



*Tinkering Around Downtown (for the Public ‘Good’)*

Downtown convention headquarters hotels are promoted in Fort Wayne and Indianapolis as important adjuncts to the downtown economic development effort, necessary to attract the expanding convention trade. First, is the convention trade expanding? A recent study suggests not. Second, should cities tax suburban hotels to support competitors downtown? And last, can city officials, using other people’s money, be trusted to accurately weigh the risk in such a competitive business?

**IPR PHONE CONFERENCE**

The foundation will host a telephone conference on this issue’s cover article, offering members a chance to exchange ideas with the author. The first conference on “Tinkering Around With Downtown,” begins at 3 p.m. March 23. The second begins at 7 p.m. March 24. At those times, members may join us at the foundation’s teleconference center at 866/371-3115. (For the passcode, e-mail us at [downtown@inpolicy.org](mailto:downtown@inpolicy.org) or call 317/236-7360.)

*Pot Holes and Telecommunications*

A former Indianapolis mayor was famous for applying the “yellow-pages test” to filling pot holes and all other municipal endeavors. It means that if the private sector offers a service, taxpayers should not be asked to pay government employees to compete with it.

Telecommunications services, competitive and fast-changing, do not pass that test.

- In a separate essay, we argue in effect that the current mayor would have been wise to apply that test to football teams with expensive tastes in quarterbacks and sky boxes. His initial political numbers added up but his economic ones never did.
- Finally, we boycott “Make a Difference Day.” We bravely show up — to work, to borrow and to invest in a free-market economy.

*One Wacky Tax Plan*

That Gov. Mitch Daniels described his tax increase as “temporary” gave no solace here. In government circles, temporary means getting the official foot in the door. Moreover, we could find nowhere outside Sweden where such a plan was in place. In fact, back-of-the-envelope calculations showed that Hoosiers would be confronted with marginal state income tax rates of more than 100 percent, *much* more in some cases. That said, the plan forced counter-proposals to match it in its specificity and detail — a historic change for Indiana monetary discussions.

*And One Wackier Welfare Plan*

It would be difficult to come up with a more destructive way to help the poor heat their homes than the one approved this winter by the Indiana Utility Regulatory Commission — *i.e.*, hiding a tax increase in other people’s utility bills. And the state’s most compassionate newspaper, *the Fort Wayne Journal Gazette*, agrees.

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## DIM BULBS & BRIGHT

*Edifying excerpts from the public debate*

*“After boasting on your web site to be someone who cares more about doing the right thing than the expedient thing, you become one of 13 senators to vote against President Bush’s nominee, the largest ‘no’ vote for secretary of state since Henry Clay in 1825.”*

— Neal

*“This must be a case of mistaken identity.”*

— Bayh

### **THE BRIGHT: Andrea Neal**

*Feb. 1, the weekly IPR column*

Say it ain't so, Evan. After six years of building your centrist credentials in the Senate, causing even hard-core skeptics like me to brand you the genuine article, you turn around and vote against a distinguished, conservative nominee for secretary of state.

After backing President Bush in the Iraq war, and presenting persuasive arguments for ousting Saddam Hussein, you take a stand against the only administration official who can seamlessly pick up foreign policy where Colin Powell left off.

After boasting on your web site to be someone who cares more about doing the right thing than the expedient thing, you become one of 13 senators to vote against President Bush's nominee, the largest “no” vote for secretary of state since Henry Clay in 1825.

“A clear signal” he’s running for president is how state Sen. Murray Clark, R-Indianapolis, explained Bayh’s surprising vote against confirming Condoleezza Rice, Bush’s former national security adviser.

What else could explain why Bayh would risk alienating so many constituents who see Rice as the quintessential American success story, a person whose intellect and capacity for public service have taken her to one of the most powerful positions on the planet?

Republican politicians have long described Bayh as a Teflon man whose popularity won't dip, regardless of what positions he takes. No candidate in Indiana history has won the number of crossover votes that he has since his election as Indiana's secretary of state in 1986.

Consider this statistic from election 2004: As lopsided as Bush's victory was in Indiana (60 percent to 39 percent for Democrat John Kerry), Bayh's was even more so in the other direction: 62 percent to 37 percent for Republican Marvin Scott.

But now, voting against a president's



*Andrea Neal is the former editorial page editor of the Indianapolis Star and an adjunct scholar and columnist with the Indiana Policy Review Foundation. Evan Bayh is the junior U.S. Senator from Indiana.*

Cabinet choice puts Bayh in a precarious position with the conservatives who have always supported him. . . .

Bayh's vote was an early strike in what will become a pattern of public statements and actions to set himself apart from administration policies and in a select group of Democrats whose names will be mentioned as hot prospects for 2008.

### **THE DIM: Evan Bayh**

*Feb. 8, the Fort Wayne Journal Gazette*

I read with interest Andrea Neal's column suggesting that my vote against promoting Dr. Condoleezza Rice to secretary of state could not be based on principle, that I had changed my priorities on Iraq, that no serious policy errors have been made for which the decision-makers should be held to account and that my motives could only be a sign of larger political ambition.

This must be a case of mistaken identity, because her assertions did not accurately reflect my motivation, my reasoning or my position on our mission in Iraq.

I have been unwavering in my support for freedom in Iraq. I was one of the original sponsors of the resolution to remove Saddam Hussein, and I have always voted to give the troops the money and equipment they need.

Because I believe strongly that we must succeed, I am particularly troubled by serious policy errors that have made the situation in Iraq much more difficult and have undermined our chances for success. It is not too much to say that our troops and the cause of freedom have been endangered by these mistakes.

From the very beginning, this administration violated a fundamental tenet of war. Instead of planning for the worst and hoping for the best, the administration has all too often planned for the best and reaped the worst. Ignoring the warnings of people like Sen. John McCain, we did not go in with the troops or the equipment necessary for the difficult task of nation-building.

We never had a realistic plan for what came after Saddam was deposed. □

# GRAB YOUR WALLET; CITY HALL IS GETTING INTO THE HOTEL BUSINESS

*In Fort Wayne, it's deja vu all over again*

by **RON REINKING**

The city planners reviewed the report for the last time. Everything seemed just right. The consultant's projections showed Fort Wayne's Grand Wayne Center a necessary ingredient for an expanding, exciting and viable downtown. It was agreed that the city simply could not compete in the profitable convention market without a large facility containing all the amenities to attract the modern conventioner.

The consultants' report stated that the Grand Wayne Center would not be attractive unless accompanied by a four-star hotel with ample rooms to accommodate the burgeoning convention trade. A new 246-room hotel adjoining a massive and attractive convention center would be Fort Wayne's answered prayer. The consultants thought of the project as long overdue, visionary. They predicted long-term viability. But the best part of all was that the numbers worked. Everyone — especially taxpayers, it was said — would profit.

*But That Was 1985 . . .*

Fast forward 84 months: The \$19.2 million dollar Hilton Hotel declares bankruptcy for insufficient cash flow to meet bond commitments. Taxpayers of Allen County forfeit property and sales taxes granted the investors. That is in addition to increased assessments of consumer, income and property taxes to assist in financing the project. The bankruptcy losses approximate \$3 million dollars in loan guarantees. Within 12 months, savvy investors purchase existing facilities through bankruptcy proceedings. Taxpayers never get so much as a thank-you.



*Ronald L. Reinking, an adjunct scholar of the foundation, is a certified public accountant with offices in downtown Fort Wayne. He wrote this for the foundation.*

### A "Grand" Project

Although instructive, the past is not always prologue. It must be said that decision-makers of 1985 got it partially right, in a practical sense. The Grand Wayne Center serves as a focal point for Fort Wayne's downtown community and, thanks in large measure to the Innkeepers Tax, the 30-year bonds were fully paid in the 13th year. Though some here at the foundation might mention lost community revenues from tax rebates and privileges denied a private enterprise, there is an underlying public belief that the Grand Wayne Center is an asset that contributes to the city as a whole. Besides, it's already here. It cannot be said, however, that the Grand Wayne Center enjoys operational profits. It remains subsidized by public monies.



**TINKERING AROUND WITH DOWNTOWN**

Hotels are different animals. In the Fort Wayne area there are 6,015 available rooms that experience an average occupancy rate of 47.6 percent, according to the most recent figures (2003). Occupancy rates have been declining annually from the 1998 high of 59.5 percent to present levels. Two downtown hotels (Hilton and Holiday Inn) provide 454 rooms.<sup>1</sup> In addition to the proposed new hotel for the Grand Wayne Center, others are in the planning stage, including one to serve the locale of the Allen County Memorial Coliseum and Indiana University-Purdue Uni-

: *A few years after being*  
: *the subject of glowing*  
: *consultant projections,*  
: *the \$19.2 million*  
: *dollar Hilton Hotel*  
: *declared bankruptcy.*  
: *Taxpayers of Allen*  
: *County forfeited*  
: *property and sales*  
: *taxes granted the*  
: *investors. The*  
: *bankruptcy losses*  
: *approximated \$3*  
: *million dollars in*  
: *loan guarantees.*

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*Is it right that the Guest House (a suburban Fort Wayne hotel) should be forced by law to impose an Innkeepers Tax in order to provide a quality sauna for a four-star hotel downtown? Most taxpayers would say no.*

*“The (convention center) projects are frequently backed by expensive feasibility studies from consultants that rarely give a thumbs-down. Forty-four new or expanded halls are in the works . . . adding to the 64 million square feet now standing. Unmentioned at ribbon-cutting ceremonies is that the space will be impossible to fill.”*

— *Forbes magazine*  
Feb. 28, 2005

*Indiana Policy Review*  
Spring 2005

versity campus. Hotels are capital-intensive and labor driven. They must be skillfully sold to niche markets and require consummate management foresight and direction. The hotel business is both complicated and competitive.

Nonetheless, municipalities routinely step into the hotel business these days with the ready availability of public monies and the battle cry of “downtown revitalization.”

Thoughtful people cannot summarily dismiss the hidden financial impact on taxpayers when authorizing and encouraging the use of public monies to finance and subsidize private ventures for the sake of “public good.” Arguing against such economic development, however, risks being cast as one who is both socially and financially dysfunctional.

Even so, Fort Wayne’s experience in dabbling in private enterprise has been less than stellar. Most losses are buried but easy

marks do come to mind — Micro Standard, Mid Towne Crossing, Southtown Mall, McMillen Park Apartments, Burlington Freight, the pending American Airlines pullout and, of course, the Downtown Hilton. The General Motors Plant could be cited as a big win if you don’t consider the hidden local contributions (including those of GM’s competitors), of tax abatements and other concessions.

Should we even question the philosophical underpinnings of using the power of taxation to provide the capital for the construction of a world-class hotel? Is it right that the Guest House (a suburban Fort Wayne hotel) should be forced by law to impose an Innkeepers Tax on guests in order to provide a quality sauna for a four-star hotel downtown?

Most taxpayers would say no.

They favor an unfettered free-market approach to these issues. Most would prefer to keep their own money and permit investors to assume the risk and enjoy the profit from their ventures.

As public sentiment is known by city officials, full disclosure, public discussion and referendums all are avoided unless mandated by statute. There is an inordinate obsession among officials to create a futur-

istic downtown — one capitalized with taxpayers’ funds and credited to visionary political leadership.

Municipal policymakers see the world from the historic center of a city’s downtown — in the case of Fort Wayne, Main and Calhoun Streets. The real action, of course, is anywhere but there. Capital investment, retail markets and professional services have long migrated to greener pastures. One can only speculate the hours and dollars spent devising ways to redistribute wealth against this natural flow of capital.

Downtowns will thrive only when property values are permitted to seek levels that sophisticated investors determine will enable an adequate reward for their investments. The continuous infusion of taxpayer money does nothing other than artificially inflate the pricing structure and thus repel legitimate developers from making commitments with their own money. As Fort Wayne’s Hilton experience demonstrates, knowledgeable investors wisely wait until the air is out of the balloon.

*Let’s Look at 2005 . . .*

Upon successfully negotiating the hurdles to expand the Grand Wayne Center, Fort Wayne employed the management consulting firm of C.H. Johnson Consulting, Inc. of Chicago to determine the feasibility of incorporating a hotel in its plans. The 178-page report and recommendations were completed in July 2004 at a cost of about \$50,000.

Please know that there was little chance the consulting firm would not support and, in effect, recommend the construction of a new hotel with public monies.

Indeed, in the second sentence of the consultant’s letter the hotel is regarded as a *fait accompli*: “This document summarizes our findings and includes our projection of occupancy and average rate and financial performance for the hotel’s first 10 years of operation.”

Fort Wayne was well down that path by the time of the consultant’s report, anyway, as papers had been filed to acquire the adjacent Belmont Liquor property by eminent domain.

Even though the consultant’s report is regularly cited as justification for public support of the hotel, the predictability,

reliability and accuracy of such reports are problematic, e.g., the Fort Wayne Hilton Hotel mentioned earlier. That is why the consultant, in recognition of the legal implications of their projections, states in paragraph three of their summary:

*“The greater dangers to liberty lurk in insidious encroachment by men of zeal, well-meaning but without understanding.”*

— Justice Louis Brandeis  
*Olmstead vs. United States*

It should be noted that our projections are, in any instances, based upon estimates and assumptions, which are subject to uncertainty and variations. Accordingly, we do not represent our forecasts as the results that will actually be achieved by the proposed hotel.

The dilemma is that if the projections are wrong, the rest of us are stuck with the tax obligations. Abatements and funding guarantees granted developers are not estimates or assumptions but are definitive and certain — legal claims.

