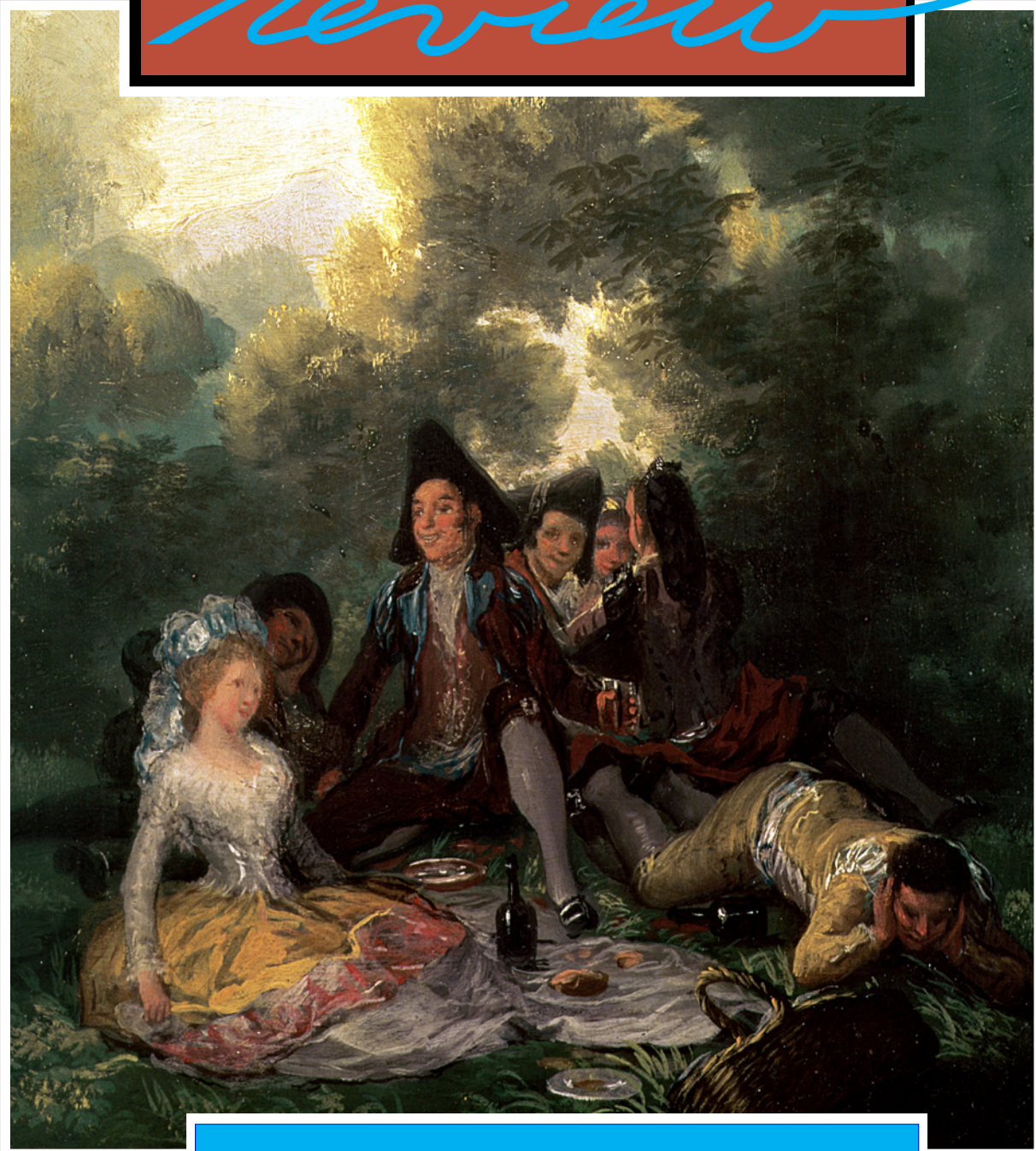


# INDIANA POLICY

*review*



*Picnics and Property Rights*

## AN ISSUES MANUAL FOR THE ROLLBACK

*"A future that works"*

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



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



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

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

*The foundation encourages research and discussion on the widest range of Indiana public-policy issues. Although the philosophical and economic prejudices inherent in its mission might prompt disagreement, the foundation strives to avoid political or social bias in its work. Those who believe they detect such bias are asked to provide details of a factual nature so that errors may be corrected.*

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# THE TUESDAY LUNCH

*Picnics, property rights and the lowest common denominator.*

by CECIL BOHANON

When I was 12 years old, the Youth of First Christian Church had a picnic at Honor Heights Park in Muskogee, Oklahoma. The good ladies of the church brought loads of potato salad, baked beans and cole slaw, but every child knew the real action was in the sack lunch mom had packed with his favorite delight. Our Mom had fried some chicken.

That was a real treat for us as she opposed fried food on general principle long before such health concerns were fashionable. I had the breast pieces, my younger brother Robert got the drumsticks and sister Susan got the thigh pieces.

Just before the prayer was to be given, the Reverend Wilbanks made an admonition that went something like this: You young folks should not be greedily holding on to your own sack lunches, rather you should empty your sacks and contribute the contents to the common table: After all, sharing was the Christian way.

I was horrified. However, along with all the other children I pliantly obeyed the minister and surrendered my lunch. We then all bowed our heads in prayer and I did something I had never done — I impiously opened my eyes and slowly sneaked toward the picnic table. I noted that most of the other boys in my age group were doing the same. And after the closing “amen” it was a free-for-all.

I managed to recover at least one of my chicken breasts and I think I got Nancy Mayes’ Twinkie. As I escaped the table I noticed that the George



*"The Picnic," Francisco Jose de Goya u Ludientes/Getty Images.*

brothers were gleefully munching on my brother’s chicken drumsticks, much to his dismay.

It was not my mother’s habit to criticize other authority figures in my life in front of me — but she made clear she thought the reverend was boneheaded on this one, as did most of the other moms. “Children want what their mama packed.”

Some 45 years later I fondly recall the Reverend Wilbanks as a great teacher, leader and pastor. He is a hero of my youth. But the moms of First Christian Church were right: Forced sharing breeds disappointment and resentment and is not the best way to promote the habits of Christian charity.

Quite the opposite; it encourages bad behavior, as

everyone breaks the rules to jockey for the best cut from the common pool.

We economists constantly remind the public and policymakers that private-property rights are essential in generating incentives for production of goods and services.

But an additional point is warranted: The absence of private-property rights inevitably discourages good manners and deportment in the distribution of goods and services. Social behavior then reduces to the lowest common denominator of 12-year-old boys.

*Cecil Bobanon, Ph.D., an adjunct scholar of the Indiana Policy Review Foundation, attends church picnics and teaches economics at Ball State University.*

# A MANUAL FOR THE ROLLBACK

*Four thinkers who might have saved Indiana, who might save it still.*

*"The road to hell is paved with Republicans." — anonymous*

One of Indiana's most-respected Republican politicians, a conservative by the popular measure, acknowledges he made a "whopper" of a mistake as a state senator many years ago.\*

Alas, one man's mistake, if he is a powerful government figure, is another man's disaster. This particular one created a collective-bargaining system that now cripples Indiana finances even as it thwarts reform across the full spectrum of state issues.

Now, with the legislative machinery gearing up in Indianapolis and in Washington, there are indications that the Democrats, at least, whether they like it or not, actually "get it."

A Democrat pollster, Douglas Schoen, suggests that his party could win again if it confronted the public-employee unions. Noting that support for Democrats is as low as 33 percent among certain groups of private-sector workers, Schoen issued a warning:

By providing Democratic candidates the bulk of their campaign funding, public unions have essentially bought control of the party. This is particularly true when it comes to the politicians who control union contracts and pensions at the state and municipal levels.

But are Indiana Republicans making this turn? Do they fully understand what happened Nov. 2?

According to *the Fort Wayne Journal Gazette*, a leading Republican believes his party could have repealed that collective-bargaining mistake this session but "wanted to let teachers know they are valued and give them a sense of security."

Do school patrons stuck with mediocre schools feel valued? How's their sense of security? What about those Hoosier teachers who want to be free of union rules? Or the best teachers, whose salaries are capped by lowest-common-denominator contracts?

The governor's office is not particularly eager to change any of this. The governor has dreams of the White House; he is practicing the politics of convenience in limiting collective bargaining "solely" to compensation and calling it reform.

Is this what Republicans consider getting tough with a secretive special interest that has a stranglehold on the state budget? One that for 30 years has perverted our



*"The Battle of Cowpens," William Ranney, 1845*

educational mission from the teaching of young students to the hiring of adult cronies?

This is not moderation or bipartisanship, writes the political scientist James Ceaser in the current issue of *the Claremont Review of Books*. Rather, it is an attempt by a political class to paper over its self-indulgence. "If

Republicans are to remain true to the verdict of 2010, the message of this election cannot be containment; it must be rollback," insists Ceaser.

So, is Indiana rolling anything back?

There has been a decade of indifference by the Republican leadership to either a right-to-work law or repeal of the state inheritance tax. Ultimately, those are property issues, and we expect the GOP suits at the Statehouse to demonstrate an understanding of them.

They do not. In fact, this session, with majorities in both houses, they bottled the necessary legislation in committee. That's because establishment Republicans confuse the concept of property rights. They think it means to help the rich protect richness while playing a game of "revenue-neutral" budgeting with us peasants. That's how they do it in Banana Republics.

But the right of property as displayed in the essays that follow is quite something else. It is a historical triumph of Western Civilization — not just for those with property but especially for those who would work to earn property. Our founders designed a marvelous system that guarantees social and economic justice by establishing individual responsibility.

Unlike the feel-good social rights of the 1960s and 1970s, property rights are a wall against kings, despots and, yes, a Republican leadership. Here is Tom Bethell writing about a time without such rights:

The weak were at the mercy of the strong, and there were many disputes that had to be arbitrated by the sovereign. If not at the mercy of their neighbors, most people were at the mercy of the magistrate. At best, justice was an occasional and haphazard thing, but the complexity and onerousness of administering justice in a society where free-riding is not discouraged by private property defeats the good intentions of the most benign authority.

Hoosiers will need to get used to all of that. For it is becoming business as usual at the Statehouse. — *tcl*

\*John Mutz. "Reclaim Education From the Unions. *The Indianapolis Business Journal*, Dec. 25, 2010.

# 1 Update Our Model Of Government

by CECIL BOHANON

The topic I am going to discuss is a topic that you may have read about in *The Indiana Policy Review*. It is the topic of Public-Choice economics.

If you went back 50 years ago to any department of economics or any department of political science and examined what professors were saying, what they were thinking about how government operates, here is the model that was prevalent at the time:

- There are elected officials who want to do what the wise, knowledgeable people want them to do.
- There are bureaucrats and administrators who want to act on this wise knowledge and make it operational.
- And democracy will ensure this result because well-educated voters will essentially ratify the candidate who espouses more wisdom and better administration.

It's a model of democracy in action, and it's a model of a Beneficent Despot running the public sector.

The conditions necessary to make this model work are that all the actors have good will, that everyone pursues the public interest, that everyone is motivated by, shall we say, the grand vision of the common good.

Now, pray tell, what happens when political outcomes deviate from what is obviously the common good? Well, it must be that good people haven't been there. Good people are needed to do good things.

To correct the situation what is needed is more good people doing more good things. If the voters are not choosing good people, then voters need more information. Voters also might need to be better trained and educated, so that they have more of the public interest in mind.

## *The Public-Interest Model*



This Public-Interest or Beneficent-Despot model of

*Adapted from a presentation by Cecil E. Bohanon, Ph.D., an adjunct scholar, at a foundation seminar in the spring of 2004. Dr. Bohanon teaches economics at Ball State University.*

government permeated economic and political science departments 40 to 50 years ago. The idea was that somehow or another the public sector would gravitate toward right outcomes, which smart people were going to generate at the appropriate time. Any deviation from that meant that someone was doing something wrong. Any deviation implied that we needed to get better people to do better things. Any deviation meant we needed better, more informed and more public-spirited voters.

What can we now say about this model? The problem with it is that it doesn't predict. If in fact democracy is going to lead to good outcomes, how do we explain all the irrationalities that most people observe in the public sector day in and day out? Is it really just a simple matter of good people doing good things to get the public sector to operate?

About 50 years ago some economists began to look at government through a different lens – not the lens that viewed the public sector as out to do good things, not the lens that assumed public-spiritedness. Instead, these economists drew on a model based on Adam Smith's view of individuals in the market.

What did Adam Smith tell us was going on in a market economy? People operating in a market economy are not operating particularly in the public interest. Instead, they are operating for private interest. Individual firms are out there trying to maximize profit. Individuals are out there trying to maximize wealth. Somehow or other, the interaction of all this in a private market works out pretty well.

## *The Public-Choice Model*

The question is whether this same thing is operating in the public sector. Is there an invisible hand there as Adam Smith found in the private sector? This is what Public-Choice economists began to analyze. This analysis turned the assumption about individual motivations of the people in the public sector on its head. It asserted that, "No, people in the public sector aren't much different than

*"About 50 years ago some economists began to look at government through a different lens – not the lens that viewed the public sector as out to do good things, not the lens that assumed public-spiritedness. Instead, these economists drew on a model based on Adam Smith's view of individuals in the market."*

— Bohanon



*"We have learned (since 1994) that it doesn't matter if you are Republican, it doesn't matter if you are Democrat, and it doesn't matter if you are Libertarian. The pork barrel is going to happen. Why? Because it has nothing to do with sending good people to office, it has to do with bad institutions."*

— Bohanon

people in the private sector." Just as the individual businessman or the individual consumer is out to maximize his own self-interest, subject to the constraints he faces, so are people in the public sector.

What's a voter doing? Is a voter planning to do what's necessary for the public interest? Well, perhaps, but voters want to minimize tax payments and to maximize their division of public services; voters want to get more for themselves and presumably less for someone else. This is the motive that informs their voting.

What are elected officials doing? Even though public officials talk about advancing the public interest, they probably are more interested in getting re-elected and surviving in their political setting.

