$57 million) to be successful. That is so even though present downtown hotels run about half empty. In addition, there has been a virtual building frenzy of hotels and motels in the suburban areas of Fort Wayne creating a glut of available rental rooms there.

Even the city's hotel consulting firm, concedes that the project is impossible without the infusion of taxpayer money.

- A proposed baseball stadium to replace the old stadium (built in 1996) has been widely endorsed by politicians, journalists and certain business leaders. Yet, it has been met with considerable public opposition (cost: from \$20 million to \$40 million). A convincing case has yet to be made that private business interests will invest near baseball parks.

- The new Allen County Public Library is really a beauty. Taxpayers, per capita, are paying for one of the largest and best in the country (cost: \$82 million for the main structure and the branches). One can

only hope that electronic data exchange via Internet is only a fad.

- Wendy Robinson, superintendent of the Fort Wayne Community School Corporation, has announced that the schools are in need of refurbishing (cost: \$250 million to as high as \$500 million). Moreover, a \$400,000 study has been commissioned to "provide political cover," in the superintendent's words.

- The mayor recently proposed a new fund to pay for police and fire pensions, which most taxpayers assumed were already being funded. There turns out to be an unfunded liability of \$214 million, which, by law, cannot be funded by increasing taxes, a real problem for a politician. Start ringing it up.

On top of all of this, the federal government has mandated \$200 million in new infrastructure improvements that, although an ongoing project, will continue for several more years. Taxpayers would have been wrong, of course, to assume that their dollars were prioritized maintaining things like sewers and streets.

There are 502,141 people residing in the Fort Wayne metropolitan area, making up 83,333 households. The total cost of projects completed or in the planning stage will be at least \$850 million and could be as high as \$1.2 billion. That comes to \$10,200 per household.

It is impossible to know how many new jobs were diverted or new households discouraged because of that additional tax burden. These are what economists call "unseen costs." It is inarguable, however, that productive businesses and talented individuals have been fleeing for some time now.

If the city wants to run itself as a business, it might start by trying to figure out what it is doing to exacerbate that movement.

### Endnotes

1. Operating statements were made available by Pat Roller, the Fort Wayne controller, in answer to a Feb. 2, 2006, letter from the foundation.

### Something Else They Forgot to Ask the Colts . . .

Consultants' impact studies usually ignore the fact that spending on a sports event is likely to be spending that is diverted from some other use in the local economy. The \$300 Dad and Junior spend on the football game is \$300 they do not spend at the Indianapolis 500, or \$300 they do not spend at a local go-cart track over the course of a year.

If much of the direct spending on a professional sports event comes from local or even regional residents, it must decrease other spending in the local economy. Declines in the incomes of owners and workers at the go-cart track also multiply through the economy and mitigate the alleged impact of the professional sports team.

There is another flaw: The studies act as if sports franchise revenue becomes income to local residents. They ignore that most of the ticket revenues go to player salaries. Most players are in high federal tax brackets, implying much (around 40 percent) of the ticket revenue ends up in federal coffers, and not as new income to local residents. Moreover, most players have high rates of savings. And one more thing: Many of the players, coaches and owners live outside the immediate region or spend a large part of their income outside the region (income, lest we forget, that began as local cash in local ticket-holders' pockets).

In sum, it is hard to see how diverting public money or resources to the Colts could stimulate economic growth solely on the basis of an alleged impact on local spending. As a practical matter, the 'leakage' from the players' salaries mitigates any multiplier effect that proponents claim leads to local economic growth.

The mayor, then, should have a single question tacked to his wall as he considers each negotiating point: 'Assuming the money were used differently, would Indianapolis benefit as much or more than if it were spent enhancing the professional football environment?'





### DIARY OF A DULY ELECTED TROUBLEMAKER

*How one councilman  
learned not to play the game*

*Republican Councilman Ryan Cummins of heavily Democratic Terre Haute is not so much an example of fighting city hall as he is a standard—a duly elected troublemaker. Cummins first won office in the late 1990s running against a captain in the powerful city fire department. He won re-election against the popular past chairman of the Vigo County Democratic Party. He has amassed what may be a record in the number of solitary losing votes. Important to the context of this discussion, Cummins is a businessman. He can be depended upon to hold to account the promises of his fellow councilmen to “run government as a business.” Cummins’ letters as a councilman are heartening both in their clarity and in their perseverance.*

by RYAN CUMMINS

I begin this diary with an excerpt from the first letter I sent as a member of the Council. It was written to an influential member of the community. He was representing an upscale neighborhood in my district that had threatened to oppose

annexation if the (then) mayor did not promise them a number of special deals in return for not opposing the annexation. That mayor lost the election, the one in which I was first elected. After I took office, he approached me and demanded that I follow up on the promises and get them their deal.

His position was that: 1) The city agreed to plant trees on the lots along the highway bordering their subdivision; 2) their residents be granted exclusive access to a neighboring city park that no one else would be allowed to use and a special gate be installed for that purpose; 3) the city install and pay for an irrigation system in the common areas of their subdivision; 4) the city pay the water bill for this system forever; and 5) the city give their street priority in repairs, snow removal and street cleaning. There were a few other stipulations, all involving special treatment or expense by the city exclusively for the residents of this subdivision.

It was clear that it was a back-room deal made by the previous mayor to buy votes. It apparently wasn't enough, and that mayor

*It was clear that it was a back-room deal made by the previous mayor to buy votes. It apparently wasn't enough, and that mayor lost the election.*



*Ryan Cummins, a founding member, operates a family business in Terre Haute and represents his neighbors on the city council. He is a former artillery officer in the U.S. Marines. Nothing written here is to be construed as reflecting the views of the Indiana Policy Review Foundation or as an attempt to aid or hinder the passage of any bill before the legislature or to further any political campaign.*

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## FIGHTING CITY HALL

*The point I was trying to make was to establish an objective standard of performance with which to compare any increases in compensation for city employees. The reaction was surprising to me; I would describe it as kind of a stunned silence.*

lost the election. I told him “no.” The only reply I received was through the grapevine, i.e., I didn’t understand how the game was played and I would either learn or be a one-term councilman.

Assuming obligations and in effect asking other taxpayers of the city to pay for the water to irrigate your subdivision common areas, pay for the lights, private park access and other special practices asked for in the document, I believe is improper and I will not support it. I assume that you will disagree with me on this point of view. Should the subdivision’s homeowners’ association wish to write an ordinance putting this agreement into effect, I will sign that ordinance. This would give those residents who believe that this is the proper course of action the opportunity to have their opinions heard before the City Council as a whole. I must be frank with you and tell you that I would vote against such an ordinance.

THIS NEXT was written in my third year on the Council and I had experienced two rounds of salary ordinances for police and firefighters. Everybody was focused on the police officers and firefighters. No one was taking into account the folks who paid the taxes that paid the wages and benefits. Each year, we just kind of pulled a figure out of the air and used it as the increase in compensation. The increases in the first two years were averaging about 10 percent, well above the published rate of increase in the rate of inflation.

The point I was trying to make was to establish an objective standard of performance with which to compare any increases in compensation. Since the profit motive and the limits imposed by it on the private sector, to a great extent, don’t exist in the public sector, I offered this as a better way to arrive at compensation levels. I felt it would remove the emotion from the process and take into account all parties, namely the employee, the administration, elected Council members and, most importantly, the taxpayers.

The reaction was surprising to me; I would describe it as kind of a stunned silence. The vote on the salary ordinance in 2002 was eight to one. The vote on the salary ordinance each subsequent year so far has been about the same, either eight to one or seven to two. I think a lot of people read

the letter but found it was so much at odds with the way it had always been done in Terre Haute that they really weren’t sure what to make of it.