Perhaps that is why the consultant’s report displays a high degree of professionalism and attention to empirical data.

The report addresses the topics of the tourism market, the convention industry, the hotel market, regional markets and trends, occupancy statistics, economic impact studies, capital needs and financial projections. Maps and graphs punctuate and accent findings.

Unfortunately, these “experts in convention, sport and real estate consulting” conclude that the market will not adequately support a flagship hotel in downtown Fort Wayne if forced to compete on its own. Developers would not of their free volition invest their money in such a venture, the consultants acknowledge.

The concluding paragraph of the report summarizes their findings:

Fort Wayne faces a soft hotel market, yet has an opportunity to develop a project that will stand out with a larger room count and higher level of quality than the rest of the market. Achieving results that support such a facility is difficult in a weak market and most likely requires some form of public subsidy or support.

#### *The Funding Schemes*

With the addition to the Grand Wayne Center, the site appropriated and a consultant’s recommendation that justifies

public monies for a hotel, the one remaining hurdle is sequestering of needed funds. In years gone by, that was not an issue because it

would not have been a consideration. These days, however, municipalities not only have pushed the limits of eminent domain to the point of U.S. Supreme Court review<sup>2</sup> but elevated public financing to a new art form.

Most destructively, they have broadened and confused the test of government involvement. Initially, the government was justified if the condemned property would provide a public “use.” Now it need only provide a public “good,” a subjective definition at best.

Local, county and state officials, in the sacred name of development, routinely cooperate in passing legislation that legalizes tax benefits, redistributes funds and grants authority to participate in capital offerings favoring special constituencies. The taxpaying public, whether it be for sports stadiums or hotels, is seldom consulted.

At the annual conference of the National Council for Urban Economic Development, Steven Spickard of Economics Research Associates advised attendees regarding the building of convention centers (italics are the author’s):

It is a mistake to try to justify development of a civic center for your own residents’ use by claiming it will have great economic impacts. Civic centers are public precisely because they serve social purposes, yet are not sufficiently profitable to be provided by the private sector. If you are in this situation, you should stop feeling guilty about wanting facilities to expand your own quality of life. *Community-serving facilities may not generate great economic benefits, but they are good for you anyway.*<sup>3</sup>

Spickard’s remarks were no doubt applauded by all the Urban Planners in attendance — and, for their candor alone, should have been applauded. Taxpayers’ misgivings, however, seldom see sunshine.

Finding ways to finance a new hotel in Fort Wayne or elsewhere in Indiana is not particularly challenging. The cost of the Fort Wayne project — including land val-

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## COVER ESSAY

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ues — was estimated at \$56,988,000.<sup>4</sup> The taxpayer participation is yet to be announced, although a 30 percent subsidy-participation has been suggested.<sup>5</sup> Whatever taxpayers' final outlay, rest assured it will be wholesome. Some cities (Chicago, Houston, Omaha, Myrtle Beach, Austin, Denver) have even chosen to own their hotels lock, stock and barrel as a public "investment."

Approximately 100 cities throughout the nation are upgrading or considering upgrading convention facilities with the expectation of attracting more conventions and more economic activity.

Fort Wayne has experience in subsidizing private businesses and has initiated and fine-tuned a plethora of legal tools and products, all legitimized by ordinance and statute, to get the job done. And should existing incentives be found inadequate, the Legislature has proven to be accommodating to expanding or providing new ones.

"Tools" is not an adequately descriptive term for these economic incentives. It implies creating a source from a newly found revenue stream. State and Local lawmakers, however, can only be regulators to redistribute existing tax dollars.

Should the new hotel come into fruition, the funding would only become available by the imposition of new taxes or a redistributive tax on Allen County taxpayers and other Indiana residents.

Some of the sanctioned programs that have been used in the past and possibly could be used, either directly or indirectly, to provide capital for the Fort Wayne project include:

*Eminent Domain* — The taking of private property for the payment of fair market value. Property must be used for "public good." This definition has been expanded so rapidly by municipalities that at this writing landmark legislation is pending before the US Supreme Court that seeks to more clearly define and limit municipal authority. Indiana courts have ruled that the taking of downtown properties for the development of the Grand Wayne Center and hotel properties is warranted, although lengthy litigation was required. A \$7.2 million contribution of land for the new hotel project is anticipated.<sup>6</sup>

*Innkeepers Tax* — A six percent tax is imposed on all guests booking an Allen County hotel. One percent is then distributed to the Fort Wayne Convention Bureau, which in turn will finance the Grand Wayne Center and any attached hotel.

*City Light Lease* — The city receives approximately \$1.4 million annually from the old City Light Lease. These payments will expire in 2010. About 1.15 million can be used by the city for funding capital improvements, including the Grand Wayne Center and the hotel. (There are some prior obligations that must be fulfilled.)

*Build Indiana Fund* — These monies were granted to municipalities from state lottery revenues and were used for the Grand Wayne expansion, although they are not as yet authorized for the hotel.

*Professional Sports and Convention Development Area Revenues* — All sales taxes generated and all the state and local income taxes that are withheld from employees of the Grand Wayne Center are placed in a special fund at the state level. (The same thing is done for the Allen County Memorial Coliseum.) These funds are then used exclusively to finance that specified project. The unfortunate result is that there is minimal positive contribution to public-sector services from sales or employment from these projects. Consequently, developers enjoy access to a state-supported fund to meet financial obligations and are insulated from the risks imposed on competitors without that privilege.

*Property Tax Incremental Financing* — About 1981, a base line was established in the collection of property taxes in the Civic Center Urban Renewal Allocation Area (downtown). All revenues that exceed the initial base line are permitted to be used for local capital improvements. These taxes will be distributed to the Fort Wayne Redevelopment Commission, which, in turn, will finance the Grand Wayne Center project after fulfilling bond commitments from 1998.

*County Income Taxes (CEDIT)* — The County Council will pledge county tax revenues for the payment of bond obligations.

*Community Revitalization Enhancement District (CRED)* — This is a funding vehicle similar to the Professional Sports and Convention Development Area except that it is

## Space Available

To cities, the lure of the convention business has long been the prospect of visitors emptying their wallets on meals, lodging and entertainment, helping to rejuvenate ailing downtowns. However, an examination of the convention business and city and state spending on host venues finds that:

- The overall convention marketplace is declining in a manner that suggests that a recovery or turnaround is unlikely to yield much increased business for any given community, contrary to repeated industry projections. Moreover this decline began prior to the disruptions of September 11 and is exacerbated by advances in communications technology. Currently, overall attendance at the 200 largest tradeshow events languishes at 1993 levels.

- Nonetheless, localities, sometimes with state assistance, have continued a type of arms race with competing cities to host these events, investing massive amounts of capital in new convention center construction and expansion of existing facilities. Over the past decade alone, public capital spending on convention centers has doubled to \$2.4 billion annually, increasing convention space by over 50 percent since 1990. Nationwide, 44 new or expanded convention centers are now in planning or construction (including one in Fort Wayne).

- Faced with increased competition, many cities spend more money on additional convention amenities, like publicly-financed hotels to serve as convention 'headquarters.' Another competitive response has been to offer deep discounts to tradeshow groups. Despite dedicated taxes to pay off the public bonds issued to build convention centers, many — including Washington, D.C., and St. Louis — operate at a loss.

— Heywood Sanders in the executive summary of "Space Available: The Realities of Convention Centers as Economic Development Strategy," the Brookings Institution, January 2005

authorized to collect and allocate State Withholding and Sales Tax from both the public and *private* businesses within a designated zone. (This will be used to attract Menards to the city's Southtown Mall development project). But the real juice of the statute is the provision permitting a 25-percent tax credit for capital investments made by developers toward their personal state taxes. A \$40-million investment will generate a \$10-million tax credit, in effect guaranteed by Allen County taxpayers. These generous credits can be carried forward to offset taxes for years to come. All taxpayers not located within that zone, including competitors, will pay for the necessary infrastructure, municipal support and maintenance to keep the facility operational.

*Private Contributions*— Businesses and foundations will be asked to support Fort Wayne's downtown effort. Lincoln Foundation and National City Bank already have pledged \$750,000 each. One cannot fault the generosity of corporate and foundation gifts. However, in light of obvious educational and social problems confronting the community, one can legitimately question whether these resources are directed to the most urgent needs.

*General Funds City of Fort Wayne* — Management and administration costs for the project are absorbed in the general operations of city government, including those incurred by the Department of Economic Development and Planning. These costs, although sizeable, are not fully disclosed nor are allocations made to the Capital Projects promoted.

All of the available methods of financing the hotel may not be used. Conversely, it is possible new ones will be invented.

### *But Will the Hotel Make it?*

Again, downtown hotels are being promoted in Fort Wayne and other cities as an important adjunct to the obligatory downtown convention center. The pitch is that the hotel is needed to promote and support an expanding convention trade. Failure to provide a connecting hotel denies the city the possibility to capture all the prospective conventioners, it is said.

But is the convention trade really expanding? Is this an explosive market that

Fort Wayne would be foolish to dismiss? The most recent definitive study of convention-attendance trends was released by the Brookings Institution just this year. This study was written by Dr. Heywood Sanders, a recognized expert on the convention and hotel industry.<sup>7</sup> Dr. Sanders acknowledges that securing exacting data is difficult in an industry that is not equipped to tabulate detailed quantitative data. However, most primary indices in major markets indicate a downward trend in attendance.

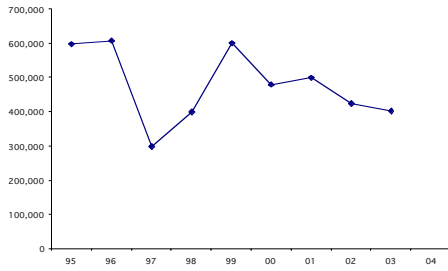
"Many cities have seen their convention attendance fall by 40 percent, 50 percent and more since the peak years of the late 1990s," Sanders reported. "The sharp drop has occurred across a range of communities, including a number of the most successful convention locales in the nation."

*Tradeshow Week*, an industry publication, tracks attendance at major tradeshow events. Attendance at the largest 200 conventions, after reaching a 1996 peak of 5.1 million, has steadily fallen to approximately 4.1 million in 2003, a 20 percent drop over that period.<sup>8</sup>

• *The most recent definitive study of convention-attendance trends was released by the Brookings Institution just this year. It is not good news for municipal officials with their hearts set on spending someone else's money.*

• Indiana Policy Review  
• Spring 2005

Convention and Tradeshow Attendance at the Indiana Convention Center in Indianapolis



It is estimated that between 1974 and 2000 Indianapolis invested publicly and privately \$4.4 billion in its downtown. Much of this money was aimed at attracting visitors and tourists. As a result, downtown hotel room stock increased from 2,064 rooms in 1986 to 5,130 room in 2003. Convention and tradeshow attendance, despite all of that, fell 33 percent from 1999 to 2003. (Source: Brookings Institution)

*“Neither major public spending nor the ample supply of adjacent hotel rooms has been sufficient to insulate Indianapolis from the larger forces affecting the convention and tradeshow industry.”*

— Sanders

lapse. Indiana is infected with a clear case of community leaders confusing what they wish to happen with what an objective analyst could realistically expect to happen.

Even overlooking the philosophical issue of whether the government has the authority to subsidize hotels, officials as trustees of public monies should not undertake risks with public funds unsupported by empirical data and that professionals have avoided. Interestingly, our capital city, the model for most Indiana booster projects, has the same plunging trend lines as other cities in the convention business. Sanders found the following:

Indianapolis presents another case of a city that has successfully managed large-scale public and private investment in its downtown core, much of it aimed at attracting visitors and tourists. One recent estimate for downtown investment from 1974 to 2000 came to \$4.4 billion. Along with regular expansions of the Indiana Convention Center and contiguous RCA Dome, the city has provided subsidies that have resulted in a growth of the downtown hotel room stock from 2,064 rooms in 1986 to 5,130 in 2003. But neither major public spending nor the ample supply of adjacent hotel rooms has been sufficient to insulate Indianapolis from the larger forces affecting the convention and tradeshow industry, however. As the chart (at left) shows, attendance has plummeted from 608,643 in 1999 to just 402,525 for 2003 — a fall of 33 percent from 1999.<sup>9</sup>

While there has been a dramatic fall of national convention attendance, there has

## COVER ESSAY

Predicting national trends is, of course, problematic. But there is nothing to suggest that this downward slide will not continue unabated.

The interesting thing is that municipal planners and those seeking more centers and more hotels seem to be convinced that this fall is a temporary aberration.

Convention attendance will come back, they say, and our city can do better than your city to avoid col-

been a dramatic increase in the upgrade, expansion and new building of convention space. Approximately 100 cities have decided to join the parade, investing literally billions of dollars, chasing the elusive free-spending conventioneer.

The fact that there is 50 percent more convention space available since 1990 with more on the way,<sup>10</sup> combined with continued declining markets, means competition is intense. Convention planners can negotiate the sweetest of deals.

In Dallas, for example, booking a large convention earns you room rebates, a 50-percent discount on the convention center rental and a plethora of incentives, discounts and other giveaways. Some cities are even willing to give space away to keep their center busy. Larger convention facilities (Chicago, Las Vegas, L.A., etc.) have excess space and are now accommodating simultaneous conventions and pushing for smaller groups, thus encroaching on the traditional markets of the smaller towns. Fort Wayne, the natural venue for the smaller regional conventions must now go head-to-head with Chicago, Detroit, Indianapolis and Cincinnati — not a good omen.