What are public officials doing, the people who actually run government operations? Well, to the extent that they cannot tap into any public-sector efficiency gain because private profits aren't supposed to exist in government operations, perhaps what they are trying to do is advance their careers, enhance the size of the bureau in which they work, advance their scope of operation, to make a case for more salary and perks.

And finally, what are public-policy wonks like me doing? We are trying to get our names in the newspapers, to get contracts and all sorts of things that are not necessarily in the public interest.

Now for an important point: This particular perspective, called Public Choice, which relies on looking at the individual interests of people who are interacting in the public sector, is not – and I want to repeat – is not a cynical view of people in the public sector. Don't leave here thinking that everyone in Public-Choice economics thinks officials are corrupt; that's not what we are saying at all. What Public-Choice analysis says is it is the incentives and institutions that matter. In the final analysis, it's not the goodness or the lack of goodness of the people who are involved in the public sector that explain public-sector outcomes, it is the rules of the game that matter.

#### *Comparing the Two*

Now, let me give a few examples of the contrast between the two models.

One example is federal, another is local, another is Indiana-specific.

Everybody here knows what pork-barrel spending is. At the end of a congressional session, we find all kinds of expenditures that don't make any sense. These are expenditures financed by national taxpayers to support the most provincial sorts of interests. At the end of a legislative session, popping up like mushrooms in the forest, are all sorts of legislation that help certain special-interest groups — \$500,000 to refurbish Lawrence Welk's home, for example. And not to step on any toes here, all the types of things that show up in the Build Indiana Fund.

How does that happen? The lens of self-interest lets us see what is going on: If everyone has access to a common pool of resources, the public purse, then everyone has an incentive to get his cut of the bacon before the other guy does.

That is straightforward enough, but how can we get resulting, excessive public spending under control?

If we go to the first model, good people doing good things, we are told that we need to hire better politicians, we need to elect people who understand the problem of excess spending in Washington and get them to agree to pass up the pork barrel.

In 1994, a lot of Republicans got elected who seemed to understand the problem of the pork barrel. We have since learned that it doesn't matter if you are Republican, it doesn't matter if you are Democrat, and it doesn't matter if you are Libertarian. The pork barrel is going to happen. Why? Because it has nothing to do with sending good people to office, it has to do with bad institutions. As long as federal dollars can be appropriated to a variety of public activities originally reserved for the states, as long as this allocation is subject to making a majority coalition in the legislature, the common-pool problem exists. No congressman in his right mind will pass by the trough. If you want to change public-sector outcomes, what you have to do is change incentives. As long as federal spending is authorized in an area, you are going to get pork: get rid of the federal-spending authorization if you want to get rid of the pork. Again, it is simply a by-product of the institution,

not a matter of needing good people to do good things.

### *'Free' Vegetables*

Let me give you another example, one from the city from where I come, Muncie. I happen to be a member of a board that works for an organization that helps people who are poor. We give food baskets, provide homeless shelters, things like that. I am proud to be associated with this organization. I think this is a wonderful way to help those less fortunate in our communities.

My fellow board members came up with an idea, which on its surface looks wonderful. Everyone knows that a lot of people who are poor don't eat a balanced diet. One of the things they lack quite often is fresh fruit and fresh vegetables. Wouldn't it be wonderful if we could grow some fresh fruit and fresh vegetables and give them to the poor? Yes, a great idea.

Moreover, Ball State University has a plot of land where anyone can grow vegetables and such free. One of the directors on the board had the idea of getting the people who would benefit from those fresh fruits and vegetables to do the work. He proposed informing everyone who gets food baskets from our organization of an opportunity. We would pick them up in a bus and take them to a plot of land where they could labor in the vegetable garden. At the end of the season, they would harvest the bounty, get their share and share with others who were needy.

Anybody want to guess what happened? How many people showed up for the bus? The number of people who showed up was zero. My friend was quite disappointed.

What went wrong? The Beneficent-Despot model tells us that we needed to train the poor people better, to give them a better education in this matter. The model says that we needed to find someone to motivate them better, a better speech to get them to that vegetable patch.

In contrast, the Public-Choice model says no, no, no, that has nothing to do with it — it has nothing to do with the education of poor people, nothing to do with the motivation of the speaker. Rather, it has to do with incentives. If I'm going to work in the baking sun for several

hours a day to generate vegetables for everyone in a community . . . bye-bye. The poor people who stayed home were not acting in a bad way; they were acting in an incredibly rational way. Public Choice would predict that outcome.

### *Government Versus Private Buses*

My last example has to do with research done about 20 years ago by some of my colleagues at Ball State University. This is what college professors do, you see, spin off theories and then try to write articles about them. What they did was look at the provision of one particular public service here in Indiana. Every school corporation in the state has a school transportation budget — a way to get children from Point A to Point B. And at the time this research was done, Indiana had a unique system in that some districts had public provisions for school-bus service while other districts contracted for private provision of school buses and yet other districts had a system that mixed some public with some private provisions.

Again, through the lens of the Beneficent-Despot model, how should this operate? Good people in the public sector — and if they're not there, they should be there, by golly — can make sure these bus systems operate well. Therefore, researchers should observe no difference between the cost of operating buses if they are run by a school corporation or if they are privately contracted.

In fact, if they are privately contracted, they probably are going to be more expensive because all those evil businessmen are going to need to make a profit.

The Public-Choice approach says something different: If there were competition for the routes, it would expect low-cost providers to dominate. If there were monopoly provisions, it would expect the cost to be higher.

Indeed, the data was very clean, easy to analyze and easy to explain. They found consistently that private provision of bus contract service led to something like a 13-percent to 15-percent reduction in costs.

What can we say about that? Is it that the people on the school corporation boards running buses are bad folks? No, they merely face different incentives.

*"The Beneficent-Despot model tells us that we needed to train the poor people better, to give them a better education in this matter. The model says that we needed to find someone to motivate them better, a better speech to get them to that vegetable patch. In contrast, the Public-Choice model says no, no, no, that has nothing to do with it — it has nothing to do with the education of poor people, nothing to do with the motivation of the speaker. Rather, it has to do with incentives."*

— Bohanon

*"I (government) destroyed \$600,000 in economic activity to create \$600,000 in economic activity. On net, I've done nothing. I've merely moved resources around. However, if you look only at the benefit side and ignore the cost side, it might seem that wealth has been created."*

— Schansberg

Ultimately, what was interesting about this was that the difference was much smaller than the difference found in other states. That might indicate that the presence of private contracting as an option in Indiana tended to keep costs in the public sector down.

So in the final analysis, what do we have: It's not bad people doing bad things. Nor is it an absence of good people doing good things. The problem concerns incentives. If we can get the incentives right, other things will fall into place.

## 2 Make Better Choices

by ERIC SCHANSBERG

Let me start with a simple numerical example of redistribution. If you were to take \$10 from every citizen in Terre Haute, about 60,000 people, you would have a pool of \$600,000. Let's say we give that money, tax revenue, to 20 people — maybe it's 20 jobs that pay \$30,000 each. Or perhaps we give pay raises of \$3,000 to 200 people. Either way, we're going to move \$600,000 around. It is a simple model; there's no middleman. We're not paying to have the money moved.

What are the incentives for the people who are paying the money and for the people who are receiving the money? How are their incentives different?

If you are a taxpayer in this context, you are losing \$10. You're not happy about that but it's just \$10. You may not have even read about it in the paper. Even if you had, it probably wasn't worth marching on city hall. Economists would say that people in this situation are "rationally ignorant" about a particular policy. And even if they know about it, they are likely to be "rationally apathetic."

What about those receiving the money? That's a different matter. They are going to be excited to have the \$30,000 job or the \$3,000 more in benefits or whatever it may be.

In essence, what we have here is concentrated

benefits matched up against relatively subtle and relatively diffuse costs. You get two quite different sorts of behavior. But when benefits are concentrated it is easy from the public's perspective to see the value of a policy. The creation of 20 jobs, for instance, would make the newspaper. The economic benefit of the 20 jobs would be obvious. The benefit of substantial raises to 300 people would be obvious — at least to those people — and it'd be relatively easy to see the benefit of the increased pay for the economy.

Three hundred people would be obvious — at least to those people — and it'd be relatively easy to see the benefit of the increased pay for the economy.

Note that there is no wealth creation here. I destroyed \$600,000 in economic activity to create \$600,000 in economic activity. On net, I've done nothing. I've merely moved resources around. However, if you look only at the benefit side and ignore the cost side, it might seem that wealth has been created.

### *Equity and Efficiency*

Now let's look at when we might want government to intervene. Why would we want to use government activism in a given context? Economists talk about two major categories: efficiency — a common term — and equity, a sense of fairness.

We need to spend a little time on the latter. Equity can refer to the process, or it can refer to the outcomes or it can refer to both. Perhaps we would consider it a fair outcome that certain people have a certain amount of money. But what is the process by which we are going to get that outcome? For example, is it appropriate for me to take money from you to give to them? Sometimes it's a problem because the processes don't match the outcomes — either they don't work at all or they are inequitable.

In Louisville there is Central High School, a historically African-American school. And until a few years ago, every school in the city had to have 15 percent to 50 percent African-American students. A lot of African-Americans wanted to go



*Adapted from a presentation by Eric Schansberg, Ph.D., an adjunct scholar, at a foundation seminar in the spring of 2004. Dr. Schansberg teaches economics at Indiana University at New Albany.*



to Central High because it was a good school, a magnet school, and because it was a neighborhood school. However, the problem was there were “too many” African-Americans who wanted to go there. So Louisville was in the position of telling African-Americans that even though the school was a good school and it was in their neighborhood, they would have to be bused across the city because they were needed over there to make that 15-percent figure.

What’s up with this? You perhaps can see why someone might want that from an outcome perspective; they want diversity and those sorts of things. But the process used was inequitable. We’re not supposed to be judging people by the color of their skin, so it seems odd we would end up with a process that says because you are African-American you cannot go to the school of your choice.

We want processes that are equitable and we want outcomes that are equitable. How do we do that? It is a question of means and ends. We want to have means that are just and appropriate and we want to have goals or ends that also are just and appropriate.

As a rhetorical question, what are the sorts of things that determine your own values? What are the sorts of things that determine what you consider to be equitable? Maybe it is religion, maybe some other way of saying what is fair. Now, let’s assume for the sake of discussion that we want the government to intervene in some context, either for an equity reason, because we think it’s fair, or for an efficiency reason, because we think it’s a good way to get things done.

#### *Decentralization and Privatization*

If you want the government to be involved, you still have the question of what level of government, what degree of centralization. For example, at this time in our history we want the government to be heavily involved in education. But what does that mean? Do we want the federal government to take care of all the spending, to set the standards, and this, that and the other? Does it mean it is done at the state level, the local level? Those decisions have to be made.

The second question concerns privatization, to what extent the private sector will be involved. Will it be totally public sector? Will there be degrees of public-sector involvement? Going back to our education example, today the government provides education not only by providing the funding but also by producing the service. But if we look at the market for food, while the government has decided that it wants to try to get food to poor people, it doesn’t operate grocery stores or farms. We’ll let farmers make stuff, we’ll let Krogers sell stuff and we’ll give poor people coupons so they can go to the store and buy their own stuff.

In both contexts, although the government is heavily involved, the level of government is quite different.

Take an issue such as animal control. Let’s say you want the government to step in and do something about animal control. What are the ways you can do that? You could have a department of animal control with a bureaucrat and employees, an agency with government funding and tax dollars to finance this thing. Going back to my original example, maybe it has a \$600,000 budget with 20 employees.

Another option would be for government to dedicate the same amount of money but not be in the business of going out and catching animals. It would contract, say, with five private providers of animal-control services.

Those are two different ways of approaching the same problem. And the incentives are quite different in those contexts. If you have a government monopoly providing the service, it is going to be different than if you have a competitive bidding process. Returning to the question of centralization, maybe animal control should be taken care of by the federal government. That’s absurd, right? But what level of government should take care of it? Is it a city thing or is it a county thing?

#### *Externalities*

Let’s take up efficiency. Markets are good at efficiency. It gets back to incentives: If I am a consumer, I have incentives to spend my money well. If I am a businessman, I have an incentive to try to produce a good product.

*“Louisville was in the position of telling African-Americans that even though the school was a good school and it was in their neighborhood, they would have to be bused across the city because they were needed over there to make that 15-percent figure. What’s up with this?”*

— Schansberg

*"When you go to see a movie, you don't just walk in the door; you have to have a ticket. Most things work that way. There is either a contract or a direct trade of money or product for service. Where there is a divorce between those, then problems occur."*

— Schansberg

But there are areas in which markets struggle. One of the most prominent ones is an externality like pollution. An externality is where I do something that has significant implications for you. Why don't I care? Well, because the costs are not on me. Maybe I have an incentive to chuck things in the river because it's not my river. So whenever there are property rights that are unenforceable, there is an incentive for private agents to misbehave, to act in ways not in the public interest.

An example might be blighted property. If you have property that's nasty, what do you do about that? And how nasty does property have to get before the government should intervene? If I paint my house pink, is that going to be a problem? If I don't mow my lawn enough, is that a problem? Exactly where the problem begins is an externality issue. As the externalities get larger there is an increased potential for the government to step in and be relatively effective.

In Jefferson County, where I was trying to clear out my grandmother's house, I found that they have a dump that the county operates where you can unload a pick-up truck full of stuff for 40 bucks. But each Wednesday is "Hazardous Materials Day." Any guesses as to what the charge is to drop off hazardous materials? Yes, it's free. Is that because it's cheaper to get rid of hazardous materials?

No, they're worried about incentives, right? Because it is hazardous material, they don't want someone responding to the disincentive of a high price by just chucking it in their back yard or in a stream somewhere. So Jefferson County policy recognizes the problem of externalities. Because there is an incentive for me to dump stuff in the woods or in a stream or anywhere there are no property rights that are enforceable, the government has to be responsible in how it deals with its externalities issue.