It is important to determine whether our current level of police and firefighter compensation is adequate. Is our wage and benefit package enough to attract and retain qualified persons? Clearly the answer is yes. For example, the last round of hiring in the Terre Haute Fire Department resulted in nine qualified applicants for each available opening. That is a good pool to choose from, and this would indicate that our remuneration package is competitive. Experienced personnel are not leaving the departments for greener pastures, denoting continued competitiveness. An approach that pegs compensation to the rate of inflation (applied to the total compensation package) ensures that these wages or benefits remain competitive. At such time that the quality of new recruits becomes unacceptable or veterans are leaving in unacceptable numbers, then there is justification on increasing pay at a higher rate.

FOLLOWING is an excerpt from a letter to the editor sent several months later. At the time, the whole idea of actually turning down an economic-development incentive seemed crazy to most people. The state legislature had passed legislation that would sunset the inventory tax (the primary revenue source for an Urban Enterprise Zone (UEZ) so there was a lot of discussion going on about how to fund a UEZ in the future. I was trying to get folks to think differently and consider why we should not even have these schemes.

This letter would lead, I believe, to the point and counterpoint letters between the then head of the city department of redevelopment, the primary government bureaucracy that advocated the incentives, and me. In what I think is a unique situation in Indiana, the city of Terre Haute has terminated its UEZ. While I would like to believe it is due to my arguments, all the reasons remain to be seen. Either way, it was a rare victory for the taxpayers of the city.

Much has been said on the use of incentives to spur economic activity. Specifically, the use of tax abatement, tax increment financing (TIF) districts and urban enterprise-zone legislation (UEZ). It is ironic that all these incentives feature reduced or redirected tax dollars

— the same thing I seek. The difference, however, is that I seek this for all taxpayers. If we are talking about jobs, do we value an industrial job more than a paralegal, restaurant manager, salesperson, insurance agent, farmer or other worker?

Is one employer with 1,000 jobs more desirable than 20 with 50 jobs or 200 with five jobs? If an elected official thinks that saying no to a tax incentive would be hard, wait until they tackle a budget to wring out a significantly lower tax levy. That is the real heavy lifting, that is where the debate will become emotionally charged, where the rhetoric flies. And it is there that a completely different approach to our local government would have had to have taken place. If you want true opportunity in the future for every member of our community, that is where it must start.

AT A MEETING of the City Council in April 2003, there was a resolution seeking a tax abatement for a large company with a factory in Terre Haute. The following excerpted letter was written to an attorney who has been an acquaintance for a number of years.

He is a man proud of his intelligence but he didn't feel he won the debate with me on the subject. This didn't sit too well with the attorney, so he sat down and wrote a fairly lengthy letter in rebuttal to my arguments. The excerpt below was part of my response. In writing it, I was trying to be brief but clear as to what his point was and my response to that point. I did so because I sent it to a few other people and wanted them to understand what I was saying in response, even if they hadn't seen his original letter.

I was told that he was advised that he had violated the cardinal rule when dealing with me on this or any other issues. That rule was to ignore what I was saying because I was going to lose the vote anyway so why give me more legitimacy for my position. The idea is to avoid an argument with me in the first place.

He did not respond to my request for support in either rewriting the ordinance or in the bigger project of pursuing a lower revenue demand from the city.

You touched on the one argument posed at the Council that was completely true; that is, can we afford not to grant abatements (and possibly lose an existing or potential employer) when everyone else is granting them? You asked, "Can

we afford not to pursue a path that could produce glowing results?"

I do not seek praise, only to fulfill my responsibility. Would I be willing to risk critical fallout in the end rather than praise for having eliminated abatements, especially if proof surfaces later that abatements are not successful economic developers?

I will answer with a summary of research from the Indiana Policy Review Foundation: Governments picking winners and losers is a discredited concept of economic development.

*The rule was to ignore what I was saying because I was going to lose the vote anyway so why give me more legitimacy for my position.*

### The Skate Park: A Lesson in Private Property

Thank you for your kind note regarding my presentation. I read yours and all the other comments that were forwarded to me by your teacher. You and your classmates have the good fortune to be in a class taught by a teacher of her caliber. Make sure you take advantage of the opportunity.

I wanted to write this letter to say thanks for your question concerning the skate park. It is not often that I get the chance to discuss something that is interesting to young men and women but also affords the occasion to illustrate an even more important point. So let me begin. I understand that you and many of your friends find skateboarding and skating to be a fun and enjoyable way to spend your time. I also understand that many property owners dislike the markings and outright damage done to their property when you conduct your activities.

I include public property in this statement because someone, namely all of us, owns it. So here we have a dilemma, you (and many others) wish to participate in this activity while others take steps to prevent you from doing so. What your friends see as an aggravating unfair situation is, in reality, an exceptional opportunity for someone. There is absolutely no reason that the someone could not be you.

If you ever have the good fortune to study the free-market system we enjoy in this country, you will quickly see that it is simply example after example of people turning problems into opportunities. John D. Rockefeller did it with Standard Oil, Sam Walton did it with Wal-Mart, Herman Hulman did it with Hulman & Co., and you could do it with Skate-O-Rama.

But Councilman Cummins, I'd rather see the city build this skate park and run it, you say. Travis, please, you and your friends are falling into the trap that more and more Americans seem to be falling into and that is this: If I need something, whatever it might be, I'll turn to the government to provide it.

There is a better way. A way to provide everything you want, everything you need, efficiently, quickly, exactly how people want it. It goes by many names, the free market, capitalism, free-enterprise system, and others. Adam Smith, in 1776, aptly named it the "invisible hand." I urge you and your classmates to spend some time this summer reading his book, "The Wealth of Nations." Take my word that it is not as boring as it sounds. I have also enclosed a small booklet that explains the wonders of this free market system titled "I, Pencil."

If after reading my letter and the enclosed booklet you still believe that the best course of action is to have the city build it and run it, I would urge you pursue that course of action. Perhaps we will talk again in that quest. — *Councilman Cummins to a high school skateboarder*

## FIGHTING CITY HALL

*I have struggled over the last two and a half years to understand this tool and what the implications of granting a tax abatement or denying a tax abatement (something, incidentally, we have never actually done).*

The best business climate is one in which government sticks to what it can and should do, at the lowest possible cost and creates a level field for private enterprise. Government has nothing to give that it hasn't already taken away from someone else.

OF ALL THE WORDS I have written, I have always hoped that this letter, excerpted in the box on the previous page, made an impact. I do not know if it did. A local teacher who worked in my nursery part time asked me to come and speak to her high school class. She taught a careers class, which was supposed to explore options for students after high school. She was exasperated that nearly all her students talked about becoming sports stars, actresses, singers, etc. The common thread was to become rich and famous at a young age and then live the good life.

She asked me to come and talk about being in the military, owning my own business and about being a politician. There were really no rules, the students could ask me anything and I promised to answer, no matter what. There were a lot of silly, meaningless questions ("What's your favorite song?"), questions they thought were silly but had a serious answer ("Since you own the business, do you enjoy firing people?"), and an occasional good one. This letter is in response to one of the good ones.

The topic of a city-owned skate park came up. One of the young men in the class was involved in lobbying the city to build and operate a skate park. At that point, the city had committed, over my objections, to put funds toward it in our budget and work toward setting one up. The student asked if I supported the establishment of this facility. I stated that I unequivocally opposed such an action taken by the city. That answer was not at all what he or several of the students expected. It set off one of the best discussions I have had in all the talks I have given. Since he was the most vocal and the most involved, I took some time to put down my reasoning on paper and send it to him.

I was told by the teacher that he was excited that I sent him the letter and it was discussed in the class and, she believed, informally among the students. I never heard back from him, and the city continues to

budget additional funds to design and build a municipally owned skate park, always on an eight to one vote.