Understandably, C.H. Johnson & Associates states unequivocally that a four-star hotel adjoining the Grand Wayne Center is not feasible without taxpayer subsidy. Again, the market will not support nor will it allow adequate returns to entice independent investors to commit their funds.

This is not an incidental disclaimer. If city officials have authority to impose future tax obligations on taxpayers, they also have the ethical obligation to assess with objectivity and intellectual clarity the probability of the hotel’s success or failure and the impact it will have on the community. Bruce H. Walker, president and CEO of Source Strategies, Inc., a nationally recognized convention and hotel consulting firm, was recently commissioned by Citizens for a Sound Economy to study the economic effects of municipal subsidies of “Convention Headquarters” hotels. He recommends addressing three basic questions:

1. *Does a new Convention Headquarters hotel generate additional market demand?*  
Conclusion: “Convention Headquarters hotels do not generate their own market demand. They absorb existing demand.”



Building new gas stations will not increase miles driven.

2. *Are they financially feasible?* Conclusion: "Using the investment criteria of a private developer applied to the Dallas Convention Headquarters hotel as a case study, the study finds that it is not a sound investment. As a publicly subsidized project, the city would assume massive financial risk for a minimal return." National studies clearly indicate downtown hotels do not succeed without taxpayer subsidies, often on a massive scale. C.H. Johnson finds the Fort Wayne project within that category.

3. *What is the impact on other downtown hotels?* Conclusion: "As a case study of the impact of a Convention Headquarters hotel on existing hotels in the same district, the Dallas hotel will be financially devastating to the existing hotels in the downtown district, causing extensive loss of revenues, reduced real estate values (and diminished tax base), and in some cases bankruptcies and closures."

#### *The Downtown Myths*

There are several abiding myths that keep downtown construction in a positive light. In Fort Wayne there is the Grand Wayne Center, which, as previously mentioned, is perceived to be successful in a financial sense. But this is only after granting not-for-profit status, the abatement of property, sales and income tax assessments and monthly contributions from the tax-paying public through other subsidies.

Even assuming the financial success of the Grand Wayne Center, it would be naive to believe it will serve as a driving force to ensure success of an attached hotel. Local and regional conferences may do little to guarantee room rentals with the existing abundance of unrented rooms overhanging the market. Taxpayers should not be deluded to think that there is a strong and positive correlation between the business of the Grand Wayne Center and hotel room rentals. The convention center can "succeed" while the attached hotel fails.

Local and regional convention attendees may not require overnight accommodations, and distant attendees will not robotically check in to a new hotel. If the \$60-million hotel cannot offer competitive rates, guests will select accommodations

more suitable to their needs. C.H. Johnson projects an average room rental of \$101 per night in Fort Wayne by the year 2007 for the new facility. Presently, rooms at existing hotels can be acquired for significantly less.

As noted earlier, convention attendance is declining nationally. There are a number of complex reasons for this: The effect of the September 11 attack; the increase of national chains and conglomerates that make their own demands and set their own market standards; the ready availability of electronic media (Internet) to accurately present and convey goods and services at nominal cost; expensive convention dollars that must compete for other limited corporate time and funds; and the rise in travel costs (both time and money).

While Fort Wayne may attempt to buck that trend line, it eventually will fall under the influence of sagging macro-economic forces. Those institutions and industries with large convention budgets will select those cities that are attendance-grabbers. While Fort Wayne does have some pulling power, it is not Indy, Cincinnati or Chicago. Local and regional conventions may select Fort Wayne for reasons of economy, but this is not the class of attendee that will automatically select the envisioned four-star hotel.

Another myth, commonly accepted, is that the convention business is highly profitable for local taxpayers. Alas, as previously discussed, existing law permits such generous subsidies to developers that meaningful contribution or payback to the tax base is impossible. Tax rebates, tax credits, tax redistributions, tax-district protections are incentives that revert to the developing interests and leave the locals to provide for all the attendant expenses of police, fire, utilities and administration.

Finally, there is the myth of what I call "static analysis." This is the presumption that a new and large hotel can be superimposed on existing businesses without changing the underlying financial and economic alchemy. Existing businesses will automatically change their operation to accommodate new consumer demands or behavior patterns. In fact, financial projections become unpredictable and unreliable. The introduction of a large tax-free hotel will have significant impact not only on existing convention, lodging, food and service in-

*Indiana law permits such generous subsidies to developers that meaningful contribution or payback to taxpayers is impossible.*

## COVER ESSAY

*It is neither realistic nor honest for elected officials, by fiat, to build downtowns merely because they deem it in the public "good."*

dustries in Fort Wayne but also on the tax base and land values. If tax-supported convention centers and hotels bring life and provide the juice for private entrepreneurs to thrive, property values will increase and the tax base will swell. However, if only the subsidized can make it, there will be a gradual exodus to other venues and a concomitant collapse of land values and taxable base.

Fort Wayne has experienced the latter. Its downtown is populated by publicly funded institutions without a significant infusion of private investment.

### *Conclusion and Recommendations*

Municipal governments that use public monies not just for public use but for that indefinable public "good" are dangerous. Just what constitutes public "good" has occupied minds far more astute than this writer's. But it is reasonable to conclude that while America has fared better than other nations of the world in this regard, our downtowns, with only a few exceptions, are stagnant — despite the infusion of billions of tax dollars. Certainly, the downtown of Fort Wayne is struggling.

We should establish basic principles for future downtown development policy:

- There should be full public disclosure of all financial information relevant to proposed projects. This would include past performance of municipal projects with detailed summaries of capital costs, revenues and expenses incurred to date, public subsidies contributed, lost tax revenues and existing indebtedness. The proposed project should be open for review, including its capital costs, methods of financing, eminent domain contributions, administration costs and bidding contracts. Future projections of financial performance should be published and should be accompanied by the signatures of city and county officials attesting to their review and endorsement.

- Should consultants be employed, a recorded history of municipal projects that they have administered should accompany the bidding process. This must include an empirical review of those projects comparing actual financial performance and initial projections. Only those consultants with a demonstrated history of accurately predict-

ing actual revenues and expenses need be considered.

- Upon dissemination of the proposed project details, a public discussion should be encouraged with the media provided all available facts.

- A public referendum should be held.

In summary, it is neither realistic nor honest for elected officials, by fiat, to build downtowns merely because they deem it in the public "good." Most of us readily accept the necessity of roads, judicial systems, the provision for utility distribution, police and fire protections, certain social safety net accommodations, the promotion of education and library facilities, parks and zoos and a host of other services that foster a civil society — all of which must be administered and directed by elected officials.

However, other publicly funded projects — baseball parks, industrial parks, convention centers, retail stores, natatoriums and housing developments test the limits of civic generosity. Another downtown hotel in Fort Wayne fails that test. Q

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## CONSTRAINED VISIONS

*Essays from members and friends*

# KEEP HOLD OF THAT WALLET; CITY HALL IS GETTING INTO THE PHONE BUSINESS

*If you like the way they fill pot holes  
you'll love what they do in telecommunications*

by **MATT HISRICH**

In the late 1970s, a technology war broke out between two VCR formats — VHS and Betamax. In the end, despite being first on the ground and claiming “technical superiority,” the Beta format lost. Consumers are fickle and competition is fierce — such is the nature of the market. This is an important lesson for those who would encourage public-sector investment into the marketplace, and one that should lead both public officials and taxpayers to exercise caution.<sup>1</sup>

Indeed, this is a particularly relevant discussion in light of recent proposals to create wi-fi “hotspots” and municipal broadband infrastructure in cities and towns across Indiana. Telecommunications is a technology-driven, highly competitive global market. Policymakers familiar with providing long-term infrastructure such as roads and sewers are likely to face significant hurdles in acquiring the necessary level of expertise to accurately judge the viability



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of similar investments in emerging technology.

With its Betamax VCRs, Sony learned the hard way that simply producing a product does not guarantee its acceptance or yield a return. Competing manufacturers quickly adapted the technological successes of Sony while better catering to consumer needs. Despite having introduced the world to widespread home video use, Sony found itself in a perpetual struggle merely to keep its line afloat. Once the writing on the wall was clearly visible, the company abandoned its efforts and began producing VHS models.<sup>2</sup>

Bill Dunaway took home a similar lesson. As mayor of the city of Marietta, Georgia, he oversaw the decline and failure of his city government’s attempt to launch a “FiberNet” system.

“(W)e should not be in this business,” explained Dunaway, “you have to keep reinvesting. It’s negative cash flow once you consider reinvestment of capital.” After losing more than \$35 million on the pro-

. *The incentive for any*  
. *private company to*  
. *overstate the rewards*  
. *to a city of a telecom*  
. *partnership and*  
. *understate the risks of*  
. *the investment is*  
. *significant as it be-*  
. *comes evident that*  
. *the risk of their entry*  
. *is shared with the*  
. *general public.*

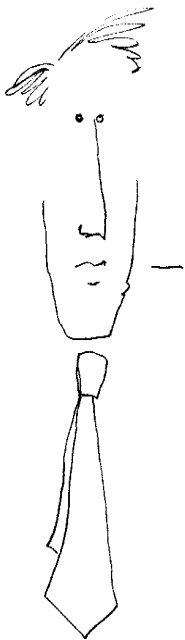
— Hisrich

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## CONSTRAINED VISIONS

*“We do have to be careful when governments go into the business of competing with the private sector. In the first place, they generally don’t do a very good job of it; and secondly, it’s hardly a way to grow our economy to have any agency of government subsidize competition for business on the backs of taxpayers.”*

— Gov. Mitch Daniels when asked about the issue of municipal investment in telecommunications



*“Character is doing what’s right when nobody’s looking.”*  
(J. C. Watts, Jr.)

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gram, FiberNet was sold by the city to a private company in September 2004 for about \$8 million.<sup>3</sup>

The economist Ludwig von Mises commented on just this problem in his 1944 book *Bureaucracy*:

A bureau is not a profit-seeking enterprise; it cannot make use of any economic calculation . . . It is out of the question to improve its management by reshaping it according to the pattern of private business.<sup>4</sup>

As a result, some policymakers call on private companies to “pair up” with the local government in order to compensate for a lack of technical expertise in telecommunications — if, that is, private firms have not approached them first. Either way, however, such an approach creates additional concerns.

According to the Washington, D.C.-based Progress and Freedom Foundation, “these outside ‘experts’ have strong economic incentives to encourage the government entity to jump into the communications business because their livelihoods are tied to more government telecommunications participation.”<sup>5</sup>

The problem of public-private partnerships in this case — and the key difference between these and the Sony story outlined above — has to do with where the risk resides. Though Sony no doubt did lose a great deal on its gamble, this risk was borne by the company and its investors. As well, the case took place within the context of business professionals familiar with the risks and rewards of market competition.

In the case of public officials making a decision to invest in municipal telecommunications, the move takes place outside of this competitive environment and in a situation where risk falls on individual taxpayers. The incentive for any private company to overstate the rewards to and understate the risks of investment is significant as it becomes evident that the risk of their entry is shared with the general public.

This reality has hit home in a number of communities around the country. Projections of cost, time to construct, number of customers, earnings and net profit were all overly optimistic, for instance, when the

Tacoma, Washington, Power Utility launched its Click! Network in 1997. By 2000, it had lost \$15.7 million. In both Ashland, Oregon, and Scottsboro, Alabama, utilities attempting to enter the cable-Internet business ran into trouble due to unanticipated competition from the private sector.<sup>6</sup>

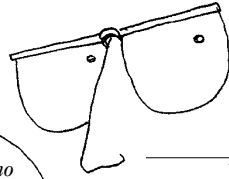
Given such examples, public officials in Indiana should keep in mind former Indianapolis Mayor Stephen Goldsmith’s “yellow-pages test.” Put simply, applying this principle means that if the private sector offers a service, taxpayers should not pay local government employees to try and compete. Following this guideline, Indianapolis saved \$230 million in the 1990s.<sup>7</sup>

Gov. Mitch Daniels echoes the advice. When asked about the issue of municipal telecom investments, he warned that “we do have to be careful when governments go into the business of competing with the private sector. In the first place, they generally don’t do a very good job of it; and secondly, it’s hardly a way to grow our economy to have any agency of government subsidize competition for business on the backs of taxpayers.”<sup>8</sup>

Both local officials and taxpayers must realize that if something sounds too good to be true, it probably is. Far from being a driver of new investment in a community, the funds utilized to build such projects merely represent a diversion from better uses. In *The Wealth of Nations*, Adam Smith sums up this difficult truth for policymakers to accept:

By means of such regulations, indeed, a particular manufacture may sometimes be acquired sooner than it could have been otherwise . . . But through the industry of the society may be thus carried with advantage into a particular channel sooner than it could have been otherwise, it will by no means follow that the sum total, either of its industry, or of its revenue, can ever be augmented by any such regulation . . . [T]he immediate effect of every such regulation is to diminish its revenue, and what diminishes its revenue, is certainly not very likely to augment its capital faster than it would have augmented of its own accord, had both capital and industry been left to find out their natural employments.<sup>9</sup>

State and local governments are traditionally poor providers of services that can



*"Charity is no part of the legislative duty of the government."  
(Madison)*

be provided efficiently by the private sector. Trying to combine the two simply opens the door for the possibility of corruption and abuse of the public trust.

Despite claims to the contrary, broadband, satellite and other telecommunications technologies are no exception. Any short-term gains are likely to be offset in the long run by reduced competition and higher costs. Policymakers should keep the lessons of the past in mind before attempting to force the future upon Indiana taxpayers.