### *Public Goods*

The second category is what economists call public goods. This is a specific category that includes another fancy term, non-excludability. The idea here is things that are called private goods are usually excludable. For example, when I go to buy a pizza, it's pretty easy for the market to

handle that. If I don't pay for the pizza, they don't give me the pizza. They can exclude me from consuming it if I don't pay them. There is a direct link between payment and the delivery of services. When you go to see a movie, you don't just walk in the door; you have to have a ticket.

Most things work that way. There is either a contract or a direct trade of money or product for service. Where there is a divorce between those, then problems occur.

As an example: We would agree that city parks are a nice idea. Could the private sector provide city parks? I would have to charge you for coming onto my park property. I would have to put gates around it like an amusement park. It's pretty tough for the private sector to provide city parks. There might be a role for the government to do what is difficult for the private sector to do.

Here is an example of something that is not a public good. In New Albany, where I teach, a discussion in the last mayoral race concerned plans to put a new YMCA downtown. The city was providing inducements — free land and all sorts of other things — as part of its economic development attempts to attract this YMCA.

But questions arose about how effective this would be in drawing people downtown. Another issue was the harm that might be done to an existing fitness business downtown.

Now, there would be a subsidized YMCA going in a mile or so from this business and suddenly private business downtown would be made more difficult. So even though they tried to make a public-goods argument, it was clear that the private sector was doing a nice job providing exercise opportunities there.

What I want to leave you with — a sort of punch line — is that we must recognize that there is a distinction between the theory of government and the practice of government. It is not wise to have a romanticized version of what government can accomplish. We need to be careful to recognize the incentives that are inherent in both private- and public-sector activity.

# 3 Fix Public Schools

by CHARLES RICE

Is it really so difficult to teach children to read, write and count? Our forebears, without advanced degrees, did it very well using for 10-year-olds the McGuffey's Readers, which would be difficult for today's senior-high students. Alexander Hamilton, James Madison and John Jay wrote *the Federalist Papers* as newspaper essays to persuade upstate New York farmers with maybe three years of church-school education to support the Constitution. I can certify that *the Federalist* is daunting for law students even now.

Parochial schools, today, teach the basics to pupils at a fraction of the cost of the state schools. And home-schooled students perform above the national average on the Iowa Test of Basic Skills, the SAT and the ACT. Three of the 10 finalists, including the winner, in the most-recent Scripps Howard National Spelling Bee were home schooled. The winner the year before was a home-schooled 12-year-old who a week earlier had won second place in the National Geography Bee.

Unfortunately, Indiana public school pupils do not do that well. Indiana taxpayers pay more and more every year, far above the national average, to educate their children. Yet Indiana public-school students rank 41st in SAT scores and 49th in Advanced Placement Exams.

There is no reason to believe that Indiana children are lower in intellectual voltage — or their parents less competent and concerned — than the pupils and parents in almost every other state. Yet the test results would lead to that conclusion. Nor should the poor performance of Indiana students on tests be ascribed to teacher inadequacy.

So why the disconnect between expenditure and performance?

One answer, as a study by the Indiana Policy Review Foundation has demonstrated, lies in the dominance of the public education system by a self-



Charles E. Rice, J.D., J.S.D., wrote this for the winter 2001 issue of the journal. Dr. Rice is professor emeritus of law at Notre Dame University.

interested private entity upon which the State has imprudently conferred governmental power without responsibility. The foundation's provocative study, which examines how collective bargaining has an impact on the quality of public education in Indiana, offers the Legislature a reality check on the condition of Indiana public schools.

The Indiana Collective Bargaining Law of 1973 grants "exclusive representative" status to a teacher union that receives the votes of a majority of the teachers working for that school corporation. State law, since 1995, protects school employees from being forced to join or financially support a union. About 20 to 25 percent of public school teachers do not belong to a teacher union. Yet the certified union negotiates terms of employment for all the teachers in the corporation. The foundation's study analyzes the burdens and inefficacies that can be imposed on school boards by the requirement that they bargain collectively under this system. Mandatory collective bargaining for any employees of government involves multiple distortions of sound policy and practice. It confers on an unaccountable financially interested private entity — the certified union — a portion of the lawmaking authority of the state. In the process, the interests of the public employees are subordinate to the interests of a privileged union. These deficiencies of public collective bargaining are compounded when the bargaining unit is the public school and the "products" of the enterprise are not nuts and bolts but vulnerable school children. As the foundation's report abundantly demonstrates, the "factory model" of collective bargaining is inappropriate to the education of children.

Teachers are not fungible. Some are excellent. Most are adequate. Others are unsatisfactory. The "one-size-fits-all" concept may fit the assembly line or the making of paper dolls but it disserves the student who depends on his teacher, not for the fabrication of a material product, but for the invitation to inquiry, the essence of learning. Mandatory collective bargaining, as the foundation's study demonstrates,

*"Mandatory collective bargaining for any employees of government involves multiple distortions of sound policy and practice. It confers on an unaccountable financially interested private entity, the certified union, a portion of the lawmaking authority of the state. In the process, the interests of the public employees are subordinate to the interests of a privileged union."*

— Rice



*"I happen to think that a taxpayer keeping more of his property is a good thing. Yet, many local politicians, bureaucrats and activists see it as Armageddon for local government. I nonetheless make the case here for why reduced revenues, and consequently limited government and expanded individual liberty, constitute a win-win situation for all concerned."*

— Cummins

is not conducive to the recruitment and encouragement of teachers who truly teach. Nor is it conducive to effective learning by students.

The study notes that "a key, and extremely destructive, impact of collective bargaining on public education in Indiana is that it has aligned the interests of management (school administration) and labor (teachers) against the interests of their customers — students, parents and taxpayers." Nor is there an "organized lobby for parents concerned about the quality of their children's education."

The solution, however, is not to compound the problem by encouraging pressure groups to lobby for parents or taxpayers. Rather, the solution is to break up the alliance of management and labor by removing the exclusivity privilege of the unions. The foundation's excellent study recommends that solution as an essential component of the restoration of the rights of parents as the primary educators of their children. The foundation has rendered an important and needed service to the people of Indiana.

## 4 Save our Cities And Towns

by RYAN CUMMINS

"Revenue reduction" — the words strike fear into the hearts of bureaucrats and politicians across the state. It is in such times when the "habit" to which Thomas Paine might have referred comes into play: an immediate and fervent search to find new sources of money for local government. After all, that is the "correct" solution to the fiscal challenges that are facing Indiana cities and counties, challenges that likely will become tougher in the near future.

This solution, however, clearly implies that nearly everything that local governments do is vital and necessary. Right here is a good time to re-read the thoughts of Mr. Paine, "a long habit of not thinking a thing wrong gives it the superficial appearance

of being right." In fact, citizens find that revenue reduction can be a most-desirable situation.

Revenues are, after all, taxes, and when the flow is reduced to government it means the money is retained by citizens. It is a fact that local government produces no profits, no earnings that finance their operations. All of those revenues must come from the productive efforts of taxpayers. Protecting these property rights goes to the heart of the fiduciary duty of a local elected official.

For the reality of 2010 and perhaps beyond is lower tax revenue for cities, counties and other local government entities. This means not just reductions in the rate of increase (often the actual definition when reductions in revenue are discussed) but an actual net reduction in the amount of money available for these entities to spend. One of the primary reasons for this is that caps on property taxes are progressively coming into effect. In addition, subsidies coming from both state and federal sources are being reduced. On top of all that, put in place a general backlash by taxpayers for their added burdens and you have a scenario that will require courage and principles on the part of local government leaders.

I happen to think that a taxpayer keeping more of his property is a good thing. Yet, many local politicians, bureaucrats and activists see it as Armageddon for local government. I nonetheless make the case here for why reduced revenues, and consequently limited government and expanded individual liberty, constitute a win-win situation for all concerned. I address my arguments to persons who are currently holding elected office or contemplating doing so in the future. I also address those who have an interest in their communities becoming a place with real opportunities for the next generation.

### *The Current Situation*

Local government officials, bureaucrats and their lobbyists are, predictably, in a



*Ryan Cummins, a Terre Haute businessman and an adjunct scholar, served two terms on the Terre Haute City Council as the lone Republican, several of those years as chairman of the finance committee. He wrote this for a special issue of the journal in the winter of 2009.*

panic. Without some ideas or principles to guide them in their understanding of the duties and responsibilities of government, trepidation is the result of economic change. Many folks are elected to office or hold positions in government based on some pretty vague notions as to what they are supposed to accomplish. When asked during a campaign, the answers can range from “creating jobs” to “stimulating economic development” to “upholding Hoosier values.” These are postures rather than policy positions. They offer no guide for tackling the issue of reduced revenues.

The first reflex was to try to increase taxes. This last decade, most Indiana cities and counties took this shortsighted route, imposing significant local income taxes on folks in their jurisdictions. Sophists holding office called it “investing in ourselves.” Many of them paid for their shortsightedness by being asked by voters to find other employment. Told initially that this was relief for skyrocketing property taxes, typical Hoosiers soon learned they would be paying local income taxes while watching property taxes quickly creep back up to previous levels and higher. The property tax caps were in fact a result of this failure to deal directly with increased expenditures and rapidly rising tax burdens. The caps cut off the most common means for local government to expand at the expense of their tax base. Raising taxes in general is a losing proposition.

Another response was to look at user fees to cover shortfalls in budgets. These include charges for public-safety response, licensing and permits, parking, health testing, jail housing and nearly anything else to which a fee can be attached. Fees are taxes, too. An example comes from my own city. The Terre Haute common council shifted the cost of water-hydrant rental from property taxes to the water bills of ratepayers. At the same time, it maintained

the revenue from property-tax collections. Taxpayers weren’t completely fooled, and it became an issue that contributed to the defeat of several incumbents in the following election. While it may be difficult for citizens to identify the exact sources of tax increases, they know when the burden increases and will act accordingly in the next election. Implementing user fees is not a winning plan, especially if it is not clearly coupled with a reduction of property tax.

Yet another option is to target entities exempt from local property tax. Colleges, churches or large charitable organizations are eyed as potential sources of new money. It is a tempting idea, especially when there is a perception that a particular concern either has some cash or is utilizing

services paid for by taxpayers. In towns with colleges, these town-gown relations are especially important to the character and uniqueness of a community. There is no quicker way to sour the relationship than for a local government to impose taxes in the form of new fees on either the institutions or its students. Wringing additional funds out of these organizations

is a poorly thought approach to finding more money. Collecting new revenues while creating animosity between a city and community institutions important to its citizens is hardly a positive way to deal with reduced revenue streams.

Looking to state government is no longer a viable option. In fact, the reduction in property-tax replacement credits is a factor in the increase in actual property-tax payments by Hoosiers. In my town, a council member decried the reduction as the cause of increased property-tax payments while ignoring the substantial and increased spending supported by his own votes on the city budget.

The difference caused by the reduction in state money flowing to local government was therefore placed on the backs of the local property taxpayers. That’s certainly a

*“Many folks are elected to office or hold positions in government based on some pretty vague notions as to what they are supposed to accomplish. When asked during a campaign, the answers can range from ‘creating jobs’ to ‘stimulating economic development’ to ‘upholding Hoosier values.’ These are postures rather than policy positions. They offer no guide for tackling the issue of reduced revenues.”*

— Cummins

*“Perhaps the sentiments contained in the following pages, are not yet sufficiently fashionable to procure them general favor; a long habit of not thinking a thing wrong, gives it a superficial appearance of being right, and raises at first a formidable outcry in defence of custom. But the tumult soon subsides. Time makes more converts than reason.”*

— Opening paragraph of “Common Sense,” by Thomas Paine

*“Every penny of local government revenues, directly and indirectly, comes from the productive efforts of private citizens.*

*Municipalities do not generate profits but rather function off the profits produced by others. This is a vitally important fact to remember whenever some politician or bureaucrat comes up with the next great idea . . . the lion’s share of revenue is spent on compensation (as much as 80 percent).”*

— Cummins

negative for those taxpayers, but it served to more clearly show the actual cost of local government

Spending money to hopefully make money is normal practice in a private business. It rarely works that way, however, for local government. Faced with the financial squeeze, governments often try to “market” their way out of the jam. It is not uncommon now for a municipality to pay tens of thousands of dollars for a catchy slogan. It’s hardly a viable means to grow the tax base of a city. It offers the opportunity for sensible people to make a satirical point that is often remembered more than the original slogan. In Wisconsin, the new slogan “Live Like You Mean It” was quickly turned to “Tax Like You Mean It.” Snappy slogans and marketing are poor substitutes for sound public policy.

So, increasing taxes in general is not an option. Making up the shortfall with fees and new charges on all manner of services causes problems and leads to defeats in the next election. Looking to non-profits for “service fees” wrecks important community relationships. Monies are unlikely to be forthcoming from state government to fill the gap between revenues and expenses. And finally, catchy jingles won’t even come close to carrying the day.

Is there any win-win solution for local government, local citizens, taxpayers and business in this new economy?

#### *A Win-Win Solution*

Any answer must recognize some basic non-partisan facts about local government and its operations. First, all revenues received by local government are paid under severe penalty. Taxes are not paid voluntarily out of civic pride or a sense of community responsibility. Nor are they “the price of civilization,” as is sometimes claimed by certain writers.

Don’t pay your taxes and you are fined. Don’t pay your taxes and the fines and your property is seized. Resist the seizure and you will be met with violence. Resist violently and . . . well, you know how that ends. This is not some anti-government harangue; it is simply a statement of fact, as it exists today.

Secondly, every penny of local government revenues, directly and

indirectly, comes from the productive efforts of private citizens. Municipalities do not generate profits but rather function off the profits produced by others. This is a vitally important fact to remember whenever some politician or bureaucrat comes up with the next great idea.

Lastly, the lion’s share of revenue is spent on compensation. As an example, in my last year on the Terre Haute common council, we created a budget spending more than 80 cents of every revenue dollar on wages and benefits. The situation is similar in all cities. You can tinker around the edges saving a few thousand here and there. These attempts will hardly make a dent in the substantial dollar amounts needed to address a shortfall. It is only by confronting head-on the personnel costs for local government that a resolution can be crafted that is in the best interests of all citizens.