THIS NEXT was the first short letter, excerpted here, that I sent to my City Council colleagues as I came to a clearer understanding of the effects of Ecodevo incentives as we used them within the framework of our property-tax system. I attached paper copies of the IPR article "Do Tax Abatements Create Jobs?" and another one from Dr. Bohanon and some research from the Mackinac Center.

Those on the Council, local attorneys who carried abatement petitions, the local chamber of commerce and a few others may rue the day I sent this. It marked the beginning of my attempts to persuade them to consider another course of action, which I continue to this day. As far as I know, an incentive involving other people's money has never been turned down or even received a "no" vote up to this point.

The city of Terre Haute in general and the City Council in particular have wrestled with the use of tax abatements for quite some time. Since this Council took office in January of 2000, we have approved a number of tax abatements worth millions of dollars in the hopes of improving the economic activity of our community. It is time to take a closer look at this form of incentive and decide whether this is a course of action that serves the taxpayers' best interests. I have struggled over the last two and a half years to understand this tool and what the implications of granting a tax abatement or denying a tax abatement (something, incidentally, we have never actually done). There are some fundamental truths about tax abatements as they are constructed that we should keep in mind. Those are as follows:

- Regardless of whether a petition for abatement is granted, the amount of money available to the city, county, school corporation or other entity will not go down. The amount of dollars available will remain the same or more likely, rise with the rise in the maximum levy. Granting a tax abatement does not cause the maximum levy (total dollars allowed to be collected by a taxing entity) to decrease.
- Considering the fact that the city and most other taxing entities have, for decades, increased the maximum limit allowed by law, then granting a tax abatement almost always results in higher taxes for existing taxpayers. The best that existing taxpayers can hope for when looking at an abatement is that their taxes will stay



the same. Granting an abatement lowers the total assessed valuation, meaning a same or higher tax rate (dollars paid per \$100 of assessed valuation) to achieve a maximum levy.

THE LETTER excerpted in the box below right was published in the local paper. I wrote it the day after a City Council meeting where we took up an additional appropriation that funded the expansion of city bus service into the county.

At the City Council meeting, the administration lined up several people, some of whom were disabled, to come to the microphone and give testimony about their difficulty in getting to their destinations "just because they didn't live in the city." I was pretty aggravated at the silliness of the arguments that were being accepted by those present.

I asked each person who spoke why he or she didn't just move into the city where the busses currently run. One of the answers was particularly illuminating. The citizen said he didn't want to do that because taxes were too high inside the city limits. I then explained that one of the reasons that the taxes were high was because of the subsidy paid to the bus service and expanding it would contribute to making city taxation even higher. He answered, "Then I definitely don't want to move into the city."

It was at that point that the newly elected mayor came to the microphone and chastised me for not realizing that public transit was vital to any city that wanted to be considered progressive, upscale and growth-oriented. Those seemed to be the words to energize the City Council and the appropriation passed eight to one.

This letter to the editor generated a fair amount of feedback. Most were happy that I was willing to "tell it like it is" and disregard the nonsense. While that was heartening, we still have empty busses driving around the city and county and our losses are higher than ever. Progress can look mighty strange here in Terre Haute.

THIS is a letter, excerpted, that I sent to a gentlemen who is a good friend of my youngest brother. He is in the commercial lending department of a local bank. I had been invited, along with another Council member, to attend the dinner meeting of the

local union construction industry. It was a combination of union members and union contractors. The person to whom I wrote the letter was there representing his bank. The question he asked was prompted by my answers as they related to the proper function of government. It was one I have gotten several times, that is, "If we don't pursue this government largess, some other city will and we will be left with nothing; how do you justify that?"

You asked, "Why shouldn't we try to take advantage of the tax dollars that are offered for a particular project, in this case, the Terre Haute House. If we don't, they will just go on down the road

*I see the route to prosperity and opportunity for my children, and by default, yours, by seeking practical steps to limit what we do as either local or state government.*

### Mass Transportation: Continuing the Insanity

I'm not sure where I heard it first but it is a common cliché, 'The definition of insanity is doing the same thing over and over again, but expecting a different result.' It comes to mind often as I debate issues and ideas within city government.

If there is any message from the voters of Terre Haute that one might glean from the last three city elections, it is that the voters want change. They have thrown out three mayors in a row and almost completely changed the members of the city council. Apparently, they didn't like the way things were going and the decisions being made.

The message I got, loud and clear, was that the citizens desired to see new ideas, new approaches to solving our problems, new initiative in dealing with all the obstacles in reaching our potential as a community. If there is a problem, say animal control, don't just hire more government workers to deal with it; try new and different approaches that are more effective and efficient. If there is a possible new business opportunity, don't just give it a break and charge the rest of us for that break; find an incentive that helps it and all others. If there is a need identified, don't just expand an existing, inefficient bureaucracy; find an innovative solution that meets that need and keeps the taxpayers in mind.

So far, in the first 60-some days of this new City Council and administration, it appears that the status quo is as firmly entrenched as ever. Nothing appears to have changed.

So what's going on here? Many might say that if someone lives far afield in the county, he or she should just move into the city if there is a problem with transportation. Others might say if this need actually exists, wouldn't some sharp entrepreneur fill the need at a profit? At the very least, many think, shouldn't the county, not the city, find the least costly (to the taxpayers) method of addressing the need?

Well, what's going on here has nothing, absolutely nothing to do with dealing with any supposed transportation problems. What is going on here is all about justifying employment of bus drivers, support staff, transportation planners, preventing a reduction in government employment and gathering the political power that goes along with this. What is going on here has everything to do with money (other people's local, state and federal money) and the power that goes along with it. Citing some supposed 'need' is simply a means to an end, that end being control of your money. — *Councilman Cummins writing to the editor of the Terre Haute Tribune*

## FIGHTING CITY HALL

*The amendment (to relax the licensing of tradesmen) failed, seven to two. Mr. Kimbler, the petitioner, downsized his business, reduced his number of employees, and the people of Terre Haute still believe their government only acts in their best interests.*

to some other city in Indiana, or the U.S., depending on the source of the dollars." It is certainly a reasonable assumption, that we might as well take advantage of the money before it goes to somewhere else for their "great idea."

As I tried to make clear, I see the route to prosperity and opportunity for my children, and by default, yours, by seeking practical steps to limit what we do as either local or state government. When we do not do this, the burden you and I bear is substantially higher, in both direct and indirect costs, than we can even calculate.

Think of it this way. Assume the costs of a government providing only the things that it both could and should do meant that your burden was \$1,000 per year. Because of all the things it now does, one example being "economic development and downtown revitalization," your burden is now \$3,000 per year. They offer to give you back, or rather the chosen project in your town, \$50 of your money to accomplish this "downtown revitalization." After the ribbons are cut and the pictures are published in the local paper, you are still out \$2,950 that has gone on to pay for some other city's great idea for downtown revitalization. It must be this way because of the promise of the \$50, your local and state elected officials must promise to give away the other \$2,950 of your money, to someone else. Are you OK with this?

### Discouraging the Horticultural Faction

My concern and frustration begins when the discussion turns to the subject of 'price-gouging' with respect to fuel prices. I was surprised that the words were even used. It is odd to me, in a free-market system, that people even entertain the notion that 'gouging' exists in the pricing of any commodity, be it trees or gasoline.

That may seem to be a strange claim, given the public opinion nowadays, but I ask that readers of this publication think of it from another view, a more horticultural view if you will. Let me explain.

Let's paint a picture that, while unlikely, is possible for Indiana nursery professionals. Let's say that an earthquake hit the area of the New Madrid fault. This earthquake's shock waves moved east and west, damaging roads and bridges and making shipment from south of the Ohio river to the north virtually impossible. At the same time, a new exotic pest and disease is identified in Michigan, Ohio and Illinois, causing an immediate quarantine of all nursery stock from these states. Both the earthquake damage and the quarantines will take from 12 to 24 months to be resolved.