*Endnotes*

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**THE BOONDOGGLE COLTS**

*by Sam Staley*

Indianapolis officials touted the economic benefits of a \$500-million stadium for the Colts football team and a \$275-million expansion of the city convention center. Studies commissioned by the city claimed the "investments" would have generated a 10-year economic impact of \$2.3 billion.

Even if these projections were accurate, they amounted to little in the broader picture. Academic researchers are near consensus that these publicly financed projects are little more than economic white elephants.

The reasons are clear. For starters, consider the impact on projected employment. The city suggested that the two projects would generate 9,100 new jobs region wide. More than half these jobs would have been temporary construction jobs (and would likely have been created elsewhere in the metropolitan area). About 4,200 were considered "permanent," but this assumed the Colts would leave if the new stadium were not built. It also included an estimate of 2,700 new jobs if the convention center's expansion were completely successful.

Again, even these rosy economic effects are minuscule in the bigger picture. The Indianapolis region employs 903,000 people. The "new" permanent jobs represented less than one-half of one percent of the economic base. Most of these jobs would have been low-wage, part-time jobs keyed to specific events. Past assessments of Indianapolis's sports-centered downtown

*Far from being a driver of new investment in a community, the public funds utilized to build telecom projects merely represent a diversion from better uses.*

— Hisrich

*The Indy stadium's "new" permanent jobs represented less than one-half of one percent of the economic base. Most of these jobs would have been low-wage, part-time jobs keyed to specific events.*

— Staley



*Samuel R. Staley, Ph.D., an adjunct scholar of the foundation, is a senior fellow at the Reason Foundation in Los Angeles, for which an earlier version of this essay was written. He is the author of more than 80 professional articles on urban development and policy. His most recent book, co-edited with Florida State University economist Randall G. Holcombe, is *Smarter Growth: Market-Based Strategies for Land-Use Planning in the 21st Century* (Greenwood Press, 2001).*

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## CONSTRAINED VISIONS

*Even the city-sponsored economic impact study recognized that just 20 percent of those attending a Colts game came from outside Indiana, only half of those out-of-state residents planned to stay in a hotel, and only 12 percent of the Hoosiers traveling from outside Indianapolis planned on spending the night in the city.*

— Staley

*It's what AEP people do outside the marketplace that counts for the "doing good" crowd. Getting paid to produce something doesn't make you a difference-maker as far as these people are concerned.*

— Van Cott

development strategy have concluded the same thing. Here is a research team from Indiana University and Purdue University on similar investments between 1974 and 1992:

While there were important achievements which should be attributed to Indianapolis's sports strategy, on balance it seems fair to conclude that there were no significant or substantial shifts in economic development.

Benefits are even less likely now. The recent recession has prompted re-prioritization within the events and convention industry. Some high-profile destinations such as Orlando, Atlanta, Chicago and Las Vegas continue to experience high demand. Smaller and less-developed markets such as Dallas, Houston, Cincinnati and Boston are struggling to compete.

While downtown Indianapolis has many admirable assets, they are unlikely to give the city the boost it needs to bring enough new business to reverse these trends.

Advocates also point to the impact of past investments on the immediate downtown area. This should not be trivialized but it should also be kept in perspective. The stadium and convention center projects would have amounted to a massive public investment in a tiny area of the city. No other neighborhood reasonably could expect a similar commitment from the city, county or state.

Yet, even results such as these are small. Most of the dollars spent in downtown restaurants and retail stores would have been spent elsewhere in the region. Even the city-sponsored economic impact study recognized that just 20 percent of those attending a Colts game came from outside Indiana, only half of those out-of-state residents planned to stay in a hotel, and only 12 percent of the Hoosiers traveling from outside Indianapolis planned on spending the night in the city.

On the other hand, the mayor and others did an admirable job of trying to work out a deal that did not rely on region-wide tax increases. While a repeal of the sales tax used to finance the

current stadium was never seriously considered, local officials proposed shifting the burden to two highly targeted groups — gamblers and tourists.

Of course, these financing proposals came with their own liabilities. Gamblers, particularly those playing pull tabs and slot machines, tend to be lower income. This raised the obvious equity issue about whether moderate-income residents should be subsidizing entertainment for middle-income and wealthy families.

The city also proposed funding the new facilities by boosting the Innkeepers Tax by 50 percent, doubling the Auto Rental Excise Tax, increasing the Marion County Admissions Tax by 20 percent and eliminating the limit on the Professional Sports Development Area Revenue Cap. These significantly higher costs would have discouraged some would-be travelers, too, further minimizing the potential economic impact.

As the matter was being taken up by the Legislature at this writing, more Hoosiers were asking why higher taxes, fees and subsidies to wealthy athletes and team owners were necessary to maintain a "big-city image" for the nation's 12th-largest city with one of the Midwest's most robust economies. Q

### MAKE A DIFFERENCE DAY

by Norman Van Cott

Make a Difference Day, also known as the National Day of Doing Good, was on Oct. 23. I confess to not knowing about the "day" until it was over. Nor did I know that it's been an annual event on the fourth Saturday in October since 1992.

The event is co-sponsored by *USA Weekend* magazine, a Gannett entity, and the Points of Light Foundation. I learned about the day from an insert in my October electricity bill from American Electric Power (AEP). The insert explained that:

... more than three million people will observe this national day of doing good by engaging in projects large and small in towns across America . . . projects that will benefit children, families, the elderly,



T. Norman Van Cott, an adjunct scholar of the foundation, is a professor of economics at Ball State University. A version of this essay was posted Dec. 21, 2004, at the Mises website at <http://www.mises.org/fullstory.aspx?id=1697>.

neighborhoods and entire communities.

AEP took pains to point out that its employees “make a difference” throughout the year, not just on the fourth Saturday in October. As the insert put it:

AEP employees and its retirees are among those who will be making a difference on this special day, often in addition to the many other activities they do throughout the year to support and play an active, positive role in the communities where they live and work.

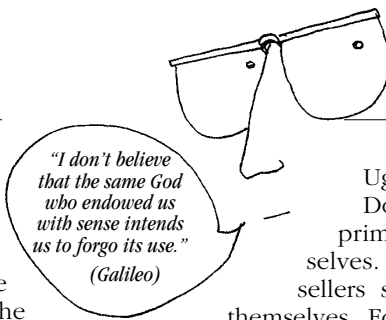
Was AEP boasting about its employees’ contributions during their eight-hour days, five-day weeks, and fifty-week years? C’mon, get serious. It’s what AEP people do outside the marketplace that counts for the “doing good” crowd. Getting paid to produce something doesn’t make you a difference-maker as far as these people are concerned.

The mind-set that one cannot do good while doing well does not originate with AEP. It saturates media culture, colleges and universities (including business schools) and church pulpits. So what about the millions upon millions of eight-hour days, five-day weeks and 50-week years that people put in on the job? Do they matter?

Not exactly, answer pundits, professors and preachers. The best that can be said for our jobs is that they provide income, freeing us to do those other, nobler things that “make a difference.” You know, things like volunteering our Saturday mornings to refurbish swings, slides and seesaws at the local public park. (Psssst — this means that those who originally produced and sold the swings weren’t difference-makers.)

But let’s get back to AEP and its employees. What about the electricity that results from their eight-hour days, five-day weeks and 50-week years? More pointedly, what about the medical procedures, life-saving and otherwise, that take place in hospitals powered by AEP electricity? Does that electricity “make a difference?”

Not for pundits, professors and pastors. They’re too busy celebrating what AEP employees do when they’re not producing electricity. So what’s the pundits, professors and pastors’ hang-up? It’s commercialism, the marketplace — whatever you want to call it. Ugh, hospitals buy electricity.



Ugh, AEP sells electricity. Double ugh, buyers buy primarily to better themselves. Another double ugh, sellers sell primarily to better themselves. For these self-appointed bearers of the national conscience, such buyer-seller behavior draws the line between the noble and the ignoble, sully those eight-hour days, five-day weeks, and 50-week years.

What about the fact that self-serving buyers don’t find sellers unless they offer terms that benefit sellers? Likewise, what about the fact that self-serving sellers don’t find buyers unless they offer terms that benefit buyers?

Indeed, regardless of buyers’ and sellers’ “heart-attitudes,” the marketplace forces them to act as if they cared about those with whom they’re dealing. And, what about the fact that marketplace transactions often end with buyers and sellers exchanging reciprocal thank-you’s?

The most important difference-making that Americans ever encounter — hands down, no questions asked — occurs day-in-and-day-out in the marketplace.

It’s not just AEP electricity going to hospitals. Nor is it that AEP electricity enriches its customers’ lives in countless other ways.

Nor is it that there are many other producers of electricity. It’s that the American marketplace generates prodigious amounts of housing, food, clothing, transportation, energy and education among other things (including electricity).

Those who produce all these “things” make huge differences in Americans’ lives. So is it an overstatement to say this latter difference-making dwarfs anything that occurs on the fourth Saturday in October? Not at all.

What would you say if a tour guide leading you through the Rocky Mountains constantly pointed out roadside ant hills?

Out of touch? Probably. So it is with those who exalt fourth-Saturday-in-October events.

Surrounded by marketplace difference-making on a scale never before known in human history, they celebrate a Saturday afternoon spent refurbishing park swings, slides and seesaws.

Out of touch? Without a doubt.

*The American marketplace generates prodigious amounts of housing, food, clothing, transportation, energy and education among other things (including electricity). Those who produce all these “things” make huge differences in Americans’ lives. Is it an understatement to say this latter difference-making dwarfs anything that occurs on Make a Difference Day?*

— Van Cott

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## THE OUTSTATER

*What matters outside Indianapolis*

## ELECTIONS WITHOUT MEANING

*Gerrymandering and other tricks  
of the incumbency-protection racket*

*The probability  
of an incumbent  
victory in Indiana,  
even in a district  
where demographic  
and political trends  
might predict a  
toss-up, has been  
calculated as high as  
97 percent.*

by CRAIG LADWIG

We need reminding every generation or so that democracy is a means of succession, not a guarantor of wise government. And as we near the midpoint of the current gerrymandering cycle, we face a sad reality: Democracy in Indiana isn't even performing its minimal function at the legislative level.

A candidate in a recent Indianapolis primary summed it up for *the Indianapolis Star* with this profound if unwitting understatement: "It's too bad there isn't more competition — so much is at stake."

In the 2002 primary elections, 215 of the possible 250 primary races were uncontested. In the general election that year, incumbents were seriously challenged in only 11 House races and two Senate races.

This spring, 170 of the 200 House primary races and 46 of the 50 Senate races were uncontested.<sup>1</sup>



The probability of an incumbent victory here, even in a district where demographic and political trends might predict a toss-up, has been calculated as high as 97 percent.<sup>2</sup>

The cynic might conclude that we would be better off — that is, power would be in the hands of someone more sympathetic to our views — if we took our chances on the genetic whim of monarchy.

Incumbents tell us there is an explanation: The electorate recognizes good government when it sees it. Political scientists and economists, however, have other explanations.

First, the courts long ago allowed legislative bodies to reward political factions and thereby enabled pork-barrel politics. More recently, incumbents began granting themselves taxpayer-funded perquisites that now allow them to campaign for re-election

*T. Craig Ladwig, editor of the journal, has been writing on the political process for 25 years as an editor for Capital Cities Newspapers, Knight-Ridder Newspapers and the Washington Times. This was written for the Indianapolis Star.*



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## Of Victors and Spoils

Gerrymandering is a time-honored tradition under the American system. In fact it is named after former Vice President Elbridge Gerry who was also a signer of the Declaration of Independence. The practice is one of the last remaining vestiges of the old patronage mentality of 'to the victors go the spoils.' Gerrymandering is perfectly legal and is practiced at the city and county levels in addition to state and federal jurisdictions. The purpose is clear: Draw maps that produce the greatest political advantage for your party. Unfortunately, this mantra ignores what should be the more important consideration of geographic areas of common interest. This is why cities and counties are often carved up into several districts, when the whole area could be served by one person representing the entire community. Moreover, along the way Republicans and Democrats made another deal for self-preservation of 'club' members. They agreed to draw a certain number of safe districts for members of the minority party as well — never enough to threaten the majority's control, mind you, but enough to further reduce competitive districts.

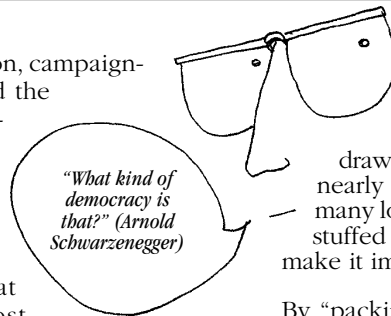
If legislative seats can be drawn for partisan advantage, they can be drawn to promote competition and to maintain areas of common interest like cities, towns and counties. Certainly there are some areas of common interest that are so heavily Republican or Democrat they will only elect one of their own. However, there should be more than 10 or 11 districts out of 150 where either parties' candidate has a chance of winning. The same is true of our U.S. House districts where incumbency all but guarantees reelection in nine out of 10 seats, where only the 8th Congressional District in southwest Indiana is regularly competitive. Assuming Indiana maintains its current 10 house seats under the upcoming federal reapportionment, a simple proportionality of drawing districts should be adopted. Keeping the goal of maintaining areas of common interest at the forefront, legislative mapmakers need to start by drawing the 10 congressional districts. Each congressional district could then be subdivided into five state senate districts, and then each senate district into two Indiana house districts.

— Jim Knoop, "Gerrymandering,"  
*The Indiana Policy Review*, Vol. 1, No. 2, 1990

365 days a year. In addition, campaign-spending limits have had the unintended effect of entrenching incumbents further by excluding political outsiders who are left with no way to raise these or other complaints.