The first solution is to limit local government to its proper functions — namely, the protection of the life, liberty and property of citizens from force or fraud. Think about that statement at length. You realize that it means the elimination of a good portion of what currently is carried out by local government. Indeed, cities wouldn’t build downtown buildings, or sports facilities, or operate cemeteries, or drive nearly empty buses around, or numerous other functions they now attempt. The capital costs, the operational costs or the labor costs of all these operations would not be paid. The money (*i.e.*, the property) of citizens would remain with citizens to be used as they see fit.

I realize that many an ardent community booster is left aghast at such a notion. I would draw their attention, however, to the first basic fact mentioned above regarding the ultimate penalty for not paying taxes.

Then the question becomes: “Would you impose that penalty on your neighbor for not supporting your civic vision”? It’s an important question to apply to every issue.

Limiting government, then, in the current fiscal climate for Indiana cities, is a positive solution for officeholders and citizens alike. And there is another obvious solution: Vigorous support of



free-market solutions for the wants and needs of citizens.

Look around in any Hoosier city or county. Nearly every function conducted by local government is also provided by the market. Parks are provided by government. Private parks abound in every part of the state. Ambulance service is provided by government. Private ambulance service exists in many cities. Transportation, cemetery operation, recreational facilities, sports venues, festivals, cultural events and public-safety training are provided by local government.

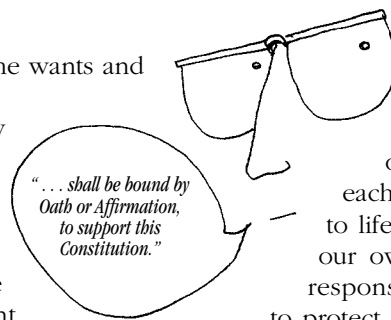
Nearly every single one is also provided by private suppliers. The win-win solution here is to use the tremendous amount of options of the free market to subject every function of government that one might consider vital to competition and the significant cost saving and efficiencies that it brings.

A particular function may be provided privately or it may be provided directly by government. Either way, when the voluntary exchange of the free market is integral to its implementation you will know its provision is the cost-effective, efficient solution.

The last winning solution is the expectation of personal responsibility from citizens in your city and county. Sadly, more and more folks automatically look to government to provide it — they have a sense of entitlement.

Unscrupulous politicians are happy to oblige. And when they do everyone loses, even those who obtain that particular something. If someone wants a place to swim, play golf, skateboard, it is not a denial of their rights to demand they provide that for themselves. It is not acceptable for one person to use the force of government to make another pay for his ride to Wal-Mart, for the new building or equipment for his business, or to attend the local symphony. We will be incalculably better off when personal responsibility replaces government force and coercion.

De Tocqueville described the fundamental American notion that each



of us, voluntarily, must be responsible for our self, our family, our fellow citizen. We are each granted by God the right to life, liberty, and pursuit of our own happiness. It is the responsibility of government to protect those rights. Everything else is on us.

#### What It Will Take

Some Indiana cities continue scratching around for a few more bucks to stave off the day of reckoning. I read about mayors who are leaving a few positions unfilled, commissioners who are limiting cell phones, bureaucrats who keep their old copier another year, and similar tinkering around the edges. If this is what your government is doing to address the situation, you can be assured the fiscal train wreck headed your way is being ignored.

At the beginning of this article, I identified the difficulties facing a person who is making decisions in local government without articulated, understandable, factual principles to guide his judgment.

The desire to “create” jobs is not a principle. Limiting government to the protection of life, liberty and property is a principle. The effort to “stimulate” economic development is not a principle. Understanding and supporting, by one’s actions, freedom and free markets is a principle. Stating that one “supports Hoosier values” is not a principle. Exemplifying personal responsibility and demanding it from fellow Hoosiers is a principle.

Political and community leaders with the courage to implement these principles are preparing to meet this challenge head-on, benefiting themselves, their constituents and the community.

The success of what some of us are calling the “New Indiana City” depends on using these principles to achieve the solutions that benefit everyone, regardless of economic situation or political philosophy.

We have thought what was wrong was right for too long now.

*“I read about mayors who are leaving a few positions unfilled, commissioners who are limiting cell phones, bureaucrats who keep their old copier another year, and similar tinkering around the edges. If this is what your government is doing to address the situation, you can be assured the fiscal train wreck headed your way is being ignored.”*

— Cummins

# STILL MORE THOUGHTS ON NOT BEING DICK LUGAR

*Does anyone intend to keep their oath of office?*

*The Indiana constitution forbids using personal-property tax for public schools. Will Republicans give us back half our property tax?*

Full disclosure: I see our entrenched Democratic and Republican abstractions as other people regard poisonous snakes or a ghastly disease. But I would tip my hat to that arbitrary idol we call the GOP if it keeps its pledge to obey our written constitutions, as written.

Of course, by law, political officeholders in the United States have always pledged to obey the constitution that authorizes and limits their duties. You have probably signed or assumed a more complex, though similar employment obligation; and you could be fired, fined or even imprisoned for violating its terms. Politicians' oaths are even more serious than your responsibility, as your job probably isn't about violence, imprisonment and death on a global scale.

The major parties have always claimed constitutional piety when constitutions restrain somebody else. But they've also called those contracts outdated or "agrarian" when the leash of law tugs on their own necks. Through generations now, by voter neglect, they've become ever-less accountable to constitutions.

So it's great that the entire, current U.S. Constitution was read aloud in the U.S. House of Representatives. Even the 10th Amendment was given voice: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people." Hoosier politicians should read Article I, Section 25 of the Indiana Constitution to which they swore obedience:

No law shall be passed, the taking effect of which shall be made to depend upon any authority, except as provided in this Constitution.

These corresponding laws mean that legislation,



*Andrew M. Horning, an adjunct scholar of the foundation, was the GOP candidate for the 7th Congressional seat and more recently the Libertarian candidate for governor. Horning was an organizer of the first property-tax protest on the lawn of the governor's residence.*

statutes, judgments or bureaucratic machinery cannot create authority. Federal and state governments have only those powers specifically written into their respective constitutions. The legislative ("case law," "binding precedent," or IRS "regulations," for example) and executive (policing and punishing) powers assumed by courts and administrative agencies over the years are specifically prohibited (Article 3, Section 1 of the Indiana Constitution, and throughout the federal constitution).

So what politicians call silent or vague language, is actually a big "no."

As one example of what this means, Article I, Section 10:1 of the U.S. Constitution says: "No State shall . . . make any Thing but gold and silver Coin a Tender in Payment of Debts."

Article 11, Section 7 of the Indiana Constitution states, "All bills or notes issued as money shall be, at all times, redeemable in gold or silver . . ."

Since no constitution took this gold and silver money away from governments or citizens, or granted a monopoly in fiat paper to the private bankers of the so-called Federal Reserve System, our money is literally counterfeit by organized crime.

So will Republicans nullify the mighty Fed and restore sound money?

Similarly, no constitution sucked our still-constitutional state militias into the permanent, international standing armies that our founders so carefully, frequently and vociferously warned against. Maybe Republicans will finally support our right to arms, but will they stand down our unconstitutional global war machine?

No constitution gave the church covenant of marriage to any level of government. Will Republicans return to God what they gave unto Caesar? The Indiana constitution forbids using

personal-property tax for public schools. Will Republicans give us back half our property tax?

Dear Republicans, I can easily prove how around 80 percent of what our government does and is has been forbidden by our state and federal constitutions. Most of these unconstitutional health and welfare schemes, taxation, regulation, litigation, agencies and powers . . . were created, expanded or at least supported by your party.

Do you really mean to keep your campaign promises and oaths of office? I know I'm not the only one watching with skepticism, and hope.

### The Smell of Politics

From the moment I smelled evil in politics, I was told, "you have to work within the system"; and, "it's how you play the game." As I watched our once-lauded government become increasingly mindless, invasive and destructive, I heard, "You can make only three points and you must repeat them three times." As I came to see us all as lemmings charging headlong and ever-faster into destruction, a respected Hoosier politician informed me, "Incremental progress, Andy; nothing happens overnight." OK, this is the way things are, apparently. How's it working for you?

I bet if you were to talk politics for any length of time with almost anybody, even the sweet old lady who sits in front of you at church, you'd find some label, buzzword or phrase that twists her face into a mask of anger as she utters something like, "... kill them all," or "why don't they just leave?"

I've found almost no exceptions. At some point in any political discussion you'll hear that men have had it easy for too long, illegal immigrants are stealing our jobs, greedy corporations are making us slaves, rich people have no hearts, poor people have no brains, etc., etc., etc. We hurl curses and repel retaliations across arbitrary and abstract lines drawn by political party, race, sexuality, occupation and status. Injustice, both real and contrived, has become big money for the lawyers, lobbyists, union stewards and government guns whose livelihoods depend upon conflict because

we find endless reasons to invoke that dangerous genie of politics and law to punish our enemies and reward our own kind.

So our bipolar Democrat versus Republican government is not out of touch at all. It reflects us perfectly. We choose it in the election booth, and we choose it with every paycheck. We choose it at public meetings, and we choose it when we send our young to war. In short, we choose politics over life.

I'm sure you wouldn't choose such madness if you'd stop to think about it. So let's think – and not about politics. We've thought too much about breathing angry life into our imaginary monsters. Take a cleansing breath, and imagine a sweet life instead.

Forget means, tactics and strategies. Forget Afghanistan and the Federal Reserve. Picture an ideal way of life that includes, at least on the other side of a fence, other people just as happy as you want to be. Imagine this way of life working in cities, small towns and in the middle of nowhere. If your vision doesn't involve stealing from or killing somebody, perhaps we all want to live that life. And if we want it, we can have it.

Why not? Even tyrants govern by consent of the governed. Governments will do what people tolerate; but people get what people demand. Politics is a reverse Golden Rule; doing unto somebody what at least somebody didn't want done. But that's only when people don't demand any better.

I propose we start seriously discussing how we're to get along; just like our wisest founders did 11 score and four years ago. Choose that life, and our politics will support it.

Maybe we'd resurrect Rule of Law under existing constitutions as written, maybe not. But hopefully we would agree to live and let live. Give liberty to get liberty. Quit giving everything unto Caesar.

In any case, consider this an only slightly tardy New Year's Resolution:

Don't choose politics anymore. Choose living a good life instead, and the dangerous genie of politics will happily slide back down into its bottle, leaving us with liberty, and justice, for all.

*Politics is a reverse Golden Rule; doing unto somebody what at least somebody didn't want done. But that's only when people don't demand any better.*



## EVALUATING THE LAWMAKERS

*The real test for Republicans  
will be reapportionment.*

*Note: In 1986, the foundation filed a lawsuit asking that the state Legislature adhere to a state constitutional requirement that prohibits multi-issue legislation, i.e., the “Christmas Tree” budget bills mentioned below. The lawsuit was managed by foundation President Mike Pence, now a U.S. Representative, and Charles Rice, former dean of Notre Dame Law School. The Indiana Supreme Court declined to hear their arguments and the foundation could not afford to pursue the case further.*

by ANDREA NEAL

*“If legislators are to properly represent the views of the public, committee chairs should put community members first on the agenda. Also, evening and Saturday hearings should be scheduled on key legislation so working people can come and make their views known.”*

— Neal

A public school teacher I know makes the claim that teachers would consent to performance pay for their profession if state legislators accepted merit pay for theirs.

As a practical matter, the two careers aren’t comparable. Teachers work full-time and can be assessed on results achieved by students in individual classrooms. Legislators are part-time and their work product comes from majority rule.

But the idea got me thinking: If lawmakers were judged on merit, what criteria should be used? Would quantity of legislation count for or against them? Would we reward collegiality and compromise or dissent and independence?

In “Heavy Lifting: The Job of the American Legislature,” Alan Rosenthal concluded that legislatures should be evaluated based on processes not product. He breaks down the legislative process into three parts: representing, lawmaking and balancing the executive branch. “Whether legislatures can be considered ‘good’ or not depends on how they handle these three functions.”



When it comes to representing, Indiana

lawmakers have room to improve. Lobbyists dominate the process on big issues like the budget, economic development, alcohol policy and environmental protection, in part because the legislature has not made its processes citizen-friendly enough. It’s not unusual for committee chairmen to let paid lobbyists testify first on bills. One community activist recalls waiting four hours before getting a chance to speak at a summer study committee on alcohol regulation.

“James Madison, in Federalist No. 10, extolled the virtues of a system of representation whereby the views of the public were refined and enlarged ‘by passing them through the medium of a chosen body of citizens,’ ” Rosenthal said.

If legislators are to properly represent the views of the public, committee chairs should put community members first on the agenda. Also, evening and Saturday hearings should be scheduled on key legislation so working people can come and make their views known. If lawmakers did those two things, their performance rating would go up in the eyes of the public. “For most legislators, making law is the job they chiefly associate with being

*Andrea Neal, an adjunct scholar of the foundation, teaches at St. Richards School.*

members of the legislature,” Rosenthal said. “Law is the means by which it is decided who gets what, and who does not.”

What makes a good law? According to the most objective definition, a good law is clear, possible to follow, enforceable, treats people fairly and is consistent with constitutional principles. Indiana’s Constitution specifies that every law should be plainly worded and avoid technical jargon, be confined to a single subject and be of uniform application throughout the state.

Legislators commonly ignore those requirements by inserting multiple subjects into the same legislation, stripping the contents of bills during the amendment process to change the subject matter entirely or creating “Christmas tree” budget bills. The latter is especially likely when houses are split between Democrats and Republicans and the fastest way to forge agreement is to give a little something to everybody.

This year, with both houses in Republican hands, the test will occur during reapportionment. It will be tempting for Republicans to draw legislative maps that favor the party in power. But to comply with constitutional principles, the districts must be contiguous, uniform and treat voters of both parties equally. A stand against gerrymandering will earn lawmakers bonus points with voters.

“Legislatures individually can represent their constituencies, but it takes the legislature to balance the power of the executive,” Rosenthal said.

During his State of the State Address, Gov. Mitch Daniels pitched big ideas for reforming K-12 education, eliminating township government and keeping the budget in balance. No sooner than he stopped speaking the debate erupted over whether the governor’s priorities were right, whether his budget suggestions were viable, and whether his plan for school choice was constitutional.