What would happen to the profits of Indiana nursery producers? Well, their property taxes, insurance and other fixed costs wouldn't change. Labor costs may go up some as the efforts to bring the material to market were increased, but it would not go up that much. In short, their profits would soar. Some, those uninformed on the risks taken every day by Hoosier nursery growers, would even call them 'windfall' profits. —*Cummins' letter to the Indiana Nursery and Landscape Association*

THE THOUGHTS in the box below left are taken from a letter that I wrote in response to an article in the trade magazine for the Indiana Nursery and Landscape Association, of which I was president back in 1996. The article was about fuel prices and what nursery owners, landscapers and such were doing about them.

A couple of the nursery folks interviewed brought up the subject of "price-gouging" and the typical let's-sic-the-government-on-them argument. Another talked about seeking legislation to exempt horticulture from paying fuel taxes.

HERE IS an e-mail sent prior to our vote on amending a local ordinance dealing with licensing of contractors. We had established this ordinance about a year prior (that vote was eight to one). Suddenly, a local businessman, in business for over 15 years with lots of satisfied customers, was given an ultimatum by code enforcers to stop working in the city because he wasn't licensed. He did not have a license because he would not pay the large amount of money and time required to get the "proper" training. The owner of Kimbler Heating and Cooling correctly stated that he had significant training, both formal and on the job, and his customers were satisfied with his work. I wholeheartedly agreed and another member of the Council sponsored an amendment to the licensing ordinance to fix this problem.

There was significant debate, with the administration and the unions on one side; myself, Mr. Kimbler and one other Council member on the other side. For clarification, Burke Spring is a vehicle repair business partly owned by the current mayor.

The amendment failed, seven to two. Mr. Kimbler has downsized his business, reducing his number of employees, and the people of Terre Haute still believe their government only acts in their best interests.

My position is little more than common sense. A fellow councilman makes the point very well when he reminds us that the issue will be resolved by the consensus of the majority. The problem with that is that this consensus of the majority is a baby step away from the tyranny of the majority. Continuing with the councilman's example, what if the city (by majority vote of the City Council, upon presentation of

an ordinance by code enforcers) decided to license vehicle repair?

After all, poorly done vehicle repairs clearly threaten the lives of innocent Terre Haute citizens. Burke Spring may find itself with the “wrong” training, the “wrong” trade-association certification and would face the same threats to their livelihoods and property as Mr. Kimbler. It’s not majority vote that makes something like this OK or not, it is only the rightful functioning of a limited government protecting property rights that authorizes such action.

**L**AST SPRING there was an attempt by an outdoor sign company to craft an ordinance stringently regulating billboards. It was actually a blatant attempt to prevent a competitor from putting up new boards. After three public meetings and debate, the attempt died out. I would take some credit for that.

About a month later, the Council members received an e-mail from a lady who was unhappy about people being allowed to put up signs on their property, with no oversight or regulation by the city. She was suggesting that we take up the “problem.” My response to her is the other part of this forward. (By the way, I am the son of the owner whose job it was to paint those signs.)

Most of my response is taken up with examples that are strictly Terre Haute-related. The last full paragraph might be the best to use here. I was trying to give her a positive reason why her power in the free market was much better and more effective than government regulations. I am happy to say that none of my colleagues took her up on her attempt to get the regulation ball rolling.

I would offer you a concrete example of the economic value of “ugly” signs. There is a firm on South Third Street that for over 20 years used hand-painted signs on rickety wood frames out in front of their business. Sometimes the son of the owner, who made most of the signs, did a mediocre job on them and they weren’t too pretty. Occasionally the words were misspelled, uneven, oddly abbreviated, torn, etc. The signs did their job, though, and the owner saved the money he made from the business the signs generated. In 1985, a new store was built, paid for with the money saved by the owner. Employment at the business rose from 10 or 12 people to over 50 people today.

They installed a great big sign to replace the rickety wood frames with hand-painted signs. The great big sign might be considered a “blight” in itself but I can assure you, the owner constantly talks with customers who stopped in because of what was on the sign. It is those customers stopping in that keeps these 50 people employed. I ask you to consider this true story before advocating regulations that would certainly bring a host of unintended consequences with them.

**F**INALLY, the letter in the box below was written to an opposing councilman with complete seriousness as a counter to the majority’s proposal for a new publicly funded safety academy. Unfortunately for Terre Haute, it was not taken seriously. Q

*The owner of an “ugly” sign constantly talks with customers who stopped in because of what was on the sign. It is those customers stopping in that keeps these 50 people employed.*

### An Ultimate Proposal

**I** wanted to take a moment to offer a slightly different point of view on establishing a public safety training academy. I would make it clear that the idea of establishing such a facility is as good an idea as I have heard in a while. It is an opportunity that should be pursued vigorously.

A fellow councilman mentioned writing a business plan with more detail in order to demonstrate the validity of your concept. He is correct except not exactly in the way he might have meant. You already have the hardest parts of a good business plan done.

Your experience in public safety, both police and fire, give you the background that is vital to begin the process. You have determined that a need exists for this training, especially closer to Terre Haute, western Indiana and eastern Illinois. You have a pretty good idea of who the customers might be. You have a good handle on what those customers will demand for their training dollars. You know how to provide for their needs. You know what their alternatives are for receiving this training. You know who your competition is and what they can offer. You know where a facility like this might be, how big it should be, how it should be equipped. You know how you might expand it in the future.

In short, you have a nearly complete business plan right now. And having this in hand is what opens this door of opportunity for you. It is a classic case of an entrepreneur (Norm Loudermilk) recognizing a need, determining how to meet it, setting about doing just that, and in the process, creating profits for himself and a real future for his family. It is the free market operating as it should, presenting something to you that comes along only a very few times in one’s life. The city should not own and operate such a facility. You should be the owner and operator of the proposed Wabash Valley Public Safety Training Academy.

Norm, I see nothing but good with this. It represents real economic development; the establishment of a new business, employing professionals, paying taxes, creating wealth, providing a true boost to our community and doing it in the framework of the free, voluntary exchange of the market.

*Entrepreneurially yours,  
Ryan Cummins*

## NEW SCHOOL CONSTRUCTION COSTS REMAIN HIGH

*An Indiana court orders the Legislature  
to review the remonstrance process*

*In 2004, the cost of new  
school construction in  
Indiana was 48 percent  
higher than the national  
average. Last year, it was  
40 percent higher than  
the national average.*

— Neal

by ANDREA NEAL

Indiana school districts, known for their Taj Mahal tastes in construction and expansion projects, are finally starting to rein in out-of-control spending.

That's the good news reported recently by Gov. Mitch Daniels. "The trend lines are very positive," he said, "and I think credit should be given to the local school administrators who are helping make that true."

Here's the bad news: "Indiana is still building much bigger and much more expensive schools and additions than elsewhere," Daniels said in releasing a building cost analysis done by the Department of Local Government Finance.

The report compared the size and cost of school projects in 2004 and 2005 with national averages and assessed the impact on taxpayers of new cost-per-square-foot guidelines implemented by the state.

Among the findings:

- In 2004, the cost of new school construction in Indiana was 48 percent higher than the national average. Last year, it was 40 percent higher than the national average.

- In 2004, new school buildings were on average 43 percent larger than

the national average. In 2005, they were 39 percent larger.

- Indiana school districts requested more for construction in 2005 — \$1.3 billion worth of projects approved — compared with \$618 million in 2004. Even so, taxpayers saved \$90 million due to project changes requested by the Department of Local Government Finance.