The explanation that should bother us most, though, the one suggesting the depth of the political corruption, is gerrymandering. It is a historic process that has defied reform because it favors incumbency generally, above even political affiliation. A recent *New York Times* editorial updates the technique:

"A major reason legislative elections are becoming a charade is that the parties that control the redistricting process now routinely follow the dictum of 'pack, crack and pair.' They pack voters from the other party into a single district and crack centers of opposition strength, dispersing opponents to districts where they will be in the minority. They redraw lines so two incumbents from the other



party will wind up in one district, fighting for a single seat. Using powerful computers, line-drawers can now determine, with nearly scientific precision, how many loyal party voters need to be stuffed into any given district to make it impregnable."<sup>3</sup>

By "packing, cracking and pairing," party leaders prosper in two ways at the expense of democratic integrity:

- They ensure themselves continued office, with most districts drawn to guarantee incumbency for many elections to come.
- They then can command favors from the congressional delegation (grateful for advantageous district boundaries) when it comes time to open the federal pork barrel.

"A major element in the job security of incumbents," concludes Edward Tufte, a political scientist, "is their ability to exert significant control over the drawing of district boundaries; indeed, some recent redistricting laws have come to be described as Incumbent Survival Acts."<sup>4</sup>

• *Gerrymandering defies reform because it favors incumbency generally, above even political affiliation.*

3. Editorial. "Elections With no Meaning." *The New York Times*, Feb. 21, 2004.

4. Edward Tufte. "The Relationship Between Seats and Votes in Two-Party Systems." *American Political Science Review*, June 1973.

*The type of election campaign that for many Hoosiers epitomizes democracy at work is now only a political curiosity.*

## THE OUTSTATER

What all that means is this: The type of election campaign that for many Hoosiers epitomizes democracy at work — the campaign where well-defined political opinions are argued on a level field of public opinion — is now only a political curiosity.

“Computer databases now assess voter tendencies block by city block, and contests are effectively decided months before anyone pulls a lever,” notes *the Wall Street Journal*.<sup>5</sup>

There are only two proposals that fully address the power of incumbency. Both of them, alas, are quixotic.

The first is to reform Indiana government en masse. This would shrink opportunities and rewards for such systemic mischief. Government is the largest employer in many Indiana communities. It also is the biggest contributor to political

campaigns (in the form of constituency services, free media and other incumbent benefits).

Failing a reduction in government’s role, there are term limits — not a reform so much as an acknowledgment that the system is broken. Reform movements in the past were able to apply term limits after abuses of power in such offices as sheriff, mayor and governor. It is our last, best hope.

Critics, though, are right that legislators are unlikely to limit their own offices. Political scientists generally dismiss term limits as the most desperate of attempts to stop party leaders from becoming a permanent ruling class.<sup>6</sup>

We are left, then, with only our candidate’s lament: It’s too bad there isn’t more competition — so much is at stake. Q

5. *The Wall Street Journal, Review & Outlook, Nov. 12, 2004.*

6. Eric O’Keefe and Aaron Steelman. “*The End of Representation: How Congress Stifles Electoral Competition.*” *Cato Policy Analysis No. 279, Aug. 20, 1997.*

### *No Contest*

There are 435 Members of the House of Representatives, but only seven incumbents lost (last November). The political class would like us to think that those numbers represent the voters’ satisfaction with their Congressmen. But everyone knows better.

Election Day once again highlighted just how uncompetitive most Congressional races have become. Not only are most outcomes foreordained, but the contests aren’t even close. Winners in just 37 House races this year received 55 percent or less of the vote, which is the conventional threshold for determining vulnerability in the next election cycle. That’s down from 62 such races in 2000.

Blame the perks of incumbency, and blame gerrymandering especially. The Founders required elections every two years because they designed the House to be the political body most responsive to the public. But politicians, through their ability to draw their own districts, have rigged the system to undermine those intentions and hold on to power. Computer databases now assess voter tendencies block by city block, and contests are effectively decided months before anyone pulls a lever.

Of the seven incumbents who lost this year, four were Texas Democrats who went down because their districts were redrawn by Republicans. (The three others were a Democrat in Indiana and a Republican in Illinois and in Georgia.) Currently, the redistricting racket favors the GOP. But it hurt the party for years before 1994 and eventually it will again. In any case, the dearth of competitive House races is bad for the country because it makes for less-accountable politicians.

In more than 150 House races, the winner garnered at least 60 percent of the vote. More than 75 others — double the number of competitive races — were certifiable landslides, with the winner grabbing 70 percent or higher. Those types of results scare off potential challengers. Over in the Senate, by contrast, 11 of 34 contests were won with 55 percent of the vote or less, and two others by 50 percent. The politicians haven’t found a way to gerrymander an entire state. Yet.

— *The Wall Street Journal, Review & Outlook, Nov. 12, 2004*

# ONE WACKY IDEA AND A COUPLE OF GOOD ONES

*Our economists take a look  
at the governor's first 90 days*

by ERIC SCHANSBERG

Emerging from a stint as the first budget director in the Bush administration — a group both fiscally liberal and quite willing to use public policy to score political points at the expense of the economy — it wasn't clear how Mitch Daniels would approach policy decisions as governor.

When he faced such a choice, would he craft good economic policy or try to please political constituents?

His most famous proposal has been to (temporarily) increase taxes on those with relatively high incomes.

Although it'd be difficult to describe a tax increase as good economic policy, it's an interesting proposal because it would seem to irritate one of his stronger constituencies. Since then, Daniels' comments in two smaller areas continue to signal his willingness to forsake political gain — this time, by embracing good economic policy.

First, Governor Daniels has insisted on competitive bidding for licenses to operate slot machines — if the legislature approves the expansion of gambling. His stance on this issue is nuanced and impressive.



*D. Eric Schansberg, Ph.D., an adjunct scholar for the foundation, teaches economics at Indiana University Southeast. He wrote this for the Louisville Courier-Journal. It is reprinted with the author's permission.*

Daniels is not advocating an expansion of gambling and even seems to be signaling mild opposition — whether out of economic or moral concerns. But he also recognizes that the Legislature could insist on additional gambling over his veto. So, he is wisely seeking to shape policy in this area by encouraging a competitive bidding process rather than automatically awarding lucrative gambling licenses to existing providers in the horse-racing industry.

Second, the governor recently announced that he will not support a continued federal subsidy for Amtrak, in line with the recent Bush budget that proposes its elimination. The inefficient train line has enjoyed public subsidies of \$29 billion since its inception 34 years ago — taking the average family of four for a \$400 ride in higher taxes over that time period. But eliminating this welfare program would risk 640 Amtrak jobs in Beech Grove (a suburb of Indianapolis). Support for the subsidy is nearly universal within both major political parties. But Daniels has distanced himself from the political pack, embracing good economic policy while alienating a local constituency. Not surpris-

*Will the governor craft good economic policy or try to please political constituents? At least one of his decisions is nuanced and impressive.*

— Schansberg

## THE STATEHOUSE

*Impassioned interest groups are likely to trump a largely indifferent general public.*

— Schansberg

*Even Uncle Sam's otherwise rapacious income tax code avoids what Daniels proposed for Hoosiers.*

*Income within an income bracket is always taxed at the same rate.*

— Van Cott

ingly, Governor Daniels' two policy proposals are not popular with the relevant interest groups or their politicians. Mike Brown, a spokesman for the horse-racing industry, said his associates are "not big fans of the (competitive bidding) concept." Likewise, Lawrence Buell (R-Indianapolis) said, "Over the years, I've worked pretty hard to keep Amtrak afloat. Some subsidy is really necessary."

Although enhancing competition and eliminating subsidies of inefficient enterprises are clearly good for the economy as a whole, special interest groups are especially interested in what serves their own interests. Likewise, the two policy proposals benefit consumers (in the case of gambling) and taxpayers (in the case of Amtrak).

But the benefits to them are difficult to see — whereas the benefits of opposition to the Daniels proposals are obvious for the interest groups and their politicians. This is the nature of much government activism: Impose small-per-person, subtle costs on the general public and society as a whole while enhancing the wealth of a politically-connected special-interest group. The interest group passionately pursues the policy while the general public is "rationally ignorant and apathetic" of that which costs them

relatively little per person and hurts the economy overall. On these two policy matters, Governor Daniels can expect the support of Libertarians and fiscal conservatives. Because this is only a small subset of the population, impassioned interest groups are likely to trump a largely indifferent general public. In any case, the governor has taken a principled but difficult political stand. At the least, he deserves kudos for his courage.

### A WACKY TAX IDEA

by Norman Van Cott

Incredulous — that is, unbelieving — describes this reaction to Governor Mitch Daniels' proposal for a new, albeit temporary, Indiana state income tax regime.

"Did he really say that?" I asked a number of colleagues and professional acquaintances. "Yes, he did," was the response. My follow-up was something to the effect that surely the new governor had advisers who would protect him from such a bonehead idea. Apparently not.

Those with little more than a passing interest in the issue probably know that Daniels proposed raising the top marginal

### *Mitch the Knife?*

The political lust for ever-more tax revenue is a bipartisan affliction, as Indiana voters are finding out to their regret. Their reward for electing their first Republican Governor in 16 years looks like it will be a big tax increase.

This pocketbook raid comes courtesy of Mitch Daniels, the former White House budget director whose victory last November also brought in GOP control of the Indiana house. (The party already controlled the senate.) He's now helping to define Republicanism in the Hoosier state by proposing a 29 percent tax increase, levied largely on anyone making \$100,000 or more — including married couples filing jointly and small business owners.

Mr. Daniels says the tax hike, which raises the top marginal income tax rate to 4.4 percent from 3.4 percent, will last only one year, but the new governor is also opening the door for county and city governments to levy their own income taxes. As for 'temporary' tax increases, we've heard that one before — most recently in North Carolina, where a 'two-year' sales and income tax increase is now in its fourth year.

... The governor is clearly betting he can solve his budget problems in his first year, and that voters will forgive and forget come re-election time in 2008. But he may find instead that he is missing his best, and perhaps only, chance to reform state government.

— *Wall Street Journal, Review & Outlook, Jan. 31*

state income tax rate from 3.4 percent to 4.4 percent on annual incomes of \$100,000 or more. Sounds straightforward, doesn't it? It wasn't.

Daniels' proposal was, putting it mildly, wacky — to wit, people above the \$100,000 threshold would have paid a 4.4 percent tax rate on all their income, not just income over \$100,000. In other words, income up to the threshold would have been taxed at different rates depending on whether one's total income was under or over the threshold. Nowhere in America is income taxed this way, nor has it ever been taxed this way. Even Uncle Sam's otherwise rapacious income tax code avoids what Daniels proposed for Hoosiers. Income within an income bracket is always taxed at the same rate.

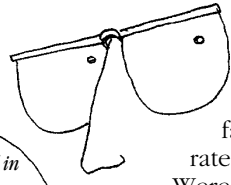
There are several reasons for this. First, equal rates within a bracket meet the constitutional requirement of equal protection under the law. Economists label this horizontal equity in taxation. Objecting to the Daniels proposal on constitutional grounds is probably a quaint notion. After all, we now live in the era of "living and breathing" constitutions that mean nothing, especially when it comes to government's power to tax. Nevertheless, equal protection is a principle we ignore at grave risk.

Second, equal tax rates within a bracket minimize the skewing of economic incentives implicit in any income tax. Back-of-the-envelope calculations revealed that the Daniels' regime could have confronted Hoosiers near the \$100,000 threshold with marginal state income tax rates of more than 100 percent, and much more in some cases. Who says you have to go to Sweden to encounter punitive, confiscatory tax rates? To see this, suppose Hoosier Harry has entrepreneurial skills that, if utilized, would increase his income from \$99,000 to \$100,000. At \$99,000 Harry's state income tax bill is \$3,366 ( $\$99,000 \times 0.034$ ). At \$100,000, his tax bill, under Mitch Daniels' proposal, would be \$4,400 ( $\$100,000 \times 0.044$ ). So



T. Norman Van Cott, Ph.D., an adjunct scholar of the foundation, teaches economics at Ball State University. He wrote this for the foundation.

*"To be controlled in our economic pursuits means to be controlled in everything."  
(Hayek)*



when Harry's income rises by \$1,000 (\$99,000 to \$100,000), his state income tax bill rises by \$1,034. Harry faced a 103.4 percent state tax rate on that last \$1,000 of income. Were Harry's income to rise from \$99,500 to \$100,000, the tax rate on his last \$500 in income is 203.4 percent. Pity Harry if his income happened to go from \$99,999 to \$100,000. That last dollar would cause his tax bill to rise by \$1,000 — a marginal state tax rate of 1,000 percent. You probably couldn't find such rates even in Sweden.

To be fair, larger changes in income across the \$100,000 threshold confront Harry with less dramatic marginal state tax rates. But rates can still be sizeable. Were Harry's income to increase from \$98,000 to \$100,000, he would face a 53.4 percent state tax rate on that last \$2,000 of income. An increase from \$95,000 to \$100,000 would confront Harry with a state rate of 23.4 percent on that last \$5,000. And lest we forget, Harry also would be liable for federal income taxes on any of these increments to his income.

Just as Daniels' proposal would have confronted Harry with increasing disincentives to earn more income as his income approaches \$100,000, those whose income exceeds \$100,000 would have had increasing incentives to get their income below \$100,000 as it neared the threshold.

Either way, income management — that is, keeping your Indiana income below the threshold — would have become a second occupation for Harry and his counterparts. You could see tax accountants and tax lawyers licking their chops.

