INDIANA POLICY review

The 2012 General Assembly

THE PERILS OF UNPRINCIPLED POLICY

"A future that works"

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

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

INDIANA POLICY review

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A FUTURE THAT WORKS

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

• Exalt the truths of the Declaration of Independence, especially as they apply to the interrelated freedoms of religion, property and speech.

• Emphasize the primacy of the individual in addressing public concerns.

• Recognize that equality of opportunity is sacrificed in pursuit of equality of results.

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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Joyce A. Preest, copy editor; Robert and Lisa Barnum, graphic design. The cover: "The Tax Collector" 1543 (oil on canvas) Paul Vos, Galleria Sabauda, Turin, Italy (Getty Images).

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THE 2012 GENERAL ASSEMBLY

Self-congratulation as a basis for public policy.

"Don't just do something, stand there." — William F. Buckley

The timid avoid the large, dramatic errors but are dragged down by the small, persistent ones. That is the story of the Statehouse leadership this year, even and especially with a Republican governor and majorities in both houses.

A self-congratulating clique of legislative rulers, wrapped in compromise and purblind to absolutes, dictated the terms of debate for this General Assembly — and a sorry debate it was. The scorecard:

Personal freedom — Wasted political capital and reputation in an absurd stance against even outdoor "smoking kennels."

Taxes — Redefined a promised tax return as a deposit on unfunded and extravagant teacher pensions with the remainder distributed per capita. Assented to repeal the onerous inheritance tax ever-so-gradually and without understanding of the sanctity of private property.

Local government — Continued a decade-long crusade to force Indiana's small governments into larger ones.

Education reform — Not only failed to challenge the Indiana Collective Bargaining Act but validated it.

Labor law — Yes, a right-to-work law but only when it became politically convenient and too late to swing a significant number of jobs our way.

Social issues — Managed to squash both academic and religious freedom in dead-ending a bill without full debate that would have permitted an individual school administration to choose — arguably or not — to teach alternatives to Darwinian theory along with the theory itself.

Tossed out with all the legislative bath water was something precious — individual liberty, the principle that could differentiate Republicans, the principle that constitutes the most powerful economic engine for all Hoosiers.

Certainly, there was an attempt to "get it" to the degree that "it" would preserve political careers in the midst of a great recession. Yet, the Statehouse leadership got no closer to a viable economic plan than neo-mercantalism with some Chamber of Commerce cronyism mixed in.

And you can take down the governor's banner celebrating a cap on property taxes, in fact a judicial mandate that merely shuffled the chairs down to the lower decks. Or as our Dr. Eric Schansberg noted at the time, if this leadership had truly thought taxes were too high it could have cut spending.

It didn't and it won't. Here's what it will do — and persist in doing — regardless of result:[2]

"There are always conditions that one could wish were different or better than they are. The relevant question is whether there is a cure for the condition which the candidate knows and can put into effect and which will not have consequences worse than the initial condition." — Herbert Stein[1]

- This leadership, constitutionally indifferent, must declare every problem a crisis, regardless of whether a particular situation might right itself without government's heavy hand.
- It will dismiss critics as simplistic, absurd or dishonest, especially if they present evidence that government's solution will make things worse.
- Finally, when its policies collapse, insist that the problem would have gotten worse had government not acted.

Thomas Sowell uses a brutal, pluperfect example to illustrate this type of governing, a type routinely tolerated by too many senior Republicans:

> When a baby was killed in a tragic airplane crash in 1989 by being ripped out of its mother's arms by the force of the impact and being sent hurtling through the cabin, a political 'solution' was proposed by having a federal law require babies to be strapped into their own seats on airplanes. But a study by economists indicated that such a law, requiring parents to purchase an extra seat, would divert a portion of the traffic to cheaper alternative modes of transportation on the ground — most of which have higher mortality rates than airplanes. Over a period of a decade, there would be an estimated savings of one baby's life in airplane crashes, a loss of nine lives in alternative ground transportation and an additional cost of $3 billion.[3]

It can be hoped that a new generation of legislators understands the folly of such an approach, being convicted by the sad experience of this assembly that a forced consensus behind caucus doors is no substitute for individual choice acting in a free market under a constrained government. — *tcl*

1. In Presidential Politics: The Making of Economic Policy from Roosevelt to Reagan and Beyond, American Enterprise Institute, 1988.

2. With credit to Thomas Sowell's The Vision of the Anointed: Self-Congratulation as a Basis for Social Policy, Basic Books, 1995.

3. Citing "An Impact Analysis of Requiring Child Safety Seats in Air Transportation." Child Restraint Systems on Aircraft, Hearing Before the Subcommittee on Aviation of the Committee on Public Works and Transportation, House of Representatives, July 12, 1990.

THE PERILS OF UNPRINCIPLED POLICY

Two cheers for Indiana.