If the progress sounds modest, it should be, said state Sen. Luke Kenley, R-Noblesville, chair of the Tax and Fiscal Policy Committee: "You don't want to turn the faucet off and cut off education from having the things they do need," Kenley said. "This is an incremental approach to getting this under control. Some people say we should just shut the door. No. Almost one million students are affected."

That's not to say lawmakers won't push for more aggressive controls on construction spending in the future. An Aug. 24 Indiana Court of Appeals ruling guarantees the 2007 legislature will review the petition and remonstrance process that allows taxpayers to try to halt spending projects they deem unnecessary or wasteful.

As it works now, both supporters and opponents of a school bond have a chance



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to gather signatures from like-minded property owners; the side that collects the most names wins. Since 1995, school districts have proposed 78 bond issues, with 40 winning approval and 38 failing to pass. But the appeals court said the process is unconstitutional because it permits only property owners to take part.

The court said the remonstrance process is essentially an election or referendum on school spending so all voters — renters included — must have a voice. The judges gave lawmakers until the next session to fix the law before its ruling takes effect.

Critics of the current system say the school boards that support and vote for construction projects in the first place have an advantage gathering signatures. For that reason, some legislators have suggested that school bonds go before all property taxpayers for an up-or-down vote.

Kenley said a more viable suggestion is that a referendum take place whenever a bond issue exceeds a certain amount — say \$10 million — and some minimum number of remonstrators object.

No matter what the legislature does, school districts need to continue to downscale projects and seek out less expensive designs and materials. In 2004 and 2005, schools spent nearly 20 percent of all construction dollars on soft costs (architect, financing and consultant fees) rather than actual building construction. They should be encouraged to cut soft costs by using standardized building designs rather than insisting on one-of-a-kind architectural gems.

For every dollar in property taxes paid by Hoosiers last year, 54 cents went to schools and almost 11 cents of that went just for construction debt. Debt service eats up more property tax revenue than townships and libraries combined. Sadly, there's no relationship between debt

service and student achievement. Just recently we learned that Indiana students' SAT scores, already below the national average, dropped rather steeply. Were it otherwise, a case just might be made for continued extravagance. (Sept. 5)

## Time to Privatize The License Branches

If privatization makes sense for the Toll Road, why not the license branches? It's a question Indiana should ask in light of the events of the past few weeks. Despite best intentions, the Bureau of Motor Vehicles (BMV) has failed to overcome chronic customer service complaints. A \$34 million computer upgrade, in the works for six years, went so badly that Gov. Mitch Daniels had to apologize to motorists and ordered reimbursement of certain late fees. In years

For every dollar in property taxes paid by Hoosiers last year, 54 cents went to schools and almost 11 cents of that went just for construction debt. Debt service eats up more property tax revenue than townships and libraries combined.

— Neal

## What's the Statehouse Been Doing for 14 Years?

*In 1992, the foundation commissioned a study of Indiana school construction costs. The conclusion of "Does Indiana Have a Taj Mahal Complex," reprinted below, warned of specific problems needing correction if lawmakers were to avoid a financial crisis in public education.*

Evidence is overwhelming that Indiana engages in far more major school construction than other Midwestern states. In the 1987-93 period, Indiana had 11 percent of the school children but started 35 percent of high school, middle and elementary school projects costing in excess of \$10 million. There is also persuasive evidence that Indiana's cost per square foot is higher than most other states.

Indiana's system for authorizing school construction encourages building, and building rather expensively. Alternative explanations to the "system" for Indiana's love affair with school bricks and mortar — demographics, school consolidation, etc. — do not stand up under scrutiny.

Within the features of the 'system,' the lack of a front-end constraint on cost during the planning process, either a cap or a referendum, is the chief weakness in the system, although the extreme difficulty of Indiana's remonstrance procedure also contributes.

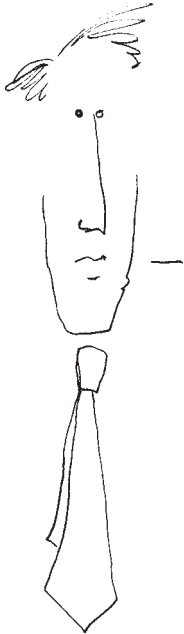
Four remedies were suggested. Two have promise. A "global cap" on how much debt service property taxes may increase due to tax board action in a given year, with a referendum available for projects not "making it," could be workable. Another possibility is to mimic the simultaneous petition-drive remonstrance for general obligation debt.

Facilities spending is done in the name of "the kids," as if lavish bricks and mortar somehow translates into better educational outcomes. It does not. When will Indiana get its priorities straight?

## INDIANA WRITERS GROUP

*"In light of all the (license branch) closings, we ought to be able to have local insurance agents or banks or auto dealerships offer services. Anytime you have what amounts to a monopoly, it is much more difficult to be customer oriented."*

— State Sen. David Ford



*"Every collectivist revolution rides in on a Trojan horse of 'emergency.'"*  
(Herbert Hoover)

gone by, citizens shrugged off such problems as standard bureaucratic bungling. The irony here is that Daniels campaigned on a pledge to make the BMV more business-like, and once in office hired a commissioner from the retail world to bring customer-friendly principles to the car licensing and registration process.

"One can pass it off — these things happen," says Professor Dale L. Varble of Indiana State University. "On the other hand, should it have happened?"

Varble, who teaches marketing management, retailing and marketing research, says it's no easy task to insert customer-service incentives in a non-competitive arena such as the BMV. "In a normal retail environment, the person walking out goes next door to complete the transaction to a competitive retailer," Varble says. "With the Bureau of Motor Vehicles, there is no retailer next door."

But even without external competition, the bureau can create internal goals and incentives and ways of measuring success, Varble says. Currently, for example, the bureau tracks average customer wait times by branch and posts them on its website, giving consumers the chance to "shop elsewhere," at least if they live in an urban area served by multiple branch locations.

Varble's own experience in Terre Haute has been largely favorable in recent years. "It is my perception that they have gotten more user-friendly. I have noticed they must have had training in terms of their employees and relations dealing with customers. It seems like they've improved to me."

That was the intent of Sen. James Merritt, R-Indianapolis, in 1996 when the legislature enacted Senate Bill 1. The law has encouraged BMV transactions by Internet and mail so the branches could concentrate on those things that require a visit, such as getting a new driver's license.

Merritt, who describes the current woes as the result of the botched computer conversion, says he can't tell if the situation has regressed. But he wonders why the

bureau didn't wait to implement the new software system in December when business is slower and fewer customers would have been affected.

Sen. David Ford, R-Hartford City, is convinced that privatization — contracting out license branch services to private businesses — would help. Ford's district lost two license branches as part of a cost-cutting move by Commissioner Joel Silverman. Statewide, 27 branches shut down, drawing the ire of citizens and some lawmakers.

One of those was in Montpelier where an insurance agent, accustomed to getting walk-in business from customers at the nearby branch, suggested to Ford that he could provide license branch services himself.

Senate Bill 361, introduced in the 2006 session, would have required the Bureau of Motor Vehicles to contract with qualified private companies to offer branch services. Under current law, the bureau may privatize branch services, but isn't required to do so. The bill never got a hearing.

"In light of all the closings, we ought to be able to have local insurance agents or banks or auto dealerships offer services," says Ford. "Anytime you have what amounts to a monopoly, it is much more difficult to be customer-oriented."

Merritt says he would support moving forward with privatization, "with the caveat that we have tethers in place that ensure performance of the agency or of the BMV or any other service provider is job No. 1." First, he cautions, the computer issues must be ironed out.

Without privatization, it's unlikely the BMV will improve dramatically. Consider the post office. The federal government has a monopoly on the delivery of first-class mail. Try as it might to become more consumer-oriented, the U.S. Postal Service has over the past 15 years slowed delivery, cut back on mail collection pickups and reduced business deliveries, while continually raising the price of stamps. Congress is discussing an end to Saturday service as a cost-cutting move.