That this wackiness was being sold as "temporary" offered little assurance. In government circles, temporary has been a euphemism for getting the official foot in the door. Temporariness has a peculiar staying power in the public sector.

That state government would merely contemplate such tax rates, even for a subset of its population, had to have a chilling effect on economic incentives.

Mitch, where were your advisers when you needed them?

*Nowhere in America is income taxed this way, nor has it ever been taxed this way. Income within an income bracket is always taxed at the same rate.*

— Van Cott

## THE STATEHOUSE

*Anyone near the governor's \$100,000 income mark would avoid being on the wrong side of the threshold like they would avoid hot lava.*

— Bohanon

### 'T WAS CLEAR, AT LEAST

by Cecil Bohanon

It didn't take a Ph.D. in rocket science to know an organization that was spending \$600 million more than it was receiving in revenue had a problem.

But when the revenue came from unpopular taxes, and the spending was for popular public services, as was the case with Indiana state government, no number of Ph.D.'s, rocket scientists or even holy men could devise an easy or popular way out of the mess.

In the last few years, Hoosier politicians of all stripes had waxed on with great eloquence about excessive spending, the need for fiscal discipline, and the like. They had skimped, however, on telling us about the spending cuts or tax increases they wanted to enact to remedy the problem.

The response of Indiana's political establishment to the state's budget crisis had been a mix of denial, neglect and wishful thinking based on a fervent hope that the problem would just somehow go away.

The reason for this timidity was clear. The two most potent forces in Indiana politics were Indiana citizens' instinctual hostility to any tax increase, and their simultaneously held view that increases in educational spending were the panacea for all the state's ills — the latter carefully nurtured by the education lobby.

Sooner or later, however, these two forces were bound to collide. The budget crisis simply ensured that this collision came sooner.

Gov. Mitch Daniels' plan to put the state's finances back in order was unlikely to be easy or popular. It did, however, have one admirable attribute: It was clear. We knew exactly what the governor was proposing.

The governor was speaking the unspeakable in Indiana politics. He was breaking the mold and giving everybody some bad news. For the no-tax increasers he had a message: Forget it. A one-time, one-year, tax increase on households with over

\$100,000 in income was in order, he said. There would be no exempting the top five percent of tax filers from special pain. Schools and universities have traditionally

fared well in the budget game, but not this year.

You must live with what you got last year; get used to it.

For both taxpayers and spending constituencies there was a glimmer of hope:

This dire state of affairs would not be permanent.

Taxes would be cut and spending growth would resume after the state got its revenue and spending in line and socked away some reserves for a rainy day. By all reckoning, this would occur within 24 months, maybe sooner if we were lucky.

As in all programs that have detail and substance, there were bound to be glitches. It appeared that the tax increase had a rather serious problem with regard to the \$100,000 surtax threshold.

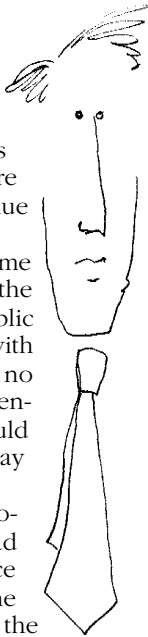
A taxpayer with \$99,000 in taxable income in 2005 would be subject to the 3.4 percent tax rate for a total state income tax liability of \$3,366. If, however, the taxpayer's income were to creep up to \$100,000 in 2005, the 4.4 percent tax rate would kick in on the whole of their income, raising their state income tax liability to \$4,400. The incremental \$1,000 in income would lead to an increase in their state tax liability of \$1,034, implying an astonishing state marginal tax rate of 103.4 percent.

Anyone near the \$100,000 income mark would avoid being on the wrong side of the threshold like they would avoid hot lava. This was hardly an economic incentive builder even if it was only in place for one year.

Surely there were other glitches, irrationalities and inconsistencies in Daniel's plan. Most were remedial. In all, however, it forced counterproposals to match it in its specificity and detail.

Didn't like the plan? What was your alternative; you had to lay it out point by point. Wanted more spending on something? What taxes did you want to increase, or what other spending did you want to cut?

This was a refreshing change from politics as usual.



*"Would it not be better to simplify the system?"*  
(Thomas Jefferson)

## ON CAMPUS

### THE BSU FRESHMAN READER

by Cecil Bohanon  
and Marilyn Flowers

Following the lead of many other universities, Ball State University adopted a Freshman Reader program several years ago. The idea was to introduce freshmen to the university through the experience of reading a common book and incorporating analysis and discussion of this book into both the classroom and a series of public events, including an appearance by the author.

Although the idea of a Freshman Reader program is praiseworthy, we have some serious concerns. This year's program is a case in point. Our personal opinion is that the book, *Fast Food Nation*, by Eric Schlosser is too shallow and unscientific to serve as an introduction to serious scholarship. That aside, however, there is agreement that its main premise of despicable conditions in the food processing and fast-food industry, and the proposed solutions of more government regulation and expanded union power, are points of controversy. Controversy is fine if a serious attempt is made to ensure a fair debate. From this perspective, this year's program was a failure.

In addition to the Schlosser lecture, a number of related lectures and events were presented on campus. These included two screenings of "Super Size Me," a contemporary film critical of the fast food industry, a lecture by the girlfriend of the director of that film — also critical of the fast food industry — a presentation by an organic farmer, a presentation by a disgruntled farm worker at a local farm and a lecture by an outside professor critical of "factory" farming and advocating a vegetarian diet. Needless to say, all of these presentations were complementary to Schlosser's point of view.

Most of the aforementioned events were well-attended by students, many of whom were encouraged by a combination of rewards (extra credit in classes) and punishments (penalties for nonattendance). Most of these events also received press coverage. In contrast, consider an event held in the



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Miller College of Business at which a number of faculty members offered perspectives critical of Schlosser's thesis. This event received little advance publicity, no press coverage and was attended by a single student.

Ideally, students should be exposed to a variety of different views on important social issues. If all, or even most, of the supplemental events are simple cheerleading for the view of the main speaker, a potential educational opportunity becomes more akin to ideological inculcation. Unfortunately, this year's Freshman Reader program was more reflective of the latter than of the former.

In addition to the problems of balance and low intellectual content, it is hard to claim good results if most students don't read the book. A casual survey of our students suggests that only a small minority actually read the freshman book. If this were to be borne out by a more rigorous investigation, we might wonder if the sizable budget for this program could be more wisely spent elsewhere.

What can be done to remedy these problems?

First, those of us in the university who have perspectives that are not reflected must bear some of the responsibility for the imbalance. We have a right, indeed a duty, to make our conflicting views known. We ought to be actively accessing university resources to bring in speakers, to set up panels and to publicize events that offer alternative perspectives. As the old civil liberty saying goes, the remedy to bad speech is more speech.

Second, the university leadership at the highest levels must set the tone and provide resources to encourage a variety of viewpoints.

The problem of ideological imbalance must be acknowledged. Too many in the academic community are in a state of denial about these issues. Steps must be taken to avoid a repeat of the problems with this year's program.

We can hardly brag about a program characterized by lack of balance and intellectual content and which fails to seriously engage our students. □

*If all, or even most, of the supplemental events (on campus) are simple cheerleading for the view of the main speaker, a potential educational opportunity becomes more akin to ideological inculcation.*

— Bohanon and Flowers

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## THE INTERNAL CONTRADICTIONS OF BEING ‘PRO-CHOICE’

*Political liberals are fond of pointing to the selfishness of some conservatives but ironically, in the context of abortion, selfishness is parked squarely in the liberal camp*

— Schansberg

*Two members of the foundation, one a philosopher and the other an economist, look beyond the headlines and the activism to examine the most profound issue of their generation.*

by ERIC SCHANSBERG

Why aren't "pro-choicers" who work at abortion clinics more candid with their clients and more consistent with their self-chosen title?<sup>1</sup>

Why couldn't they counsel women about all of their options? And if they perform an ultrasound, couldn't it be shown to the prospective mother so she could make a more informed choice?

In fact, "choice" may not be the most appropriate word when 98 percent of women seeking counsel from Planned Parenthood choose abortion.<sup>2</sup> Moreover, related groups want to force hospitals to provide abortion services — even if doing so would violate their core beliefs. It appears that abortion rights advocates are

pro-choice only about some choices.<sup>3</sup> Second, political liberals are fond of pointing to the selfishness of some conservatives and the supposed selfishness of many conservative policy stances. But ironically, in the context of abortion, selfishness is parked squarely in the liberal camp. If one listens to the rhetoric carefully, it is a clear example of putting one's own desires first.<sup>4</sup> And as Candace Crandall notes about "a woman's right to control her own body": "When one looks at the data today, noting that half of all women undergoing abortion (in 2002) will be having at least their second, and that one of every five will having at least her third, a number of highly descriptive thoughts come to mind. 'In control' isn't one of them."<sup>5</sup>

The abortion-rights advocate, Naomi Wolf, is highly critical of the language used to defend abortion: "Let us at least look with clarity at what (abortion) means and not whitewash self-interest with the language



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1. In many cases, so-called pro-choicers are not particularly pro-choice on other topics. An excerpt from Sheldon Richman's list of the frequent inconsistencies — Why wouldn't the woman also have the right to choose: 1) Not to pay for someone else's "right to choose" to have an abortion if it violates her convictions or if she simply doesn't want to; 2) to send her children to private schools without also having to pay taxes for the government schools; 3) to decide how to plan and save for her own retirement and to opt out of Social Security; 4) to buy imports from anywhere in the world . . . free of tariffs and quotas designed to protect domestic products she finds inferior or too expensive; 5) to abstain from paying dues to a labor union she wishes not to join; 6) to patronize doctors, lawyers and other professionals whose credentials are vouched for by someone other than government licensing boards; and 7) to keep a handgun in her purse and nightstand drawer without having to get permission from the government. ([www.fjff.org](http://www.fjff.org); August 8, 2000)

2. CNSNews.com, May 8, 2002.

3. First Things, January 2003, p. 86.

4. In contrast, John Paul II argues that "A mother welcomes and carries in herself another human being, enabling it to grow inside her, giving it room, respecting it in its otherness. Women first learn and then teach others that human relations are authentic if they are open to accepting the other person: a person who is recognized and loved because of the dignity which comes from being a person and not from other considerations, such as usefulness, strength, intelligence, beauty or health." (*Evangelium Vitae*, #99, 1995; in *The Social Agenda: A Collection of Magisterial Texts*, eds. R. Sirico and M. Zieba, Pontifical Council for Justice and Peace: Vatican City, 2000, p. 60.

5. C. Crandall, "Thirty Years of Empty Promises," *First Things*, January 2003, p. 14-17.



of self-sacrifice . . . Let us certainly not be fools enough to present such spiritually limited moments to the world with a flourish of pride, pretending that we are somehow pioneers and heroines and even martyrs to have snatched the self, with its aims and pleasures, from the pressures of biology.<sup>6</sup>

Another in-house critique comes from Christopher Hitchens: "It is a pity that . . . the majority of feminists and their allies have stuck to the dead ground of 'Me Decade' possessive individualism, an ideology that has more in common than it admits with the prehistoric right, which it claims to oppose but has in fact encouraged."<sup>7</sup> And George McKenna, commenting on Hitchens' essay, notes that "What struck him as ironic, and totally indefensible, was the tendency of many leftists suddenly to become selfish individualists whenever the topic turned to abortion."<sup>8</sup>

Third, it would be refreshing if today's abortion advocates understood and articulated how the political history of abortion in America is not helpful to the cause of feminism. Margaret Sanger, the founder of Planned Parenthood, advocated the use of abortion for eugenics — in particular, with respect to controlling the population of minorities.<sup>9</sup> (Even today, African-American women are 2.6 times more likely to have an abortion.<sup>10</sup>) Moreover, Susan B. Anthony, Elizabeth Cady Stanton, Alice Paul, Mary Wollstonecraft and other early feminist leaders were adamantly pro-life, even denouncing it as "the ultimate in the exploitation of women." Rosemary Bottcher, in the *Ameri-*

*can Feminist*, goes as far as to label abortion "a betrayal of feminism." Looking back to its founders, she argues that "Human worth, in their view, was not based upon size (physical size had always been one supposed reason for male superiority), 'wantedness' (women were wanted only insofar as they could be controlled by men), or dependency."<sup>11</sup>

Fourth, let's call a spade a spade. Aside from the frequent slip of identifying the fetus as a baby, there are more revealing, pre-meditated instances. As Gene Veith points out, although the "pro-choice position is taken for granted on TV, few characters in TV shows or even movies actually get abortions . . . Apparently, abortion and entertainment do not mix."<sup>12</sup> Why would abortion be "abhorrent" (the description of Henry Foster, an unsuccessful nominee of Bill Clinton for Surgeon General who had performed abortions) if it is only a surgical procedure? Or in Clinton's words, why would one wish abortion to be "rare"? McKenna argues that Clinton "knows he is talking to a national electorate that is deeply troubled about abortion."<sup>13</sup>

McKenna makes a number of other interesting observations about pro-abortion rhetoric, comparing it to the pre-Civil War language that identified slaves as "persons" or "other persons" as opposed to "free persons."<sup>14</sup> Some other questions: Why don't we name abortion clinics after people? Why doesn't society honor abortionists and those who won abortion rights? Why should unmarried birth-fathers be forced to financially support a baby they don't want if they

*Margaret Sanger, the founder of Planned Parenthood, advocated the use of abortion for eugenics — in particular, with respect to controlling the population of minorities.*

— Schansberg

6. N. Wolf, *ibid.*, p. 26-35.

7. C. Hitchens, *The Nation*, April 24, 1989, p. 546.

8. McKenna, *ibid.*

9. *Eugenics is creating a superior race through murder and cloning is creating an inferior race for exploitation.*

10. *First Things*, October 2001, p. 90.