That is as it should be. It is the job of each branch to keep the others from asserting too much power. Whether or not they agree with Daniels, the lawmakers’ obligation is to study the merits of his proposals. That’s what makes a good legislature. — Jan. 17

## Townships: The Consolidated Truth

by WENDELL COX

Legislation will likely be introduced in the Indiana General Assembly to abolish township governments and consolidate their functions into counties. As in the past, the proponents claim this would save money for taxpayers. Nothing could be further from the truth.

Proponents of consolidation believe “bigger government costs less,” a view simply not supported by the facts. They base their predictions on academic studies and agenda-driven blue-ribbon reports, making absurd claims like the citation in an Oct. 23 editorial of an Indiana “statistical model” that estimated “abolishing township government would save near \$425 million a year.” That would be a tall order, since 2007 federal data says Indiana townships didn’t even spend that much.

The reality is that local government consolidations have generally resulted in higher taxes and more spending. Spending per capita increased after consolidations in Jacksonville, Fla.; Nashville, Tenn.; and Athens-Clarke County, Georgia.

In Canada, Toronto consolidation advocates glowingly predicted large savings. In fact, taxes rose, staff was added and, now, 12 years after the fact, some are calling for restoring the abolished local governments. The Halifax, Nova Scotia, consolidation was supposed to save money, but per-capita taxes and spending rose after consolidation.

Indianapolis is often cited as a model for municipal consolidation. Yet Mayor Greg Ballard’s “100 Day Report” in 2008 indicated that Indianapolis “has lived beyond its means in recent years, and it is on an unsustainable financial path.” Not long before this, state taxpayers assumed the obligation for approximately \$1 billion of future police and fire pensions.

Even before the great financial crisis, a structural deficit of \$361 million was

*“The reality is that local government consolidations have generally resulted in higher taxes and more spending.”*

— Cox



Wendell Cox, an adjunct scholar of the foundation, is a principal of Demoia, an international consulting firm based in St. Louis.

*"In (feminism's) early stages, it foretold a better world, more aligned with justice, where individuals were liberated to be themselves. No one of either sex would be treated better than someone of the other sex."*

— McGowan

predicted by 2012. Further, the city's latest comprehensive financial report (2009) indicates a net (unfunded) pension and post-retirement liability of approximately \$1 billion. This is after borrowing \$100 million in 2005 to pay down the unfunded pension liability.

None of this was sought or anticipated by consolidation promoters, or the committed and talented elected officials who have followed.

Why do government consolidations virtually never produce cost savings?

Perhaps the most important reason is the necessity of "harmonizing" wages, salaries and employee benefits. Labor costs are by far the largest cost element for local governments. Inevitably, consolidations raise the compensation of comparable employees to the highest rates that existed in the pre-consolidated governments.

This is a particular risk in Indiana, where the abolishing of townships could lead to the eventual replacement of the many volunteer fire departments in more lightly populated areas with the career fire departments typical in urban centers. Ultimately, this could cost taxpayers \$400 million to \$1 billion more annually.

Elected officials in smaller governments can manage budgets and operations more directly. Part of the reason is the smaller scale itself and the fact that they are closer to voters. Further, residents have greater access and can often personally contact their elected officials, rather than staff members whose careers do not depend on satisfying voters. Moreover, less access for citizens means greater access for well-funded interest groups.

Indiana is a local-democracy state. Only 14 states have a smaller population per government employee than Indiana. If the "bigger government saves money" theory is right, then only 14 states would have higher state and local taxation per capita. Indiana does much better than that. In 2008, 32 states had higher per-capita tax levels. If taxes are too high in Indiana, too many local governments is not the cause.

Ivory-tower statistical models cannot reliably predict the performance of consolidated governments. The interplay between human factors like people, organizational cultures and politics

determines the outcomes. It is time to move from pre-conceived theories to reality. — Jan. 25

## The Recession: A Hoosier Feminist Rethinks it All

by DICK MCGOWAN

When the women's movement burst on the scene in the 1960s, leading feminists such as Betty Friedan stressed equality and focused on opportunities denied women. The movement's leaders expected their reasoning, framed as a matter of justice and based on the principle of equal opportunity, would allow individual women to have the same choices as individual men. The movement was not about women; the movement was about people.

The view was captured succinctly by Susan Faludi in her 1991 book "Backlash." She said that feminism "is the basic proposition that, as Nora put it in Ibsen's 'A Doll's House' a century ago, 'Before everything else I'm a human being.'" Feminism, on this view, reminds people that before we are this or that sexual identity, we are people first. And since people must be respected, they must be treated with equal dignity and respect, especially respect under the law.

The reasoning made sense to me then and I allied myself with feminism. In its early stages, it foretold a better world, more aligned with justice, where individuals were liberated to be themselves. No one of either sex would be treated better than someone of the other sex.

The world did not turn out the way early feminists, such as I, imagined. Instead of changing the rules of the game so no one was favored, policies changed to ensure that women received preferential treatment of the sort that affirmative action requires. Instead of using rhetoric that reminds people of their humanity and the possibility of harmony, rhetoric shifted into

language suggesting gender as the key to understanding



Richard McGowan, Ph.D., an adjunct scholar, teaches business law at Butler University.

people and the impossibility of avoiding the traditional battle of the sexes.

These thoughts come to mind when I read articles about the economy. *The Indianapolis Star*, for instance, had an article entitled, "More men than women are being hired. It figures." The article warned, "Look out, ladies. Men are making a comeback, and they may just snag your job." To be fair, I must point out that *the Star* noted that men lost more jobs during the recession than women so that it is reasonable to expect that more men will be hired as the economy rebounds. However, in both the headline and the tone, the article suggests that women are once again falling victim to sexism and that the forces of society are against them.

Yet, that sort of tone is inconsistent with the real world. In fact, Faludi made the same point in 1991. Writing about the 1980's, Faludi says that "the economic victims of the era are men . . . At no time did this seem more true than in the early 80's, when, for the first time, women outranked men among new entrants to the workforce and, for a brief time, men's unemployment outdistanced women's." She points to other data about the 1980s, including the facts that it was "the first time more women than men enrolled in college, the first time that more than 50 percent of women worked, the first time more than 50 percent of married women worked, the first time more women with children than without children worked." Were the data reversed and women the economic victims, Faludi probably would have concluded that sexism was running rampant.

Instead, she states that the "economic pains most often took a disproportionate toll on women, not men."

If her analysis is correct, the "economic victims of the era" were men, but women experienced disproportionate pain. It is precisely this sort of wildly contradictory

reasoning that feminists like me and Betty Friedan find lacking in justice and equality. If men suffered widespread job loss and are economic victims, and if we want to end suffering, then improvement in men's lot is a good, not bad, thing.

Unless feminism is not about justice and humanity. If feminism is about women, however, then the condition of men is irrelevant.

If far more men have suffered economic hardship in the recession, there should be rejoicing that they are returning to work. It ought not be an occasion to suggest that sexism is coming into play so that the goal of having women as secondary citizens is affected. Men are not trying to "snag" a woman's job. Men are simply trying to find work, any work, including work that had been done formerly by another man.

Today, "A Doll's House" would need rewriting. Nora might put it this way: "Before everything else, I'm a woman. I want women to gain power notwithstanding the real conditions of the world. It is only women who concern me. Men may be human, too. I'm not sure."  
— Dec. 6

## Unions and Indiana Cities

by RYAN CUMMINS

In Indiana, persons on the staff of a city or county are also allowed by state law to sit on the fiscal body of that same entity. Think about that for a moment.

It is difficult to imagine a more blatant conflict of interest. It is a direct and proximate cause of the union political machines and the destructive political "rent-seeking" or self-dealing that economists advise us to avoid.

In my second term on an Indiana common council, four of my nine fellow council members served with this conflict of interest. Two were active firefighters

*"Candidates from any party when running for government office often use the cliché, 'common-sense Hoosier values.' Well, for most Hoosiers, preventing blatant conflicts of interest is as common-sense as it gets."*

— Cummins

— June E. O'Neill, Ph.D.,  
professor of economics at Baruch  
College, Nov. 16, 2010



*“Private-sector unions are increasingly constrained by profit-maximizing firms in ever-more competitive markets. But public-sector unions operate within the looser constraints of government, often in entities with significant monopoly power.”*

— Schansberg

and union members, one a retired police officer and another a city bureaucrat. Similar situations are found on city and county councils across Indiana.

It was discouraging to watch a city employee vote directly on wages and benefits for himself while saying — with a straight face — that he was capable of representing both sides of the transaction. Such claims were made during all eight years of my time on council. They occur regularly throughout the state.

That, of course, defies what most of us understand to be human nature. In any transaction involving taxpayers and government employees, the goals of each side are the same as when you go to buy a product or service from a private company. That is, the taxpayers want to get the most for the least compensation and the government employee wants to do the least for the most compensation.

This doesn't mean that taxpayers are cheapskates or that government employees are lazy. It means they have differing incentives and goals in a given transaction.

It helps to turn to the private sector for our standard. Few of us would agree to be bound by a settlement negotiated by an attorney presuming to represent both sides of a dispute. Nor would we accept a real estate agent who tried to represent the interests of both buyer and seller. In fact, such situations are often prohibited.

Candidates from any party when running for government office often use the cliché, “common-sense Hoosier values.” Well, for most Hoosiers, preventing blatant conflicts of interest is as common-sensible as it gets.

In sum, there is no reason that protections against conflicting interests that work in the private sector should not be applied to the government.

Dr. Charles Rice, former dean of the Notre Dame School of Law, made several prescient observations in *The Indiana Policy Review* way back in February of 1990:

“The power of public-sector bargaining to cause directly an increase in taxes is sufficient reason to treat public employment differently from the private.”

He went on to predict that the result of forced collective bargaining, even with no-

strike provisions, would be “the ongoing politicization of public employment.”

Those high taxes and that politicization have come to pass in Indiana along with the prospect of mass layoffs and pay cuts for even the best public employees.

The solution is voluntary labor associations. Wendy McElroy, writing in *The Freeman*, sums up the choice before us: “Freedom of association . . . fuels the goodwill that civil society depends on; forced association destroys it.”

This shines a different light on our current system of forced representation by unions and forced collective bargaining. It shines a different light on that emotionalism that characterizes our budget sessions.

For an end to forced unionization and forced public-sector collective bargaining would not only be good for taxpayers and elected officials but for the employees themselves. — Dec. 2

## Government Unions 101

by ERIC SCHANSBERG

The impact of labor unions is often seen as uniform over history. But today, labor cartels are less useful, since labor markets are more competitive. And it is increasingly difficult for unions to achieve their goals, since product markets have become far more competitive.

Likewise, unions are often seen as uniform in terms of their membership. The stereotype is a Teamster. But you can find union members in orchestras and throughout Hollywood. Doctors, dentists and lawyers are in union-like arrangements. One can find union members in blue-collar private-sector jobs and white-collar public-sector jobs.

This last distinction has become increasingly important in recent years. As private-sector unionization has become more difficult, public-sector unionization has grown in prominence. This should not be surprising. Private-sector unions are increasingly constrained by profit-maximizing firms in ever-more competitive markets. But public-sector unions operate within the looser constraints of government, often in entities with significant monopoly power.

The growth of government jobs had been quite impressive in recent decades.

But the trend in civilian agency (non-military) jobs accelerated over the last decade — from 1.1 million in 2001 to 1.2 million in 2008 and to 1.4 million in 2010, growing dramatically during the Great Recession.

Related to the growth of government jobs, we've seen rapid growth in public-sector union membership. In 2009, for the first time, membership in public-sector unions exceeded that in the private sector. (Because there are still many more private-sector jobs, the public sector's unionization rate is far higher: 37.4 percent versus 7.2 percent.)

Current events have pushed the issue of public-sector unionization toward the front burner. In Bell, California (a town of 37,000 people), residents were furious to learn that the city manager had compensation of \$1.5 million, while many other municipal employees had outrageous salaries.

But a far larger issue is lucrative pension benefits. This has a tremendous impact on state and local government budgets and is a threat to their solvency. Steven Greenhut, an investigative reporter, has estimated that 20 million government workers and retirees are owed \$2.37 trillion.

More broadly, public-sector compensation is much higher than in the private sector. According to the Bureau of Labor Statistics, state and local government workers received compensation that was almost 50 percent more than private-sector workers in 2009. And according to the Bureau of Economic Analysis, the compensation of federal government workers is more than double the private sector.

Such broad comparisons are not ideal, since job types differ. A better comparison is between the same jobs in each sector — where public-sector workers make \$7,600 more in salary and \$38,500 more in compensation.

Another objective measure is “quit rates” — the rate at which one voluntarily leaves one place of employment for another. Government employees have low quit rates, a sign of above-average compensation, since they find their current arrangements so attractive.

The flip side of quitting is being laid off. In 2009, private-sector union membership dropped precipitously (by 10 percent

in one year). Meanwhile, public-sector unions have done fine, the difference being jobs with government providing economic “shock absorbers.”

The perverse irony is that fewer private-sector workers are bearing an increasingly onerous burden — from a growing number of relatively expensive public-sector workers — with higher and higher taxes.

How long can this last?

The field of Public-Choice economics predicts that public-sector workers will support politicians who support them — an unfortunate arrangement that comes at the expense of taxpayers and consumers of government services.

Private-sector unions are famously adversarial — as they work to extract gains from firms (and consumers) and promote legislation that restricts their product and labor-market competition. In contrast, public-sector unions are collusive — as they work with politicians to benefit themselves at the expense of taxpayers with deep pockets because they pay little attention to politics.

But any ignorance or apathy among voters will probably fade as state budgets are increasingly pinched and as the pension issue becomes an even more obvious problem. Likewise, concern about Social Security and Medicare will continue to grow at the federal level.