That's not the direction we want to go with our license branches. The services they provide are too important to the daily lives of Hoosiers. (Aug. 9)

## A Lonesome Voice Against Spending

A March 23 report by the Heritage Foundation puts congressional spending trends into terms taxpayers can understand. At current rates of increase, “the budget will require a \$7,000-per-household tax increase” within a decade, says researcher Brian M. Riedl.

Think it can’t happen? Take a look at the language in S Con Res 83, the Senate-passed budget resolution that sets forth spending intentions through 2011. For 2007, the plan calls for \$2.8 trillion in spending and a deficit of \$359 billion. Increases for defense, entitlement programs and Medicare will guarantee rising deficits — and debt — well into the next presidential administration.

These are the kinds of numbers that have prompted Indiana’s Mike Pence to push for congressional budget reform comparable to the 1985 Gramm-Rudman-Hollings Act. That law resulted in automatic budget cuts when congressional spending exceeded income and was one of a handful of successful tools used to protect taxpayers.

As head of the Republican Study Committee (RSC), the conservative caucus of the U.S. House, Pence has taken aim at his own party for spending hikes that exceed anything that occurred during the Clinton era. Under President Bush, federal spending neared \$22,000 per household last year, the highest level since World War II. Overall, spending has increased by 45 percent since 2001.

Earlier this year, Pence unveiled a proposal to balance the budget by 2011 and called on fellow Republicans to renew a vow of fiscal discipline, a pledge he considers responsible for the election of the GOP majority in 1994. The RSC budget would eliminate 150 federal programs and agencies, retain tax cuts passed in 2001 and 2003 and cap Medicare growth at 5.4 percent.

Pence, a former president of this foundation, was the only Hoosier and one of only 16 Republicans to vote earlier against the supplemental spending bill to pay for the War on Terror and Hurricane Katrina relief. For Pence, it was a matter of principle. What had started out as an emergency military appropriation had become, he said, “a fruit basket of spending unrelated to our war

effort.” “With a record deficit and national debt, now is the time for Congress to change the way we spend the people’s money and practice fiscal discipline, even when funding the War on Terror is concerned,” he also said. The bill passed 348-71.

Though part of a small minority on Capitol Hill, Pence is embraced by conservative think tanks concerned about a coming fiscal meltdown.

The Cato Institute this month repeated its call for a budget cap, noting that the government has run deficits in 33 of the past 37 years. “One problem is that current budget procedures stack the deck in favor of program expansion without regard to the burdens imposed on current or future taxpayers,” says Chris Edwards, director of tax policy studies.

Pence’s critics say he and groups like Heritage and Cato oversimplify the issues because of their ideological bias in favor of smaller government. “Mr. Pence has a belief the problem is solely rooted in spending issues. We think it’s a mixture of spending and tax issues,” says Gary Bass, executive director of a liberal watchdog group, OMB Watch. Bass’ organization advocates more efficient government, but opposes tax cuts and other policies that threaten the revenue base.

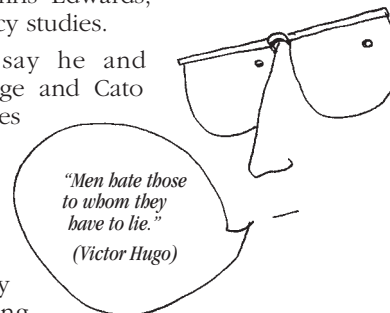
Yet even Bass acknowledges the irony that so much spending has occurred under a president who championed limited government. “There’s no question the hardcore conservatives are frustrated,” he says.

According to Heritage Foundation, from 2001 to 2006, all years in which Bush has enjoyed majorities in both houses of Congress, education spending has risen 137 percent, international affairs spending 111 percent, and health research and regulation spending 78 percent.

Trends involving entitlements, such as Social Security, Medicare and Medicaid, are worse. Unless Congress does something, the cost of these three programs will balloon from 8.4 percent of Gross Domestic Product today to 19 percent by 2050.

*A former president of this foundation was the only Hoosier and one of only 16 Republicans to vote against the supplemental spending bill to pay for the War on Terror and Hurricane Katrina relief.*

— Neal



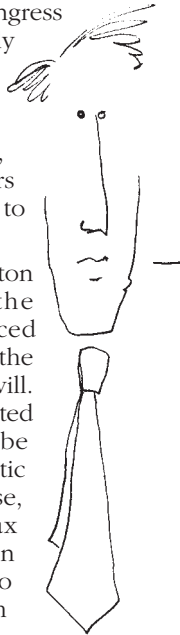
## INDIANA WRITERS GROUP

*Restrictions on land development can impede the ability of the local housing market to meet emerging housing demands and needs. This can reduce the supply of housing in two ways: 1) By creating more regulatory hurdles for developers; and 2) perhaps more importantly, by creating a mismatch between the kind of housing people want.*

—Staley

In an ideal world, Congress would be constitutionally barred from going into debt, as is Indiana. Almost every state imposes some kind of limit on spending, such as requiring voters or legislative majorities to approve deficit spending.

Lawmakers in Washington have never shown the will to enact a balanced budget amendment to the Constitution, and never will. But spending limits suggested by Pence should not be dismissed as some quixotic notion. Unless, of course, we are prepared to tax American households an extra \$7,000 a year, as so many in Congress seem ready and willing to do. (March 29)



as part of its official policy of discouraging urban sprawl.

Most recently, a discussion in Allen County has focused on where such lines are to be drawn. The real issue, though, is the fact that the lines exist at all in a plan that is likely to become policy. That should concern affordable housing advocates and others interested in promoting diverse, dynamic and reasonably priced housing in the Fort Wayne region.

A comprehensive plan is supposed to guide growth in the region. But these “growth buffers” presume knowledge of the local housing market and a level of certainty about what type of housing people will want in the future. It is a presumption that the regional planners simply can’t justify.

Such planning documents, with their emphasis on land use, take a typically supply-side approach to housing development, largely ignoring consumer preferences for different housing types and locations. This will inevitably create mismatches in the housing market and, ultimately, lead to housing price increases.

These plans are rationalized by the goal of reining in urban sprawl. Sprawl is low-density commercial and housing development — big houses on big yards. Some planners also call it “haphazard.” It is a convenient buzzword but one that lacks content and substance for guiding land-use policy.

That is because present land development is not haphazard. People aren’t buying houses randomly without thinking about the quality of the housing, the neighborhood, the commute or access to basic services. Land development is haphazard only in that patterns may not conform to a pre-conceived and perhaps political notion of what development should look like, *i.e.*, the ideal of higher density, smaller yards, physically next to another pre-existing

### Growth Buffers Are Wrong Tool For Indiana Planners

by SAM STALEY

Homebuilders and land developers in Indiana are worried that a new model of comprehensive zoning plan might restrict their ability to provide the best housing at an affordable price. Experience suggests their concerns have merit. (Editors: See Benjamin Lanka’s article, “Homebuilders See Price Hikes in Growth Map,” in the Aug. 7 *Fort Wayne Journal Gazette*.)

The most controversial element of this type of plan is the “urban growth boundaries,” that is, land-use regulations designating certain areas off-limits to new development for a specified period of time.

Bloomington has attempted something of this sort. Portland, Oregon, however, may be the most widely recognized region with a regional growth boundary. Several cities in California have adopted them, and Florida’s statewide growth-management law effectively mandates them



*Samuel R. Staley, Ph.D., adjunct scholar of the foundation, is director of Urban and Land Use Policy for the Reason Foundation. He is co-author with Ted Balaker, of “The Road More Traveled: Why The Congestion Crisis Matters More Than You Think, and What We Can Do About It.” (Rowman and Littlefield, September, 2006), [www.rowmanlittlefield.com/isbn/0742551121](http://www.rowmanlittlefield.com/isbn/0742551121). This essay first appeared in the Fort Wayne Journal Gazette.*



neighborhood (for comparison, think of the older neighborhoods in your community and the newer subdivisions).