11. Quoted in *First Things*, May 2000, p. 74-75. Frederica Mathewes-Green ("What Women Need," *op. cit.*): "We think of abortion as the defining, litmus-test issue of feminism, but it was not always a significant part of the package. When the feminist bible, *Sisterhood Is Powerful*, was published back in 1970, only one portion of one essay focused on abortion. In 1967, when the National Organization of Women met for the first time . . . abortion appears only as the last word in the document." She concludes that "abortion rose to the top, mostly because it was concrete."

12. G. Veith, "Theory, not Practice," *World*, Jan. 17, 1998, p. 22.

13. McKenna, *op. cit.* As Frederica Mathewes-Green notes, "No one saves up, hoping one day to have an abortion . . . Women don't want abortions. They are expensive, awkward, humiliating, painful and potentially dangerous . . . (and) it breaks a mother's heart." (*Christianity Today*, Jan. 12, 1998, p. 29.)

14. Further, Wolf (*op. cit.*) claims that her side's rhetoric errs by describing fetuses as "material" and by "emptying the act of (any) moral gravity." Wolf also criticizes Joycelyn Elders' remark, "We really

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## AT ISSUE

*Finally, it would be refreshing if avid abortion advocates would let the public know if there are any cases when abortion is wrong.*

— Schansberg

have no say over a woman's choice about that pregnancy — obligations without rights or a choice? Why do proponents insist on using euphemisms for abortion — “termination of a pregnancy,” “reproductive health clinics,” and so on? Why do proponents insist on using euphemisms for abortionists — “abortion providers” or “abortion doctors”?<sup>15</sup> As McKenna concludes, even “its warmest supporters do not like to call it by its name.”<sup>16</sup>

Fifth, it would be nice to see self-proclaimed advocates of women at least occasionally discussing the dangers of abortion to women — in terms of physical, emotional and psychological pain. Julius Fogel (a psychiatrist and ob-gyn who has performed more than 20,000 abortions) says: “There is no question . . . about the emotional grief and mourning following an abortion . . . Something happens on the deeper levels of a woman's consciousness when she destroys a pregnancy.”<sup>17</sup> Dr. Janice Crouse notes that “so many women have these problems that they have earned a medical name: post-abortion syndrome.”<sup>18</sup> Abortion is four times more deadly than childbirth and women who have an abortion are more likely to commit suicide.<sup>19</sup> Breast cancer, infertility, pelvic infection, ectopic pregnancy, subsequent premature births and children born with cerebral

palsy are also positively correlated with abortion.<sup>20</sup> How ironic for abortion advocates who used to trumpet the health of the mother as a reason for abortion. And how ironic for society as a whole. To quote Dr. Crouse: “In an era intensely concerned about health risks, the lack of public concern regarding abortion's effect upon women's health is inexcusable. The abortion industry remains largely untouched by the obligation to provide warnings that have been recognized in other contexts where health is at stake.”<sup>21</sup>

Moreover, recent evidence indicates that in giving children abortions, Planned Parenthood has covered up violations of statutory rape laws. Life Dynamics recorded 614 conversations with workers at Planned Parenthood offices. In 516 of the conversations, employees agreed “to conceal or willfully ignore the felony sexual abuse of a 13-year old girl by a 22-year old man.”<sup>22</sup> As a so-called advocate for women, wouldn't it be more appropriate for Planned Parenthood to defend female children's rights as well?

Finally, it would be refreshing if avid abortion advocates would let the public know if there are any cases when abortion is wrong. It would be encouraging if pro-choice advocates argued for full information about abortion and its consequences

*need to get over this love affair with the fetus” by comparing it with the equally absurd notion that “we really need to get over our love affair with the terminally ill.”*

15. T. Lamer, “Linguistic Contortions,” *World*, May 26, 2001, p. 43. Lamer notes that dermatologists are not called “skin doctors” or “skin-care providers,” before concluding that maybe proponents are not “just acting as propagandists . . . they may also be trying to fool themselves.”

16. McKenna, *ibid*.

17. *Washington Post*, Feb. 5, 1989, cited in *Physician*, January/February 1993. See also: T. Burke and D. Reardon, *Forbidden Grief: The Unspoken Pain of Abortion*, Acorn Books: Springfield, IL, 2002.

18. J. Crouse, “Unsafe, Deadly, and Legal,” *Touchstone*, January/February 2003, p. 15-16.

19. Crouse, *ibid*; and I. Gentles, “Women's Health After Abortion: The Medical and Psychological Evidence,” *de Veber Institute*: Toronto, 2002. *Late-term abortions are particularly dangerous — handled by abortionists as an outpatient procedure, when if done for medical reasons, is worthy of the care equivalent to labor and delivery.*

20. Gentles et al., *ibid*. *The link between breast cancer and abortion is especially well-documented. R. Rubin, “Debating Abortion and Breast Cancer,” U.S. News and World Report*, Oct. 21, 1996. Richard John Neubaum (*First Things*, October 1999, p. 95) reports a study which finds a 190 percent higher incidence with one abortion and a 260 percent higher incidence with two. Dr. Joel Brind et al. find a positive link in 27 of 33 studies, estimating an increased risk of 30 percent (*Journal of Epidemiology and Community Health*, 1997).

21. “Building a Culture of Life: A Call to Respect Human Dignity in American Life” (reprinted in part in *Touchstone*, May 2002, p. 46-49) is a document formed by the Family Research Council and signed by representatives of Jewish, Catholic, Protestant and Orthodox faiths.

22. L. Vincent, “Keeping Secrets,” *World*, July 27, 2002, p. 14-17. *Life Dynamics and Priests for Life have combined to write letters to school districts, warning them about their potential legal liability if they continue to refer children to Planned Parenthood in the midst of these allegations. (L. Vincent, “More Trouble than It's Worth,” World, Aug. 10, 2002, p. 29; the letter is available at [www.priestsforlife.org/schools/certifiedletter.htm](http://www.priestsforlife.org/schools/certifiedletter.htm)).*

rather than merely selling the choice to terminate a pregnancy.<sup>23</sup> It would be consistent if they provided assistance to those who choose not to abort. Without doing these things — and without using honest language — they cannot even begin to approach the moral high ground on this issue.

In contrast, Wolf argues for the pro-choice position from what she labels a “paradigm of sin and redemption.” She advocates freedom to choose with the reasoning and honest language of “between myself and God” as opposed to “between myself and my doctor” (the Supreme Court’s *Roe v. Wade* language which devoids the issue of moral content) and as opposed to “it’s nobody’s business” (revealing selfishness and seeking to sweep its moral content under the nearest carpet). As such, she says that for a woman “to use the word ‘sin’ . . . may mean that she thinks she must face the realization that she has fallen short of who she should be; and that she needs to ask forgiveness for that, and atone for it.”<sup>24</sup> If abortion advocates can muster the same honesty as Naomi Wolf, one could hope for less division, more consensus — and fewer abortions. Q

### SO, WHAT DO FEMINISTS WANT?

by Richard J. McGowan

When Sigmund Freud asked that celebrated question “What do women want?” he did not have modern-day feminists in mind. However, despite the abuse and derision he has received from feminists, his question is particularly relevant to them. For it is not clear that feminists themselves know what they want.

For instance, feminists want — nay, demand — reproductive freedom in the form of the most liberal policy on abortion as they can get. The push for reproductive freedom is so great that feminists appear to embrace pathogenesis.

When the former surgeon general of the United States announced that the abortion decision was “between the woman, her doctor, and her God,” she articulated in germ a standard feminist position, one that

ignores fathers. Elders’ comment is not just an offhand comment by an isolated feminist. Noted feminist, Susan Sherwin, observed: “Despite the diversity of opinion among feminists on most other matters, virtually all feminists seem to argue that women must gain full control over their own reproductive lives if they are to free themselves from male dominance.” The inevitable conclusion of this line of thought is that “it is, therefore, improper to grant others the authority to interfere in women’s decisions to seek abortions.”<sup>1</sup>

Or this: A fetus has no relationship of any consequence to any person but the woman who carries the fetus. J. Hadley states that “A woman’s decision to terminate an unwanted pregnancy is, seemingly, a personal and private matter.”<sup>2</sup> Rosamund Rhodes states, “Since the fetus is hers, the woman who decides to terminate her pregnancy does not give up her right to determine what will become of the aborted fetus.”<sup>3</sup>

Many feminists think that only the pregnant woman has the authority to make a decision regarding abortion; the decision to terminate a pregnancy is the woman’s alone. Whatever relationships the fetus has to the father, to the society which would receive the child, to future generations, or to the community are a matter of indifference. Whatever relationships the fetus has to the natural world and to the processes of life are of no consequence. Only the “principal relationship” between the fetus and the woman carrying the fetus is of any import to the abortion decision if these feminists are correct. As such, a pregnant woman could make the decision in a manner unconnected to and detached from other relationships in her life or her place in the natural world.

Yet, such a conclusion flies in the face of ecofeminism. From the rather extreme position of Ynestra King to the more moderate position of Greta Gaard, ecofeminists seem to preclude abortion and restrict what other feminists allow or demand.

King states that “No part of living nature can ignore the extreme threat to life on Earth. We are faced with worldwide deforestation, the disappearance of hundreds of

*It would be encouraging if pro-choice advocates argued for full information about abortion and its consequences rather than merely selling the choice to terminate a pregnancy.*

— Schansberg

*If these feminists are correct, whatever relationships the fetus has to the natural world and to the processes of life are of no consequence. Only the “principal relationship” between the fetus and the woman carrying the fetus is of any import to the abortion decision.*

— McGowan

23. In this sense, abortion is similar to other poor decisions where benefits and costs are not weighed properly out of ignorance.

24. Wolf, *ibid.*

## AT ISSUE

*If the abortion decision is the pregnant woman's alone, then a non-participatory, hierarchical decision-making process has been instituted.*

— McGowan

species of life, and the increasing pollution of the gene pool by poisons and low-level radiation.”

King rails at men and Western development: “The ecological crisis is related to the systems of hatred of all that is natural and female by the white, male Western formulators of philosophy, technology and death inventions.” She claims that “There is at the root of Western society a deep ambivalence about life itself, about our own fertility and that of non-human nature and a terrible confusion about our place in nature.”

King understands environmental problems as a result of the dualism between nature and culture. She believes that the social realm overcomes both what is natural and what is female, since “women’s traditional activities — mothering, cooking, healing, farming, foraging — are as social as they are natural.” As noted above, King believes that the social realm is at odds with the female and the natural.

While it may be opportune to point out that men’s traditional activities include fathering, healing, farming and foraging, the more germane observation is that abortion is hardly a natural occurrence. If nothing else, abortion surely suggests “a deep ambivalence about life itself, about our own fertility . . . and a terrible confusion about our place in nature.”<sup>4</sup>

Janis Birkeland’s treatment of ecofeminism is less severe though reminiscent of King. For instance, she blames men for environmental problems: ecofeminism “is ‘an awareness’ that begins with the realization that the exploitation of nature is intimately linked to Western Man’s attitude toward women and tribal cultures.” Birkeland blames “Patriarchal cultures” with their “hierarchical dualism” for environmental problems. Birkeland thinks a hierarchical dualism should give way to “a holistic value system” of the sort ecofeminism contains.

Birkeland recommends “basic precepts of ecofeminism . . . participatory, noncompetitive and non-hierarchical forms of organization and decision-making.” She claims that “everything in nature has intrinsic value. A reverence for, and empathy with, nature and all life . . . is an essential element” of ecofeminism.

If the abortion decision, a decision that affects the fetus, the procreating male and

the community, is “personal and private,” and if the abortion decision is the pregnant woman’s alone, then a non-participatory, hierarchical decision-making process has been instituted. The result of that process might be irreverence for life and a lack of empathy for life in whatever form it may take.<sup>5</sup>

Gaard reaffirms Birkeland’s sentiments. Her preface to *Ecofeminism — Women, Animals, Nature*, which she edited, states that “Because a central value of ecofeminism is its plurality of voices, I chose not to write a single-author text . . . ecofeminists strive for inclusivity, in subject matter as well as presentation.” While it might be worth noting that her book has 12 articles, none by a man, it is more worth noting that the abortion decision, as often presented by feminists, excludes fathers.<sup>6</sup>

Josephine Donovan’s analysis of animal rights and feminism shows the divided nature of feminism. She suggests that ecofeminism “recognizes the varieties and differences among the species but does not quantify or rank them hierarchically in a Great Chain of Being. It represents the aliveness and spirit (the ‘thou’) of other creatures . . . it appreciates that what we share — life — is more important than our differences.”