In a season of economic and political worries, it's sobering to note that some of our biggest public-policy problems are just starting to register on the radar. — Nov. 15

#### *A Hard Look at Union PLAs*

Project Labor Agreements (PLAs) are collective-bargaining agreements that establish terms of employment for a specific project. PLAs typically require a contractor to hire workers through union halls and to follow union rules on pensions, working conditions and conflict resolution. Non-union workers are usually required to pay union dues during the project. Obviously, PLAs make it more difficult and costly for non-union contractors to bid on such projects.

At the federal level, the use of PLAs has varied with the party of the president. Democrats Bill Clinton and Barack Obama

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*“Restrictive contract provisions and government regulations often result in unintended but perverse consequences. In this case, the most troubling result of Project Labor Agreements is probably that union workers from other states are favored over non-union workers from Indiana.”*

— Schansberg

have supported such arrangements; both Bush presidencies opposed them. And in Indiana, state legislators are considering a prohibition on PLAs for state and local government projects.

Restrictive contract provisions and government regulations often result in unintended but perverse consequences. In this case, the most troubling result of PLAs is probably that union workers from other states are favored over non-union workers from Indiana.

What are some other concerns?

The most notable is that PLAs will reduce bidding competition and increase costs. Particularly as consumers, we realize that competition is helpful. If I were to arrange laws so that you could only shop at WalMart or eat out at McDonalds, you'd be upset. But for producers, limited competition is quite attractive. In the public sector, higher costs result in higher taxes or reduced spending in other areas. This is especially troubling with tight budgets in a rough economy.

Proponents of restrictions can point to certain efficiencies that come from monopoly power. For example, imagine a law that required you to deal with a single home builder. He might say that he could avoid the cost of bidding and pass those savings to you. Similarly, if we gave them monopoly power, McDonalds could reduce costs by eliminating advertising. Likewise, we could avoid campaign spending if we got rid of elections or held them once a decade.

The question is not whether monopolies have some efficiencies, but whether monopolies are a net improvement. The efficiency of monopolies is difficult to imagine. Beyond that, studies show costs for public-sector projects with PLAs to be 12-20 percent higher.

Second, note that the proposed legislation only speaks to PLAs in the public sector. Interestingly, we observe some PLAs in the private sector. The difference is a company would negotiate its own PLA. In the public sector, politicians vote to fund a project, but political appointees later negotiate the PLA (with different ends in mind). The bottom line is that, with the looser budget constraints and deeper pockets of government, one would expect

PLA inefficiencies to be magnified in the public sector.

Third, from the field of Public-Choice economics, we know that political intervention is attractive when there are concentrated and obvious benefits for one group — and diffuse and subtle costs for another group. The recipients are excited while those bearing the costs don't notice. The recipients lobby for such restrictions and tell us why the legislation is good for us. Those in the general public are busy mowing their lawns and raising their children — and won't pay attention.

Likewise, we know that suppliers (of labor or product) have an incentive to restrict their competition with laws that prevent them from participating in the market — or indirectly, by increasing their costs and making it more difficult for them to compete.

These are especially important considerations because labor unions are famous for using public policy to reduce competition in labor markets (for example, through “prevailing wage” laws) and product markets (most notably, with respect to international trade). And by definition, unions are cartels in labor markets — groups of (labor) suppliers who collude to extend their market power. Putting it more succinctly: if PLAs are not to their advantage, why would they avidly advocate their use?

Indiana's state politicians are left with a difficult choice: Will they benefit union construction workers (who are fewer but better-organized politically) over non-union construction workers (who are more numerous but less-organized)? And will they benefit union construction workers at the expense of taxpayers? — Jan. 28

*The Dems Lost but Who Won?*

With Election 2010, the GOP controls the U.S. House with a solid majority, tightening up the Senate and making considerable gains at the state and local levels — from governors' mansions to city councils.

In one sense, this is nothing new. It is common for the president's party to lose seats in a mid-term election. In 1982, under President Ronald Reagan, Democrats increased their advantage in the House from 50 to 103 seats during a deep

recession. But maybe this election points to something deeper, since change in party control has become more volatile.

In 2006, the GOP lost Congress because of disenchantment with the war in Iraq, high-profile scandals and the handling of Hurricane Katrina's flood of New Orleans. In 2008, with a struggling economy, Barack Obama defeated John McCain and cemented the Democratic Congressional majorities. But two short years later, Mr. Obama and his Democratic Congress have been refuted in stunning fashion — as the economy continues to stumble and their efforts are seen as both spendthrift and ineffective.

Part of this is the gap between campaign promises and the ability to deliver. Activity is easy, but accomplishment is difficult. In particular, Congress, Mr. Bush and now Mr. Obama have been quite active in trying to fix the economy with three years of “stimulus” — politically tempting but economically dubious.

Government spending must come through taxes, debt or inflation. The chosen path over the last decade — more debt and the risk of inflation — leads to relatively subtle troubles. Meanwhile, other recent policies (most notably, healthcare reform) have made it more costly and more risky to engage in economic activity, impeding the market's recovery from the Great Recession.

So, what can we make of this?

In sports, it's often said that one team lost a game — rather than the other team won the game. The same can be true in politics. Victories for the Democrats in 2006 (and even 2008 to some extent) and for the Republicans in 2010 were more about one side losing than the other side winning. The electoral results are more about anti-incumbency and frustration with “Washington” than excitement about either major political party. If the GOP doesn't give voters a reason to be supportive, the tables will turn again — and soon.

Let's look more closely at three groups of voters.

- The Tea Party was a significant driver over the last two years. Its eclectic mix of (lower-case *L*) libertarians and various types of “conservatives” are fed up with particular aspects of public policy (*e.g.*, healthcare), concerned about

the economy (*e.g.*, jobs, national debt), or more generally “dissatisfied with Washington.” Similar movements have arisen in the past — in recent memory, “Reagan Democrats” and support for Ross Perot in 1992 and 1996.

Their concerns will be addressed or they will continue to vent. Republicans have an opportunity here, but are constrained in what they can do with economic policy, given the debt and the difficulties in cutting government spending.

- It has been said that younger people get much of their “news” through Jon Stewart, Steven Colbert and Comedy Central. Their “Rally to Restore Sanity” was a direct response to the Tea Party. What does the “Daily Show” generation want? As a group, they lean liberal politically, but their dominant characteristic is cynicism toward politics. On the surface, they might favor more government, but their underlying tendency is to have little faith in government.

- Some Republicans will push for efforts on social policy. But for better or worse, little of the current debate points to social policy. As is common in a recession, the focus is on the economy. Efforts to inject social policy into the political conversation will be awkward and might backfire.

For now, shared power in Washington probably means more gridlock and less “getting done” — often a good thing. Sometimes it results in “compromise” — a mixed bag. Factions within both parties will make it even more difficult to govern.

How will Congress and particularly Mr. Obama approach this challenge? Will he choose the path of a compromising Bill Clinton after 1994 or a contentious Harry Truman after 1946?

Over the next two years, one side will be conciliatory or more likely, the time will be dominated by posing and positioning, going into 2012.

One more thought: Even though Mr. Truman, Dwight Eisenhower and Mr. Clinton lost control of Congress in their first mid-term elections, each of them was re-elected two years later. — *Nov. 3*

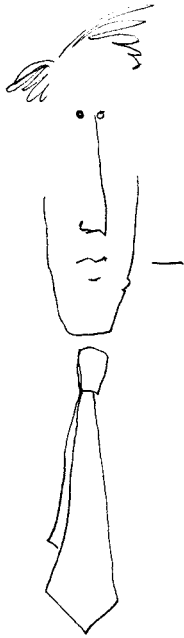
*“Some Republicans will push for efforts on social policy. But for better or worse, little of the current debate points to social policy. As is common in a recession, the focus is on the economy. Efforts to inject social policy into the political conversation will be awkward and might backfire.”*

— Schansberg



*"The best that can be said for our workaday 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 see-saws at the local public park (those who originally produced and sold the swing sets were presumably not difference-makers)."*

— Van Cott



*"Deficit reduction has been a high priority for us. It is our mantra, pay-as-you-go."*  
(Nancy Pelosi)

## Make a Difference? Really?

by NORMAN VAN COTT

Make a Difference Day, also known as the National Day of Doing Good, is coming up. I confess to being unaware until a year or two ago that the day has been an annual event since 1992, co-sponsored by *USA Weekend* magazine and the Points of Light Foundation.

I learned about it from an insert in my electricity bill. The message from American Electric Power (AEP) was 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, neighborhoods and entire communities." The company 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 it boasting about its employees' contributions during their eight-hour days, five-day weeks and 50-week years? No, 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.

Of course, the mind-set that one cannot do good while doing well does not originate with AEP. It saturates our 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, intone the difference-making pundits,

the professors and the preachers. The best that can be said for our workaday 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 see-saws at the local public park (those who originally produced and sold the swing sets were presumably not 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 fifty-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 the difference-making pundits, the professors and the pastors. They're too busy celebrating what AEP employees do when they're not producing electricity.

The truth, though, is that the most important difference-making that Americans ever encounter — hands down, no question — occurs day-in, 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. Those who produce all these things make huge differences in Americans' lives. It is no overstatement to say this latter difference-making dwarfs anything that occurs on the fourth Saturday in October.

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 will exalt events this fourth Saturday in October. 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 see-saws. — Oct. 17



*T. Norman Van Cott, Ph.D., an adjunct scholar of the foundation, is a professor of economics at Ball State University.*

## A LETTER TO THE GOVERNOR

Jan. 28, 2011

*The Honorable Mitch Daniels  
Governor of Indiana  
The Statehouse, Indianapolis*

Dear Governor Daniels:

Indiana was founded on the concept of the citizen-official. That concept has served us well. Typically, elected officials are more responsible to citizens at the local level than appointed officials. It has been said that the government closest to home serves the people best.

Framers of Indiana's local government system took into account the need for checks and balances and division of power when they created a three-member Board of Commissioners to be the executive-legislative branch of government, while fiscal responsibilities were placed with the County Council.

President Abraham Lincoln once cautioned this nation to be careful so that, "Government of the people, by the people, for the people, shall not perish from the Earth."

With that quote in mind, I listened to your comments regarding implementation of additional recommendations contained in the Kernan-Shepard Report. I also observed with great concern the way assessing responsibilities were removed from Trustee-Assessors at the close of the 2008 legislative session following the passage of HB1001. This change was ordered to take place just 77 days following the end of the 2008 legislative session. This was not enough time for local officials to transition in an orderly manner. The Department of Local Government Finance was not given enough time to determine implementation policy. This resulted in memo after memo, some contradicting previously issued memos. In general, there was mass confusion.

Consideration was given during the 2009 and 2010 sessions of the Indiana General Assembly to eliminating the current three elected commissioners and replacing them with one elected official with authority to make department-head appointments. Again, efforts to reorganize county government and possibly do away with township trustees and advisory boards are underway in the 2011 General Assembly. These changes would be a great disservice to rural communities.

Using Noble County as an example, the "Streamlining Local Government" report proposes replacing three elected commissioners, 13 elected township trustees and 39 elected township advisory board members with one elected individual. That person, in addition to assuming the responsibilities of those 55 positions and a

portion of the duties of the clerk of courts, will also be responsible to appoint and have oversight over several other department heads. Operation of fire departments, maintenance of all cemeteries, township ball parks, township halls and other township property would also fall under the authority of that one individual.

What would this position pay? What qualifications would that person need? How many hours a week would he or she need to work?

This consolidation of power is very troubling. If ever there was a time for the general public to be concerned, it is now. It is easier for a single elected county official to be controlled by special interests. Think about that for a moment.

Typically in Noble County, both political parties are represented in local government to fill the elected positions — chosen by the people they serve. It will be difficult for the "voice of the people" to continue if there is only one elected official with that much authority.

What is not being said in the "Streamlining Local Government" report may be more important than what is being said — specifically, "regionalism." This is already being accomplished in areas such as Homeland Security, Emergency Management, and now the Indiana State Department of Health is suggesting a "Shared-Services" concept.

Regionalization of fire departments, police departments, courts, emergency medical service and other services is being proposed. What is happening to the concept that the government closest to the people serves them best?

Local fire departments, staffed by volunteer men and women who reside in the communities they serve, are a source of pride. They are well-trained, dedicated individuals who work hard to secure private-sector funding for many of the department needs — saving taxpayers money.

Would that same dedication be directed toward a regionalized department?

If the sweeping changes being proposed are enacted, will our communities be better served? Will it be less costly?

I strongly urge you and the Indiana General Assembly to devote more time to understanding how local government actually functions before charging forward with recommendations contained in the Kernan-Shepard Report. Streamlining does not necessarily ensure a government that is better, more economical or more responsive to those it is intended to serve. Q



*Joy Y. LeCount  
Noble County Commissioner  
Editor, The Albion New Era*

# CONSTITUTIONAL 'DUMMIES'

*The fact that our elected representatives know even less about America's history and institutions than the typical citizen (who doesn't know much either) is troubling indeed, but perhaps helps explain the lack of constitutional discipline often displayed.*



by LEO MORRIS  
Opening Arguments  
[www.news-sentinel.com](http://www.news-sentinel.com)

(Fort Wayne, Jan. 14) — The new congressional leadership has pledged to require a citation of the constitutional justification for any new legislation, which would be comforting if we could believe legislators actually know and understand the Constitution. But, well. Over the last five years, the Intercollegiate Studies Institute has surveyed more than 30,000 Americans 33 basic civics questions, including 10 on the Constitution. Mostly college students were surveyed, but there was also a random sample of adults, including elected public officials. The results aren't pretty:

Elected officials at many levels of government, not just the federal government, swear an oath to "uphold and protect" the U.S. Constitution. But those elected officials who took the test scored an average five percentage points lower than the national average (49 percent versus 54 percent), with ordinary citizens outscoring these elected officials on each constitutional question. — <http://www.aolnews.com>

The fact that our elected representatives know even less about America's history and institutions than the typical citizen (who doesn't know much either) is troubling indeed, but perhaps helps explain the lack of constitutional discipline often displayed by our political class at every level of our system.

Only 49 percent of elected officials could even name all three branches of government, and only 46 knew it was the Congress rather than the president having the power to declare war. Sheesh.