The danger is that by restricting land development, planners and the regulatory process impede the ability of the local housing market to meet emerging housing demands and needs. This likely will reduce the supply of housing in your area in two ways: 1) By creating more regulatory hurdles for developers; and perhaps more importantly, 2) by creating a mismatch between the kind of housing people want (large, semi-private yards) and what builders can supply. Again, both effects contribute to higher housing prices down the road and reduce the ability of the local housing market to meet the changing needs of households and families.

Planners and local officials may have legitimate concerns about the pattern and pace of development in Indiana cities. They need to be careful, though, to use the right policy tools that have the least distorting effects on the land market and housing industry.

Growth buffers or urban-growth boundaries are blunt and ineffective instruments for achieving the efficiencies that political groups say they want in their push for a new planning process. (Aug. 9)

## Cheap Shirts, \$4 Gasoline: We Can't Have it Both Ways

by T. NORMAN VAN COTT

It seems as if it were only a few weeks ago that Hoosier opinion-makers were obsessing about Wal-Mart's negative impact on Indiana.

Wal-Mart's offense? Low prices. Wal-Mart's marketing technology, including its access to low-cost foreign suppliers, was chipping away at the Hoosier fabric. Nationally it was the same tune. Indeed, Wal-Mart crisis-mongering saturated the media culture, college classrooms and mainline church pulpits. Pundits, professors and preachers alike intoned about how Wal-Mart was disfiguring America. Secular and sacred merged to decry those "always low prices." Then



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the drumbeat stopped. The stop coincided with concern about rising gasoline prices. The new song was one of high gasoline prices sapping national strength. Whereas Wal-Mart selling cheap Chinese shirts hurt Americans, now it's Exxon selling expensive Arab oil that hurts us.

Is there an alternative interpretation? You bet. It's that our opinion-makers are knee-deep in contradiction. Never mind their seemingly seamless transition between price crises, they can't have it both ways. Either high gasoline prices or low Wal-Mart prices hurt Americans. One or the other, not both.

It means that if high gasoline prices hurt Americans then those "always low prices" at Wal-Mart help Americans. Alternatively, if Wal-Mart's low prices hurt Americans, then high gasoline prices help us. Like it or not, two plus two always equals four, not just sometimes.

Only the oil-gasoline price scenario, however, has credibility. Crisis-mongering about Wal-Mart is bogus. Higher gas prices trace to oil's increased scarcity for Americans. In contrast, Wal-Mart's lower prices for shirts reflect increased shirt abundance. More scarcity signifies lower living standards. Increased abundance is what higher living standards are all about.

Interestingly, the marketplace uses prices to minimize the reduction in living standards associated with increased scarcity. A higher price of gasoline, for example, encourages Americans to eliminate the lesser-valued consumption uses to which they had put gasoline. Higher valued consumption uses remain. Higher gasoline prices also provide incentives for additional production from suppliers who otherwise would not produce. The effect is to mitigate but not eliminate the increased scarcity.

At the same time, lower prices following upon increased abundance maximize the increase in living standards. Lower prices for those Chinese shirts induce Americans to purchase shirts for uses not deemed economic prior to the increased abundance. Abundance transforms the uneconomic into the economical. Likewise, American shirt producers with income-earning alternatives

*Whereas Wal-Mart selling cheap Chinese shirts hurt Americans, now it's Exxon selling expensive Arab oil that hurts us.*

— Van Cott

## INDIANA WRITERS GROUP

*Politicians who suggest substituting government price edicts for the marketplace are sacrificing our living standards to the gods of political expediency.*

— Van Cott

*Ironically, reforms that were seen as progressive were, in large part, the political triumph of a self-serving conservative status quo.*

— Schansberg

that are more lucrative than competing with the Chinese opt out of shirt production. That means, in effect, that Americans get shirts at a smaller sacrifice. And that means higher living standards. A free lunch? No, just bigger helpings.

It should go without saying but I'll say it anyway that politicians who suggest substituting government price edicts for the marketplace are sacrificing our living standards to the gods of political expediency. Not letting the price of gasoline reflect its increased scarcity prevents price's ameliorating effects on our living standards. Ditto for not letting the price of shirts reflect Wal-Mart-related abundance. The same politicians who would never opt for lower living standards for their own households nevertheless suggest exactly that for the national household.

The only bright spot in this contradiction is that the gasoline scenario trumped Wal-Mart crisis-mongering. The accurate swamped the bogus. Nevertheless, the fact that the contradiction has gone unnoted in the public discussion is a sad commentary on our insightfulness. It does little to assure that we'll get things right next time. (*July 19*)

### Christians and Politics

by ERIC SCHANSBERG

Good things often come in small packages. Or as Blaise Pascal once said, "I didn't have enough time to write you a short letter." Likewise, James Buchanan's new book, "Why I, Too, Am Not a Conservative," is a slender volume with 12 concise, well-organized chapters. The essays range a bit, but as a whole, the themes form a coherent collection. Reading the book will be a different experience if one is more or less familiar with his writings. In any case, it would be enjoyable and provocative as a stand-alone read. In particular, for the audience of this review, Buchanan's efforts are helpful in forming a coherent Christian worldview. Buchanan opens with an essay that has the same title as the book — which is, in turn, a sequel to a famous Hayek essay. In

distinguishing between "conservatives" and "classical liberals," Buchanan notes that the two groups had been in a relatively lonely bed together for much of the 20th century — battling against socialism on philosophical grounds and against massive government intervention in policy terms. Although an understandable alliance, Buchanan notes that this conflation has also led to confusion: the two groups "seem to share basic values when, in fact, their positions rest on very different foundational attitudes."

For one thing, conservatives face their own internal tensions. For example, they place a positive value on "that which is" — implying both a bias toward the status quo as well as an assumed ability to judge outcomes by objective truths. At times, these two principles fight against each other — when the status quo results in outcomes that are discordant with Truth. In the realm of political economy, Gabriel Kolko's excellent book on "the Progressive Era," comes quickly to mind. Ironically, reforms that were seen as progressive were, in large part, the political triumph of a self-serving conservative status quo.

At their foundation, conservatism and classical liberals disagree over the nature of man — in particular, his perfectibility and the relationship between men as equals or as inferiors and superiors. Equality or hierarchy? Freedom or paternalism? Democracy in earnest or as a patina? The applications can be challenging. As an example, Buchanan points to charity as inherently hierarchical given the lack of "exchange" and the probable inability to reciprocate. Trying to reconcile classical liberalism with a Christian worldview, the best option seems to underline what the giver receives.

Indeed, it is more blessed to give than to receive. "Mission trips" and "service projects" are familiar examples of receiving more than expected — and at times, more than what was given. Kristen Kraakevik provides a framework for this by distinguishing between material and spiritual poverty ("The Two Faces of Moral Poverty," Acton Institute, 1996). For the Christian, there is another



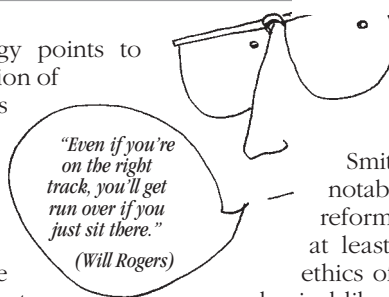
*D. Eric Schansberg, Ph.D., an adjunct scholar of the foundation, teaches economics at Indiana University, New Albany. Nothing written here is to be construed as reflecting the views of the foundation or as an attempt to aid or hinder the passage of any bill before the legislature or to further any political campaign.*

dilemma. Christian theology points to the classical liberal assumption of equality — at least in terms of how we interact with each other through political means and ends. But to reach that conclusion, classical liberals assume that values are fully subjective — an assumption inconsistent with a God of revealed Truth. As Buchanan asks: “Can a person properly share the soul of classical liberalism without sharing the conviction that values emerge only from individuals?”