Donovan’s paean to life and her “demand” for the spiritual respect of all creatures, no matter what their form, seem to present a straightforward rebuke to the practice of abortion. Donovan, in fact, practically names abortion in her writing: “The maternal ethic involves a kind of reverential respect for the process of life and a realization that much is beyond one’s control.” Donovan blames men and male psychology of manipulation of the environment. Donovan’s position must oppose abortion, a practice which neither respects “the process of life” nor demonstrates “a realization that much is beyond one’s control.”<sup>7</sup>

Lori Gruen’s analysis suggests parallels between feminists and animal liberationists. She believes that people need to see connections more, for example, the connection between the way animals are treated and the way women are treated since “the role of women and animals in postindustrial society is to serve — be served up; women and animals are the used.” She states that “ecofeminists of whatever variety . . . are

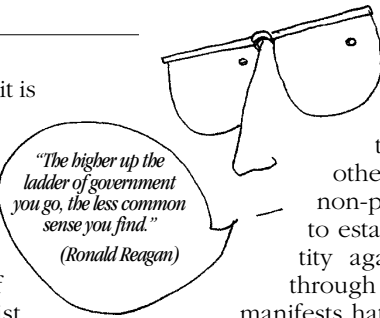
united in believing that it is immediately important that we each change our own perspectives and those of society from death-oriented to life-oriented.”<sup>8</sup>

Yet, the practice of abortion — a feminist demand — is hardly a life-oriented practice in its termination of the life process of reproduction. Having urged her readers to see connections more, we might note that the way men allegedly treat animals and women is the way women treat a fetus and the process of life when women have abortions.

Stephanie Laher blames men, too, but also makes an inadvertent remark. She maintains that “exploitation is a one-way, non-reciprocal relationship.” She goes on to explain that “invisibility and, ultimately, violence happen most easily within a short-sighted and fragmentary mindset that is isolated from the existence and needs of others, qualities that characterize a modern, reductionist and patriarchal intellectual and scientific tradition.” She says that “when we cut off a part of ourselves that we share with all other human beings and, by extension, all of life, it is easier to deny that others, or a particular other, exists.”

If the abortion decision is a woman’s and a woman’s alone, the decision will be made by a “fragmentary mindset that is isolated from the existence and needs of others” and, apparently, represents a patriarchal tradition. As a result of the technological and scientific intrusion into the natural process of reproduction, a process we share with all other living beings, women will “cut off a part of” themselves that they “share with all other human beings, and by extension, all of life.” Given the thinking feminists have produced on abortion, is it any wonder so many millions of women have found it easy “to deny that others, or a particular other, exists.”<sup>9</sup>

So, what do feminists want? Apparently, they want abortions even though abortion is death-oriented, terminates the process of life, promulgates technological and scientific intrusion into the natural, disrespects the natural, voids the relationship of father and mother to the child, and runs counter to a holistic view of life. If the abortion



decision is the woman’s and woman’s alone, then the decision is unconnected to others, hierarchical, isolated and non-participatory; requires women to establish their autonomous identity against the paternal-masculine through the use of death inventions; manifests hatred of all that is natural; and demonstrates a terrible confusion about our place in nature. Maybe, just maybe, the confusion is on the part of feminism.

So what about Freud’s question? If Gaard, Birkeland, *et al.*, are correct, women who abort their fetuses are acting in probably the worst way imaginable — they are acting like men.

Maybe that’s what feminists want. Q

#### Endnotes

1. Susan Sherwin. “Abortion Through a Feminist Ethics Lens.” In Lucinda Joy Peach (ed.) *Women and Culture — A Woman’s Studies Anthology*. London: Blackwell, 1998, pp. 261-271.
2. J. Hadley. *Abortion: Between Freedom and Necessity*. Philadelphia: Temple University Press, 1996.
3. Rosamund Rhodes. (1996) “Reproduction, Abortion and Rights.” In David C. Thomasina and Thomasina Kushner (eds.) *Birth to Death — Science and Ethics* (58-70). NYC: Cambridge University Press.
4. Ynestra King. (1998) “Healing the Wounds: Feminism, Ecology, and the Nature-Nurture Dualism.” In Peach, *op. cit.*, pp. 433-440.
5. Janis Birkeland. “Ecofeminism: Linking Theory and Practice.” In Greta Gaard (ed.) *Ecofeminism — Women, Animals, Nature*, pp.13-59. Philadelphia, PA: Temple University Press, 1993.
6. Greta Gaard. “Living Interconnections With Animals and Nature.” In Greta Gaard. *ibid.*, pp. 1-12.
7. Josephine Donovan. “Animal Rights and Feminist Theory,” pp. 167-194. In Birkeland, *op. cit.*, pp. 167-194.
8. Lori Gruen (1993). “Dismantling Oppression: An Analysis of the Connection Between Women And Animals.” In Gaard. *op. cit.*, pp. 60-90.
9. Stephanie Lahar. *Roots: Rejoining Natural and Social History*. In Gaard. *op. cit.*, pp. 91-117.

*The result of that process might be irreverence for life and a lack of empathy for life in whatever form it may take.*

— McGowan

## ANDREA NEAL

*Selections from the weekly column*

# 'BACKDOOR TAX' HELPING FUND ENERGY ASSISTANCE

*What kind of compassion disguises  
tax increases as utility bills?*

*Hoosiers from  
Merrillville to  
Evansville are being  
forced to pay higher  
energy bills to cover  
the costs of those least  
able to pay.  
That might be fine if a  
majority of state  
legislators had voted  
for it following the  
normal lawmaking  
process.*

by ANDREA NEAL

When is a charitable donation really a tax? Just ask the 700,000 natural gas customers of Northern Indiana Public Service Co. (NIPSCO).

In December, the Indiana Utility Regulatory Commission (IURC) approved a 50-cent surcharge on their monthly bills. The surcharge acts like a charitable donation: It ends up with social service agencies that administer energy assistance funds to needy Hoosiers — places like Community Action or the Council on Aging.

But it looks like a tax: It's authorized by government, and if it shows up on your bill, you have to pay it. That's a far cry from the voluntary assistance campaigns some Indiana energy utilities have sponsored for years.

"A back-door tax and income redistribution" is how Mitch Harper puts it. Harper is a former state legislator, a Fort Wayne lawyer and a ratepayer. He understands the need for winter assistance for the poor; heating bills are expected to jump 28 percent this year. It's the public policy process he questions.

The precedent was set in August when the IURC approved a two-year pilot program, called the Universal Service Program, for the state's two other major natural gas utilities: Vectren and Citizens



Gas. The purpose is to subsidize energy bills of families who meet low-income criteria and to fund weatherization projects to improve the energy efficiency of their homes.

But, as in the yearlong NIPSCO experiment, the funding mechanism is suspect.

Evansville-based Vectren, like NIPSCO, received permission to impose a monthly surcharge that will amount to around 59 cents. Citizens Gas, unique because it is run by a public charitable trust, will not charge Indianapolis customers directly to fund its program but may spend profits that it might otherwise return in the form of lower rates.

To be clear about the impact of these well-intended mandates: Hoosiers from Merrillville to Evansville are being forced to pay higher energy bills to cover the costs of those least able to pay.

That might be fine if a majority of state legislators had voted for it following the normal lawmaking process. But that's not what happened here. In this instance, a regulatory body whose purpose is to set "reasonable and just rates" decided to set social policy. That is the job of the legislative branch.

There's an unintended consequence to consider, too. Every time rates go up, it pushes another group of the financially struggling into the can't-pay-the-bill cat-



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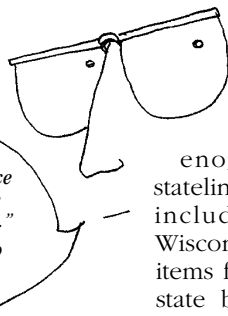
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egory. Is it fair to benefit one group of ratepayers at the expense of another?

The fact that the utilities and the Office of Utility Consumer Counselor all agreed to the plan doesn't make it less objectionable. Nor does the fact that it might save ratepayers money in the long run by reducing disconnection costs, a benefit cited by former Utility Consumer Counselor Anne E. Becker.

In a recent editorial, *the Fort Wayne Journal Gazette* called on the legislature to review the surcharges to make sure they are appropriate. Such review is essential considering the magnitude of the precedent. While 50 cents a month hardly sounds like enough to quibble over, what's to stop the IURC from approving a surcharge of a dollar, or \$5?

The solution is not to disguise new taxes in utility bills, but to propose legislation that goes through the public hearing process. Indiana, with about \$50 million in



"The end of the human race will be to die of civilization."  
(Ralph Waldo Emerson)

federal block grant money for energy assistance, is not the only state unable to stretch its federal dollars far enough. According to stateline.org, many governors, including Montana's and Wisconsin's, are seeking line items for energy assistance in state budgets this year. Last year, Colorado lawmakers passed a bill to subsidize the state's heating assistance program through a voluntary 25-cent surcharge on utility bills. Gov. Bill Owens vetoed the bill because it required utility customers to "opt out" of paying the surcharge and he preferred an "opt in" approach. Instead, to meet rising demand, Colorado has reduced the amount it will give to eligible families.

That's the kind of hard choice Indiana's governor and legislature will have to make. If there's going to be an energy assistance tax, let's call it what it is, debate it in the open and take a vote.

### *Of Utilities and 'Public Benefits'*

NIPSCO customers' bills will increase by 50 cents every month of 2005 as the company tests its one-year pilot 'Winter Warmth' program to aid low-income families. The Indiana Utility Regulatory Commission approved the program earlier this month, and energy assistance agencies administer it. About \$5.7 million will aid the utility's low-income customers; \$200,000 comes directly from NIPSCO, the rest from its customers.

NIPSCO says it has no intention of using the surcharge for anything other than low-income energy assistance. It says 'public benefits' initiatives were undertaken in states with energy deregulation, which Indiana has not embraced. . . . a subsidiary of publicly traded NiSource, NIPSCO says that in balancing the needs of its customers and shareholders, with the downturn in the economy and the surge in natural gas costs, the 50-cent surcharge is the right course. The company donated \$3 million to energy assistance over the last four winters; it is spending \$700,000 this winter to seed Winter Warmth and pay for other energy assistance programs.

The Winter Warmth program will undoubtedly aid hundreds, possibly thousands of northeast Indiana families this year. But the requirement that utility customers pay to finance a social safety net program is a question of public policy that warrants hearty debate among elected officials. Elected Indiana legislators, not a regulatory commission, should review the new surcharges and determine whether they are appropriate. The Indiana Utility Regulatory Commission has set a dangerous precedent in allowing two natural gas utilities to tack surcharges on customer bills to help low-income families.

— *Editorial, the Fort Wayne Journal Gazette, Dec. 24, 2004*

While 50 cents a month hardly sounds like enough to quibble over, what's to stop the IURC from approving a surcharge of a dollar, or \$5?

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## ABUSES AND USURPATIONS

The Associated Press reports on a "positive side" of the tsunami. By washing away rampant development, it returned the beaches to nature: "Greg Ferrando glistened with sweat and sea water as he went for a barefoot jog up the immaculate white sand beach, where the tsunami has wiped away almost all signs of humanity. 'This whole area was littered with commercialism,' said the 43 year-old from Maui, Hawaii. 'There were hundreds of beach chairs out here. I prefer the sand.' . . . 'Everyone is talking about it. It looks much better now,' he said."

— Best of the Web Today, WSJ Opinion Journal

The national budget must be balanced. The public debt must be reduced; the arrogance of the authorities must be moderated and controlled. Payments to foreign governments must be reduced, if the nation doesn't want to go bankrupt. People must again learn to work, instead of living on public assistance.

— Marcus Tullius Cicero, 55 B.C.



- Dodge ball, tag and Red Rover are prohibited in the public schools of Sacramento, where concern for self-esteem and lawsuits trump playground fun. And in Tucson, swing sets are not being installed in new parks or replaced in old ones for the same reasons.

- Indianapolis students have their dodge ball but they need to watch out for school officials spraying anti-riot chemicals. *The Indianapolis Star* detailed the fate of high school students protesting rules defining tardiness. The public school superintendent granted that officers may have overreacted.

- You might want to check where your city's Homeland Security dollars are going: In rural North Carolina, they went for off-road four-wheelers; in Madisonville, Texas, for a \$32,000 custom trailer for the mushroom festival; in Louisiana for a \$30,000 catering bill charged to the Office of Emergency Preparedness there. Do you suppose the terrorists plan to cater us to death?

- Those waiting for alternative media to set us free from Gannett, Knight-Ridder and the like, take heart. An on-line encyclopedia, *Wikipedia*, is developing Internet software that would make it easier for amateur journalists — that is, objective journalists — to file the stories of the day.

- But lest the morning headlines cause despair, be reminded that yellow journalism tends to fade into irrelevance:

The battle to feed all of humanity is over. In the 1970s and 1980s, hundreds of millions of people will starve to death in spite of any crash programs embarked upon now. — Paul Ehrlich in his 1968 bestseller, *"The Population Bomb"*

- Listen up again, Indianapolis, the city of Pittsburgh is considering levying a tax on pro athletes to pay for public art projects — a perfect circle, the social engineers might think, brawn to brains. Meanwhile, the Toronto Blue Jays, which pay their first baseman \$23 million, snatch up the discounted Skydome for \$25 million (Canadian). The thing cost \$580 million to build new, much of it authorized as a civic "investment" by public officials using other people's money.

- In an intriguing if counterintuitive study, a UCLA law professor predicts that eliminating affirmative action policies in law schools would increase the number of black lawyers. Richard Sanders, using data on 27,000 students from the Law School Admissions Council, found that half the black students were in the bottom 10th of their class by the end of their first years. His projection is that eliminating racial preferences, although reducing the total number of black students admitted to law school, would increase the number passing the bar. How so? Sanders believes that preference politics push black students into schools for which they are ill-prepared. Their success rate would be higher in their second-choice schools, he argues.

- More reasons we are grateful to live in Indiana with or without our backs to a new-mown bale of hay: Guadalupe Madrigal, a singer, was fined \$40 by Mexico for flubbing the national anthem; Nicholas Ennis, an Australian rancher, was fined \$72,000 for not requiring his cowboys to wear helmets; and in Brazil if you fail to call Judge Antonio Moreiro "Your Excellency," even in the public market, you can be fined. ☞

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