## Dick's Delusion

(Jan. 18) — Richard Lugar thinks it would be a fine idea to bring back the Assault Weapons Ban:

He knows that he'll be primaried in 2012, so there are only three possible explanations for this. One: He's already

decided to retire and is thus emboldened to push whatever policies he likes. In that case, why not announce it *a la* Kay Bailey Hutchison? Put your vote up for grabs and extract whatever price you can. Two: He's totally confident that any tea-party challenge is doomed to fail. Er, okay, but Bob Bennett was "totally confident" at one point, too. Three: He cares enough about this issue that he's willing to put his career on the line for it. — <http://botair.com>

Dick, Dick, Dick. But an Assault Weapons Ban and a Strategic Arms Reduction Treaty require the same kind of thinking, don't they? The good guys give up their arms and trust their fate to the bad guys who are, well, bad guys. One is just a small-scale issue and the other a large-bore one. It makes sense that Mr. Lugar favors both kinds of bans. But wait, here's an update:

Sen. Richard Lugar said Tuesday he's not pushing to renew a ban on assault weapons as was reported last week after he told an interviewer the ban should be reinstated. "I was innocently trying to say that I voted for this in the past and probably would do so again," the Indiana Republican said. "But there was absolutely no chance, zero, that we're going to have such debate." — <http://www.indystar.com>



by ERIC SCHANSBERG  
Schansblog  
[schansblog.blogspot.com](http://schansblog.blogspot.com)

(New Albany, Dec. 11) This is what happens when:

a) People conflate and confuse "old-earth" and "young-earth" versions of "creationism" (a form of ignorance that is often, frustratingly, perpetuated by the media)

b) One deals with fundamentalists on Evolution (the science-laced narrative that evolution can [or at least will be able to] "explain" everything we see around us in terms of the development of life) — in the face of someone who advocates critical thinking and the investigation of alternative hypotheses

c) One deals with academics who supposedly value tolerance and academic freedom

d) All of the above

The answer, sadly is d) or all of the above. From Peter Smith in *the Louisville Courier-Journal*:

No one denies that astronomer Martin Gaskell was the leading candidate for the founding director of a new observatory at the University of Kentucky in 2007 — until his writings on evolution came to light. Gaskell had given lectures to campus religious groups around the country in which he said that while he has no problem reconciling the Bible with the theory of evolution, he believes the theory has major flaws. And he recommended students read theory critics in the intelligent-design movement. That stance alarmed the university's science professors and, the university acknowledges, played a role in the job going to another candidate. Now a federal judge says Gaskell has a right to a jury trial over his allegation that he lost the job because he is a Christian and "potentially evangelical."



by FRED MCCARTHY  
*Indy Tax Dollars*  
www.indytaxdollars.type

(*Indianapolis, Dec. 7*) — We've been taking a closer look at two items which appeared in the Dec. 23 issue of the local daily paper. The subject matter is the proposal for "mass transit" currently being given the hard sell by "elected officials and business leaders" of the city.

Approval of any such plan absolutely must be preceded by a guarantee that the first stage of planning, construction, purchase of additional equipment — in other words, any financial commitment toward implementation of transit improvements — must be for the benefit of the guy who has to get from his home at 10th and Addison to his job at 26th and Emerson, and all other such necessary travel between place of residence and employment.

Our concern is, and always has been, the priorities with which the real needs of a public-transit system will be met. Spending precedent in this city for many years has seen the prioritization of very glitzy, very expensive, over-hyped projects which leave ordinary taxpayer-citizens feeling like the "knot-hole gang" — the child peering through the outfield fence at a ball park they can't afford to enter.

The first thing in the article which struck us was the picture above the front-page article, showing a potential "light-rail" unit looking much like the "bullet trains" of Japan — which travel well over 100 miles per hour. We did not find anything in the article telling us that "light rail" is what we used to call street cars several decades ago. (And if the point is to get future patrons thinking about "fast" service, it seems to us that if a five-car "bullet train" runs from Noblesville to Indianapolis, the first car would probably start slowing down before the last car got up to speed.)

We seem to recall that Sen. Luke Kenley, a member of the supporting group, was not particularly enthusiastic about new taxes for this kind of proposal.

We couldn't help but wonder whether the extension of the projected rail line to Noblesville beyond an originally suggested terminal at Fishers helped pique the senator's interest.

Our fears are not eased by looking at the suggested map of improvements. Among other things it shows plans for "bus rapid transit" along Washington Street from east of Irvington to the airport. Along the same route is shown "future light rail" which is, as a matter of fact, the only reference we find in the entire map to that mode of transit.

We do note that shopping malls seem to be well served, with Greenwood, Lafayette Square, Washington Square, Glendale, Castleton, Keystone at the Crossing and Clay Terrace appearing prominently on this same map. And, of course, all roads lead to Circle Centre Mall. To say nothing of the multiple possibilities for the "Palladium to Stadium" routes. (We do take notice that Carmel's mayor apparently would rather have a rail system as opposed to plush, fast buses.)

As we have mentioned several times, there is still a question as to why it is logical to spend hundreds of millions of dollars for simultaneous construction of parallel rail and highway routes in the "northeast corridor" which certainly will end up competing with each other. Shouldn't we at least do one or the other first and analyze the results?

*A federal judge says an astronomer has a right to a jury trial over his allegation that he lost the job because he is a Christian and "potentially evangelical."*

*"It seems to us that if a five-car 'bullet train' runs from Noblesville to Indianapolis, the first car would probably start slowing down before the last car got up to speed."*

— Fred McCarthy



# INDIANAPOLIS AND THE ZIMBABWEAN CORN CHART

*How the Colts  
became dangerous  
to your liberty.*

*The N.K. Hurst Bean Company's  
negotiations with the city of  
Indianapolis under threat  
of eminent domain were,  
let us say, Zimbabwean.*

by CRAIG LADWIG

A friend in the Indianapolis Chamber of Commerce Building has a chart on his wall that seems out of place in the office of an attorney — a framed copy of “Zimbabwean Corn Production 1975-2007.” His explanation serves as an education in economic development, or un-development.

The chart is made up of data points representing annual production beginning the year of Zimbabwe independence. It is there to remind my friend to hedge his bets on official economic development (eco-devo in bureaucrat lingo), even and especially when close to home.

He will point out the year 2002. That's when the production figures, defying weather, dropped below all but the worst drought years. That was the beginning of Zimbabwean “Land Reform,” in truth the official degradation of private property.

Is it hyperbolic to relate anti-colonialism in the African Corn Belt to the machinations of the Capital Improvement Board, the Metropolitan Development Commission or the Indianapolis mayor's office?

Perhaps, but you still might want to consider the chronicle of the N.K. Hurst



Bean Company. Its negotiations with the city of Indianapolis under threat of eminent domain were, let us say, Zimbabwean.

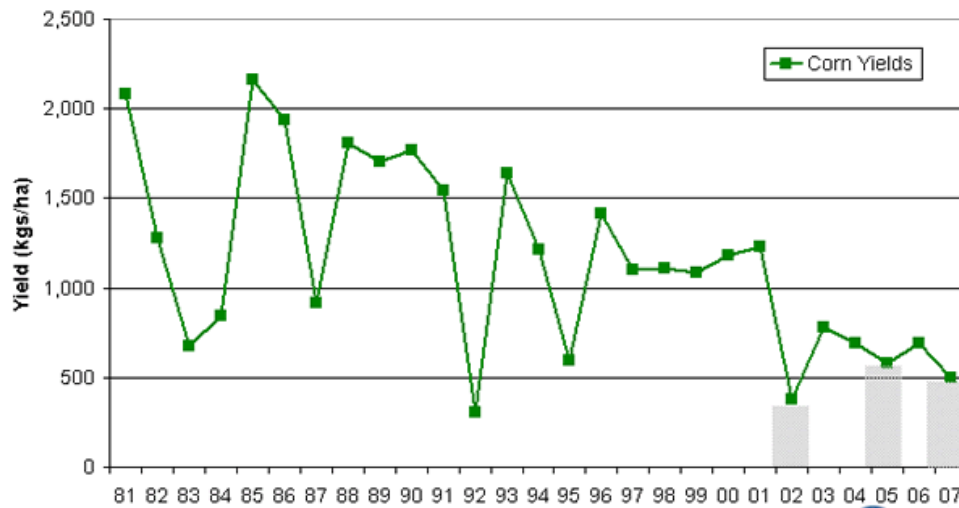
Fred McCarthy, the former president of the Indiana Manufacturers Association and a regular contributor here, has built a case file on the company, a local business whose misfortune was to sit on land “needed” for a more politically connected one, *i.e.*, a then high-riding professional football franchise known as the Colts.

McCarthy's reports for the Foundation for Economic Education and on his blog, *Indy Tax Dollars*, challenges anyone to argue that Hurst would have been any worse off dealing with a Third World despot. McCarthy notes that the terms of Hurst's final agreement with Indianapolis require the company to ask official permission for the most basic business transactions regarding the property — and to do so for 30 years.

Colts boosters might find the comparison raw, that City Hall is more economically savvy than the Zimbabweans and certainly better intentioned.

Really? History tells us that whenever and wherever private property becomes a matter of political negotiation rather than

### Zimbabwean Corn Yields: 1981-2007



Data Source: USDA's PSD Online

*The new "owners" well understood that politics had trumped property and that they could lose their property on an executive whim.*

written law there is disaster. Keep in mind that the property rights of N.K. Hurst were compromised not for a road or a sewer but for entertainment. Whether or not the Hurst family is resigned to the agreement, other investors (job-makers) are forewarned that in Indianapolis the official bar for justified theft is dissuasively low.

McCarthy, indeed, considers it a blot on the city's history. "Surely this governmental bullying of small business, which politicians are so fond of claiming as the heart of the economy, would not be overlooked by a firm seeking a new site in our city," he warns.

Back to the corn chart: A direct cause of the drop in production was the decision by the new "owners" of the confiscated land, the regime's henchmen, to withhold investment. They well understood that politics had trumped property and that they could lose "their" property on an executive whim. So they delayed planting, instead putting their cash and precious metals in foreign banks where it would be safe from people such as themselves.

Today, in supposedly more sensible Indiana, it is a good bet those making money off the grand boondoggles of our time — the stadiums, the convention centers and the music halls — will not be buying "seed corn" for planting here. Their money will go elsewhere, to places where the Rule of Law prevails over political faction, where a family business like Hurst

Beans is safe, where cronyism is held in check by a system of individual rights rather than government needs.

The corrupt are corrupt, you see, not stupid. They ride in on horses named "Best Intentions," "Inarguable Good" and even "Go Blue." And democracy in itself, without free markets and constitutional counterweight, is no protection from them.

Doubt that? Check out the corn chart.

### The Right to Work

Some years ago, an Indiana congressman in casual conversation with a manufacturer asked when his district might see a new plant built here. The manufacturer, putting a hand on the congressman's shoulder, replied, "I'm sorry, but we no longer invest in heavily unionized states."

The exchange reflected a historic shift in labor relations. American unionism has become an anachronism. The penalties it inflicts in lost productivity and operational inflexibility, not to mention profitability, are simply too high — for both management and workers.

Migration data released last week from the 2010 U.S. Census confirm that, with the 10 states losing congressional seats having a unionized rate of 16.7 percent and those gaining seats only a 9.7 percent rate. Capitalism is no longer at war with labor unions, it is fleeing them — and

*"Americans want workers to be able to join a union if they freely choose one, but only when they are organized through honest, democratic elections. Ditto for Hoosier workers."*

Sen. Jim Banks (R-Columbia City)

pulling our jobs out of union states like Indiana.

It is likely, then, that the Legislature will be asked to pass measures that make it easier to trap our remaining companies in unwanted labor and arbitration agreements. Richard Epstein of the University of Chicago Law School, describes that effort as twofold:

The first blow comes from allowing a union to substitute, at its option, a card-check selection for the current secret ballot elections in recognition disputes. The second blow is the introduction of compulsory interest arbitration that authorizes a panel of arbitrators under a set of procedures as yet to be determined to hash out an initial two-year "contract" — *i.e.*, arbitral award — binding on the parties, who have no recourse to judicial review.

Epstein warns that such a change in labor law, one proposed by the Service Employees International Union and others, would usher in an era of "dictatorial" union power in any state abiding it.

Investors looking long term understandably prefer to put their money in states where such unionism is either weak or non-existent. Workers, too, when treated fairly and honestly by management, freely choose to avoid union organization when their vote is secret.

Again, the numbers could not be clearer. Today, only 7.6 percent belong to unions compared with nearly 33 percent a hundred years ago. The United Auto Workers lost over 500,000 dues-paying members between 2000 and the onset of the current recession in 2008.

In general, unions win only about half their elections of affiliation. And at that rate they cannot make up for members lost in attrition, cutbacks and plant closings.

Union leaders hope that removing the secret ballot so they can more easily force employers to arbitration will give them a powerful weapon to stop or even reverse this trend. The weapon, of course, is coercion, implied if not actual. They will not give up on this effort; their survival depends on it.

Their proposal is akin to the "elections" in the old Soviet where voters showed their ballots to a political commissar before dropping them into the box.

There are better ways, of course. Try this:

The right to vote by secret ballot is fundamental. If any Indiana or federal law requires or permits an election for any designation or authorization of employee representation, the right of any individual to vote by secret ballot in any such election is guaranteed.

That's the language of a model joint resolution being studied this session by a small group of conservatives in the Indiana Senate. It would allow voters to amend the state Constitution to ensure ballot secrecy here. It is similar to that in referendums recently approved in Arizona, South Carolina, South Dakota and Utah (states, incidentally, outpacing Indiana in job growth). It passed with 60 percent of the vote in two of those states, with 79 percent in another and with 86 percent in another. Citizens in California, Florida, Mississippi and Ohio planned similar initiatives on the 2010 ballot.

And in Oklahoma, a competitor for Indiana jobs, they recently passed a right-to-work bill similar to one filed here this session by Rep. Wes Culver.

"I think a recent *Wall Street Journal* editorial sums up our argument," says Sen. Jim Banks (R-Columbia City). "Americans want workers to be able to join a union if they freely choose one, but only when they are organized through honest, democratic elections. Ditto for Hoosier workers."