And then there’s the application of these principles to Christian political activity. To borrow a question from chapter two: “Are people capable of governing themselves?” A Christian would agree with the conservative: no, self-government has failed since Genesis 3. But a Christian might easily agree with the values and policy prescriptions of the classical liberal as well — that people should be treated as if they can self-govern, or at least, that they should be allowed to self-govern (as long they don’t do direct and significant harm to others). This stance seems most consistent with the dignity of the human person.

In Buchanan’s view, there must be “a faith or normative belief in the competence of individuals to make their own choices based on their own internal valuation of the alternatives confronted.” Either that or we must be willing to let people make their own (bad) choices — not condoning those choices, but not working to prohibit them either. These are the sorts of issues with which I try to wrestle in my book, “Turn Neither to the Right nor to the Left: A Thinking Christian’s Guide to Politics and Public Policy” (Alertness Books, 2003). If Christians should have conservative values, perhaps they should act like classical liberals in terms of their political advocacy.

Three other things in closing. First, Buchanan is forceful in arguing that markets and morality need to walk hand-in-hand for an effective political economy: Protestant work ethic and Puritan values; producing and preaching; freedom and responsibility. Buchanan critiques those who thought that changed economic institutions and constitutional restraints would carry the



day in the transition economies of central and eastern Europe. Without the “(Adam) Smithian parameters”—most notably, rule of law — market reforms were destined to fail or at least struggle mightily. “The ethics of the marketplace, of the classical liberal order itself, once lost, can scarcely be replaced by deliberately laid-on institutional reform.”

Second, Buchanan continues his familiar critique of those who practice economics as a scientific technique focused on efficiency (“normative eunuchs” — and contrasts this approach with those who have been “born again” into a vision of classical liberalism. The reason for the impotence of the former: a mastery of the basic principles of economics that is not matched by an understanding of their philosophical implications or any attempt to connect them to values.

Finally, at least to a Christian, Buchanan is perhaps most intriguing when he draws parallels between the Gospel and “the normative vision of classical liberalism.” (Ironically, “classical liberalism shares this quality [of vision] with its arch rival, socialism.”) In coming to this vision, he seems to favor the Damascus Road sort of experience. If not, people are likely to embrace the “correct” policy positions but for the wrong reasons. Moreover, they will be less effective in communicating the vision — and the resulting policy implications — to others. Likewise, the reforms in central and eastern Europe “were pragmatic rather than principled; the market seems to have won the game with collectivism by default rather than triumph.”

In underlining the importance of vision, he argues that the “every man his own economist” phenomenon renders scientific evidences less likely to persuade. Instead, it is “through an understanding of and appreciation for the animating principles of the extended order of market interaction that an individual . . . may refrain from expressive political action that becomes the equivalent of efforts to walk through walls and on water.” Buchanan’s work continues to inspire his readers to explore and embrace those vital animating principles. (Aug. 2)

*If Christians should have conservative values, perhaps they should act like classical liberals in terms of their political advocacy.*

— Schansberg

## ABUSES & USURPATIONS

*"You know it's said that  
an economist is the  
only professional who  
sees something working  
in practice and then  
seriously wonders if it  
works in theory."*

— Ronald Reagan

*"Either you think, or else  
others have to think for  
you and take power from  
you, pervert and discipline  
your natural tastes, civilize  
and sterilize you."*

— F. Scott Fitzgerald

*"The friend in my adversity  
I shall always cherish most.  
I can better trust those  
who helped to relieve the  
gloom of my dark hours  
than those who are so  
ready to enjoy with me the  
sunshine of my prosperity."*

— Ulysses S. Grant

### Estate-Tax Freedom: Will Indiana Ever See the Day?

*Soon it will be safe to be caught dead in  
Virginia. Last week Democratic Governor  
Tim Kaine and the Republican-controlled  
legislature struck a deal to abolish the  
state's estate tax, effective July 1 next year.  
The tax only brings in about \$140 million  
a year to Richmond from several hundred  
estates, but the levy has made it harder for  
Virginia to compete for small businesses  
and retirees with Florida and the 24 other  
states that no longer have a death tax.*

— The Wall Street Journal, Sept. 6

The revenue from the estate tax collected by Indiana or any of the 25 other states that still discourage wealth creation is not significant in relation to total budgets. The fact, however, that we are willing to tax income twice — once when it is earned and again when it is bequeathed — tells potential investors all they need to know about the politico-economic climate here. And those investors, please know, are both in state and outstate. If Gov. Mitch Daniels is holding back on this reform for fear of being labeled a friend of the rich, he should be ashamed of himself. Even a Democrat governor in Virginia is brave enough to do it. (Staff)

### Tucker's Rule: An Economic Development Look at Ethanol

*As many as 1,600 workers are likely to  
participate in the construction of the plant  
and only Almighty God, Himself, knows  
how much circulatory revenue this means  
to the locale as the plant is being built.*

— Tom Tucker writing of the boost that a  
proposed ethanol plant would have to his local  
economy, The Rochester Sentinel, Sept. 8

Most Public Choice economists will relate that the methodology used to calculate the amount of money a project or event will spin off into the local economy is extraordinarily suspect. The calculations are no more reliable than using a Ouija board. So the next time you hear someone talking about the "multiplier effect" or the like, keep in mind Mr. Tucker's wholly accurate description "only Almighty God, Himself, knows." (Mitch Harper, Fort Wayne)

### Recycling Success Needs Commitment

*To the mantra of "recycle, reduce and  
reuse," local leaders who want to promote*

*curbside recycling ought to add, "Use it  
or lose it."*

— Indianapolis Star editorial, Sept. 1

It is educational watching a soft-headed media struggle against the laws of economics. Stalin solved a related problem by repositioning his machine guns *behind* infantry lines (the better to keep the Heroes of the Motherland moving in the right direction). Likewise, recyclists will have to give up on this volunteer silliness and start putting people in jail. (Staff)

### The Best States for Business?

*Over the past 10 years, the United States has  
seen corporations move job after job overseas  
in search of cheaper labor. An equally large  
problem has been the corporate tax rate.  
Five years ago, the U.S. corporate tax rate  
of 39 percent was the sixth-highest among  
Organization for Economic Cooperation  
and Development countries, according to  
the Tax Foundation.*

— Forbes, Aug. 16

Well, Indiana ranks above Ohio, New York and Kentucky (barely) but are we wrong to expect better for a state being led by a "conservative" governor and legislature? Note that despite a relatively high "quality of life" rating (sports stadiums, opera houses, libraries, convention centers and museums, it may be assumed), places like Kansas and Nebraska beat us handily. The "Labor" column contains a clue. (Staff)

### Daniels Advocates Consolidation

*"Clearly, in most parts of Indiana, you  
could lower the cost of government by  
having less of it," (the governor) said.  
If governmental units or school districts  
consolidate, they could share expenses and  
reduce overhead — an attractive concept  
as cities and towns across the state struggle  
to balance their budgets. "I would like to  
see it happen voluntarily, from the bottom  
up," Daniels said. "If we go for a few years  
and people aren't doing it, and taxes are  
still too high, you're going to hear people  
say we should start requiring it.*

— Huntington Herald Press, Aug. 10

The governor, demonstrating he is more of an accountant than an economist, imagines big savings in consolidating local governments (involuntarily, we can assume). But there is a difference between merging corporate departments and enfranchised democratic units. (Staff)