We should be ashamed that even needs to be said in a state and country born of individual liberty.

## More on Government Unions

A Republican state senator phoned to ask why this journal was so critical of government unions. "Somebody's got to represent those workers," he argued.

Well no, they don't. Compulsory collective bargaining for government workers is relatively new, dating only from the 1970s. The resulting decline in both Indiana finances and our democratic processes keeps the more thoughtful lawmakers awake at night.

Those are the ones who know that the local teachers union or police union or firefighters union shares few characteristics with those romanticized organizations that inspired the Wagner Act — the railroaders, the miners, the steelworkers, the automakers.

By comparison, the public-sector union plays with a stacked deck:

- When lobbying by public-sector unions leads to higher costs for the employer (the government), the burden is borne by someone else entirely (the taxpayer).

- Because bureaucracies tend to be static so do public-sector unions; once workers have been organized they tend to stay organized regardless of overall economic conditions.

- Education and public safety, to pick the most significant examples, are legal monopolies. Consumers generally don't have the option of abandoning them if they become inefficient.

- Finally, public-sector unions are private entities, "secret" in the sense that you will not be invited to their next executive session.

Indeed, "unions" should be in quotes to draw the above distinction. The teachers "union," for example, is more accurately understood as a political machine, one that installs its own bosses and sets its own salaries within a tightly regulated government monopoly.

That GOP senator's phone call was on my mind as I opened a letter from an adjunct scholar, Dr. Eric Schansberg, an economist with Indiana University at New Albany. The letter held a clue as to why Republicans might be as indifferent as Democrats to the cost of government unions.

Private-sector unions are famously adversarial—as they work to extract gains from firms (and consumers) and promote legislation that restricts their product and labor-market competition, he wrote. In contrast, public-sector unions are collusive—as they work with politicians to benefit themselves at the expense of taxpayers with deep pockets because they pay little attention to politics.

Schansberg sees some disturbing trends:

- State and local government workers received compensation in 2009 that was almost 50 percent more than private-sector workers. And the compensation of federal government workers is more than double the private sector.

- Civilian agency (non-military) jobs increased from 1.1 million in 2001 to 1.2 million in 2008 and to 1.4 million in 2010,

growing most dramatically during the current recession.

- In 2009, for the first time, membership in public-sector unions exceeded that in the private sector.

- It is estimated that 20-million government workers and retirees are owed \$2.37 trillion in pension benefits.

- Public-sector workers make \$7,600 more in annual salary and \$38,500 more in compensation than those in the private sector.

All of which represented the elephant in the room as a newly Republican Legislature tried unsuccessfully to find a strategy that both kept us solvent and improved Indiana's competitive position. That will not be achieved until there is wider understanding of the consequences of compulsory public-sector collective bargaining.

For instance, few doubt that political deference to Indiana's public-sector unions had something to do with a gross underestimation of Indiana's "official" pension liabilities. Dr. Maryann O. Keating, a South Bend economist and author, tells me that independent experts put our actual liability at three times annual tax revenue.

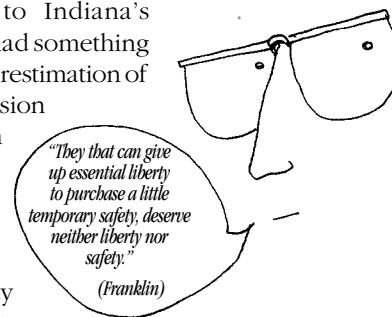
Referring to this and other dire predictions, Dr. Schansberg concludes: "In a season of economic and political worries, it's sobering to note that some of our biggest public-policy problems are just starting to register on the radar."

Indeed, even assuming a city or state hasn't overvalued the actual investments backing up its fund, *the Wall Street Journal* reported recently that it is not unusual to find a pension fund 35 percent short of what actuaries recommend.

Oh yes, one more bit of news: The Bureau of Labor Statistics notes that during both good times and bad, layoffs and discharges in the public sector occur at just one-third the rate of the private sector.

Our ruin, then, absent heroic stances at the Statehouse and the governor's office, is not only politically likely but mathematically certain.

*The teachers "union" is more accurately understood as a political machine, one that installs its own bosses and sets its own salaries within a tightly regulated government monopoly.*





# OUR CONSTITUTIONAL LITERACY

(Feb. 1) — The foundation challenged the membership to beat the constitutional literacy score of elected officials, sworn to “uphold and protect” the U.S. Constitution.

The test is administered annually by the Intercollegiate Studies Institute.\* Nationally, the relatively few elected officials who volunteered to take the test scored an average five percentage points lower than the national average (49 percent compared with 54 percent), with ordinary citizens outscoring these elected officials on each constitutional question.

Here’s how the membership stacks up against those elected officials on five selected questions:

- Only 49 percent of elected officials could name all three branches of government, compared with 50 percent of the general public and 100 percent of our members.

*“You know, we have three branches of government. We have a House. We have a Senate. We have a president.”*

— Jan. 3, 2011, U.S. Sen. Chuck Schumer (D-New York) on CNN newscast.

- Only 46 percent knew that Congress, not the president, has the power to declare war — 54 percent of the general public knows that as do 100 percent of our members.

- Just 15 percent answered correctly that the phrase “wall of separation” appears in Thomas Jefferson’s letters — not in the U.S. Constitution or somewhere else — compared with 19 percent of the general public and 84 percent of our members.

- And only 57 percent of those who’ve held elective office know what the Electoral College does, while 66 percent of the public got that answer right and 100 percent of our members got it right. (Of elected officials, 20 percent thought the Electoral College was for “training those aspiring for higher political office.”)

This latest survey was opened by 123 members, correspondents and friends (persons on our regular newsletter list) between 10 a.m. Jan. 30 and 1 p.m. Feb. 1. There were 55 completed questionnaires for a response rate of 48 percent.

\*A full report on the national test can be found at [www.americancivilliteracy.org](http://www.americancivilliteracy.org).

**Q.** Because they will be required to “uphold and protect” the U.S. Constitution, should candidates for elected office take a constitutional literacy test?



## Comments

- “Every one living in the United States should know about his government.”
- “It disgusts me that the Constitution is so widely ignored by our elected officials.”
- “Not a test of Constitutional literacy, but these types of questions could and should be posed during campaign debates.”
- “We will see how our elected officials do.”
- “You may want to check out the Institute on the Constitution ([iotconline.com](http://iotconline.com)). Perhaps some of our members would be interested in starting a group.”
- “Who writes the test and what questions are asked are my concerns. In the best case, the voters would be vigilant in discerning which candidates would uphold and protect the Constitution.”
- “Although the Constitution has been a dead letter, the only way we will be ever able to turn this mess around is if we educate people about it and work to elect people who will follow it.”
- “The United States was founded by the best minds of the time. In the last 100 years, and especially the last 40, we have relegated governance to a group of third-rate minds. Of course, our population has degenerated to the same level.”
- “As a result of years of legislative action and court rulings, both the 9th and 10th Amendments, in effect, have been repealed. Further, the government has not declared war since WW II. What next?”
- “Knowledge of the Constitution is crucial, but if there is a mandated literacy test it soon would be used to keep political opponents from running. However, I think candidates should take a simple exam on the Constitution. More important, the public should know what is constitutional.”

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

# THE DESTINIES OF THOSE WHO SIGNED

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

• **Francis Lewis** — A New York delegate saw his home plundered and his estates, in what is now Harlem, completely destroyed by British soldiers. Mrs. Lewis was captured and treated with great brutality. She died from the effects of her abuse. • **William Floyd** — Another New York delegate, he was able to escape with his wife and children across Long Island Sound to Connecticut, where they lived as refugees without income for seven years. When they came home, they found a devastated ruin. • **Phillips Livingstone** — Had all his great holdings in New York confiscated and his family driven out of their home. Livingstone died in 1778 still working in Congress for the cause. • **Louis Morris** — The fourth New York delegate saw all his timber, crops and livestock taken. For seven years he was barred from his home and family. • **John Hart** — From New Jersey, he risked his life to return home to see his dying wife. Hessian soldiers rode after him, and he escaped in the woods. While his wife lay on her deathbed, the soldiers ruined his farm and wrecked his homestead. Hart, 65, slept in caves and woods as he was hunted across the countryside. • **Dr. John Witherspoon** — He was president of the College of New Jersey, later called Princeton. The British occupied the town of Princeton, and billeted troops in the college. They trampled and burned the finest college library in the country. • **Judge Richard Stockton** — Another New Jersey delegate signer, he had rushed back to his estate in an effort to evacuate his wife and children. The family found refuge with friends, but a sympathizer betrayed them. Judge Stockton was pulled from bed in the night and brutally beaten by the arresting soldiers. Thrown into a common jail, he was deliberately starved. • **Robert Morris** — A merchant prince of Philadelphia, delegate and signer, raised arms and provisions which made it possible for Washington to cross the Delaware at Trenton. In the process he lost 150 ships at sea, bleeding his own fortune and credit dry. • **George Clymer** — A Pennsylvania signer, he escaped with his family from their home, but their property was completely destroyed by the British in the Germantown and Brandywine campaigns. • **Dr. Benjamin Rush** — Also from Pennsylvania, he was forced to flee to Maryland. As a heroic surgeon with the army, Rush had several narrow escapes. • **William Ellery** — A Rhode Island delegate, he saw his property and home burned to the ground. • **Edward Rutledge** • **Arthur Middleton** • **Thomas Heyward Jr.** — These three South Carolina signers were taken by the British in the siege of Charleston and carried as prisoners of war to St. Augustine, Fla. • **Thomas Nelson** — A signer of Virginia, he was at the front in command of the Virginia military forces. With British General Charles Cornwallis in Yorktown, fire from 70 heavy American guns began to destroy Yorktown piece by piece. Lord Cornwallis and his staff moved their headquarters into Nelson's palatial home. While American cannonballs were making a shambles of the town, the house of Governor Nelson remained untouched. Nelson turned in rage to the American gunners and asked, "Why do you spare my home?" They replied, "Sir, out of respect to you." Nelson cried, "Give me the cannon!" and fired on his magnificent home himself, smashing it to bits. But Nelson's sacrifice was not quite over. He had raised \$2 million for the Revolutionary cause by pledging his own estates. When the loans came due, a newer peacetime Congress refused to honor them, and Nelson's property was forfeited. He was never reimbursed. He died, impoverished, a few years later at the age of 50. • **Abraham Clark** — He gave two sons to the officer corps in the Revolutionary Army. They were captured and sent to the infamous British prison hulk afloat in New York harbor known as the hell ship "Jersey," where 11,000 American captives were to die. The younger Clarks were treated with a special brutality because of their father. One was put in solitary and given no food. With the end almost in sight, with the war almost won, no one could have blamed Abraham Clark for acceding to the British request when they offered him his sons' lives if he would recant and come out for the king and parliament. The utter despair in this man's heart, the anguish in his very soul, must reach out to each one of us down through 200 years with his answer: "No."



Emanuel Gottlieb Leutze, oil on canvas, 1851



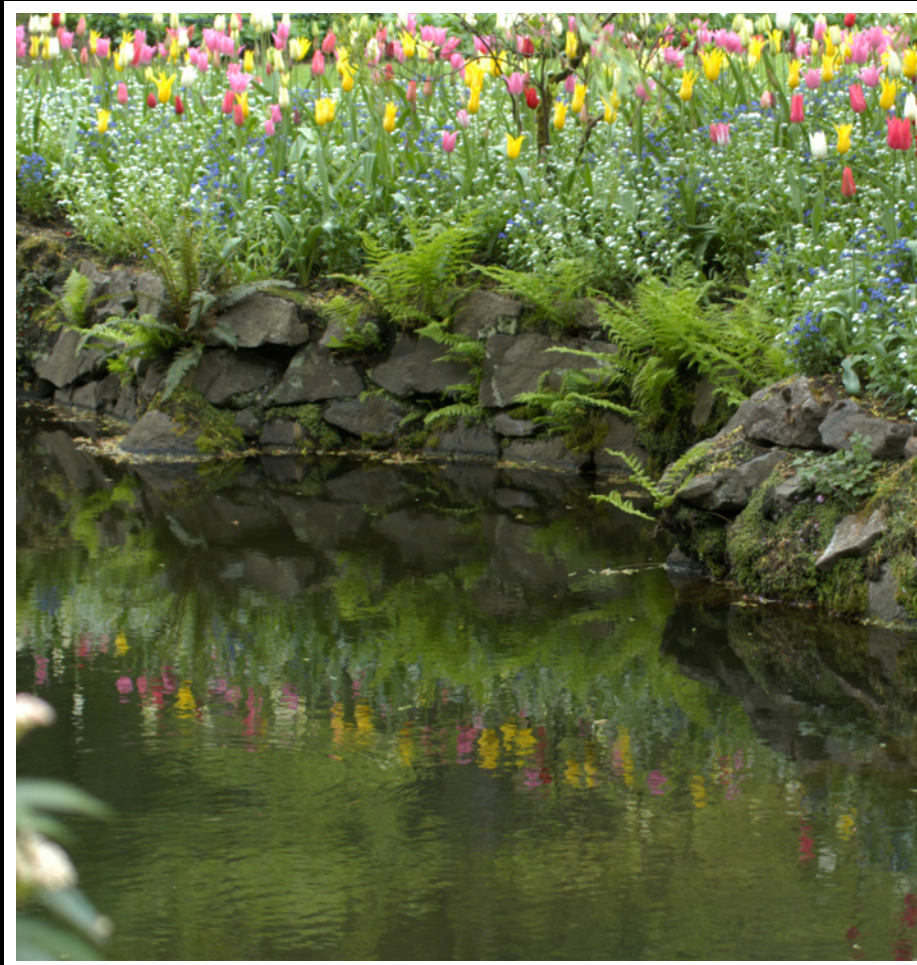
Thomas Hoepker, photograph, Sept. 11, 2001

## Please Join Us

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

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

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



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An Indiana Journal of Classical Liberal Research and Opinion  
Observing its 22nd Year