"The Tax Collector" 1543 (oil on canvas) Paul Vos, Galleria Sabauda, Turin, Italy (Getty Images)

Indiana politicians have recently made strides for sound public policy, especially on the economic front. While neighboring states are still coming to grips with budget crises induced by the housing bust and recession, Indiana has not only been a bastion of fiscal discipline but has forged ahead with region- and nation-leading reforms designed to expand the role of market forces and enhance economic development.

There are three particular accomplishments that stand out here, and are worthy of high praise from advocates of the free society:

• *Sound Fiscal Policy* — Thanks to the outspoken leadership of Gov. Mitch Daniels, Indiana has gained a national reputation for fiscal rigor in the past several years.* Not only are state coffers in surplus but the path to fiscal sanity has been smoother and less controversial than places like Wisconsin and Ohio. Whereas Governors Scott Walker and John Kasich enraged and mobilized the public-sector unions through bitterly contested legislation designed to reduce their bargaining power, Mr. Daniels was able to make the same point, albeit in a more limited way, with an executive order, and wisely did so well before the recession set off the fiscal time bombs of cushy public-union benefits. To further burnish this image of fiscal rectitude, the Legislature has recently moved to eliminate some taxes and reduce others — all while our neighbors raise theirs.

• *School Choice* — Dismally under-performing government school systems have been crying out for major reform for decades only to find meaningful, large-scale proposals crushed by the self-serving might of the teachers' unions. That was until last year when Indiana policy leaders delivered a body blow for massive educational reform with a statewide voucher program, arguably America's most comprehensive education-reform measure to date. Although compromises were made and the reach of the voucher program was somewhat watered down in its final version, Indiana's Choice Scholarship program opens up the state's K-12 education industry to competition in a big way, and looks sure to improve educational results at all types of schools.

• *Right-to-Work* — Indiana became the first state in over 10 years to enshrine the "right-to-work" without forced union membership. More notably, we became the first state in the upper Midwest Rust Belt to deny unions the legal privilege of forced membership or forced contributions. This will have broad implications for neighboring states, as Indiana's new right-to-work status arguably gives us a competitive advantage in attracting new capital investment. While it is difficult to establish empirically a direct connection between right-to-work legislation and enhanced industrial employment and output, right-to-work is widely recognized as emblematic of an overall state policy environment conducive to economic growth.

This General Assembly and Governor Daniels deserve plaudits for their bold leadership on these issues. But along with these great government-restraining, market-enabling reforms, comes a slew of policies that continue to empower government against private citizens, reducing the realm of competition and choice. This overall incoherence in our public policy has us scratching our heads in bewilderment if not hanging them in despair. How can Governor Daniels and the Republican majorities in the Statehouse enact laws that are diametrically opposed in their assumptions about the proper role of government? As a case in point, consider that the same legislators and governor who bravely expanded individual liberty and freedom of choice for

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**The editors acknowledge there are less-favorable assessments of the Daniels administration elsewhere in this issue.*

workers and parents with right-to-work and Choice Scholarships, so easily yielded freedom of choice for business owners, undermining their property rights through the statewide smoking ban.

We expect that those who voted for all three laws will not blush at this suggestion of inconsistency. They will say the school-voucher program is in the interest of education, right-to-work is in the interest of economic development and the smoking ban is in the interest of public health. Perhaps so, but this policy mix reveals that any subjectively defined "public interest" is a two-edged sword that can be invoked to expand freedom and choice on the one hand or to crush freedom and choice on the other. This makes for a wobbly justification for any public policy — even the good ones.

So, with the 2012 legislative session ended, now is a good time to reflect on Hoosier public policy, specifically with regard not just to the substance of policy changes but to their rationale. Again, the highlight reel shows a nice string of fiscally conservative and free market-oriented reforms that will serve Hoosiers well for many years. The complete story, however, is somewhat unsettling, suggesting a subtle yet important problem afflicts our policy leaders — a lack of consistent, sound principles guiding their policy actions. Like a Jiminy Cricket to the Statehouse's Pinocchio, we seek constantly to remind policy leaders about the importance of such principles as a basis for public policy, and the kind of results we can expect with or without them.

We suggest that a particular principle of government — namely, individual liberty — has made Americans freer and, not coincidentally, more prosperous, than any nation in history. We challenge Hoosiers to apply this key principle consistently to all government actions and public policies. In this light, we will reassess some of the major policy actions of recent legislative sessions. And once more, while we applaud much of what has been enacted, we remain troubled by the often weak or nonexistent moral and economic reasoning put forth in defense of these policies — in other words, their lack of principle. Even though legislators might occasionally enact sound policy for purely pragmatic reasons, allowing pragmatism to dictate over principle will inevitably lead to an accumulation of unsound policies. In other words, if a legislature has done the right thing, but for the wrong reasons, we should by no means expect it to continue doing the right thing for long.

Liberty-Oriented Government

The basic idea we endorse as the core principle for public policy is astoundingly simple: Government exists to protect people from violent or deceitful actions of others, not to provide for their needs or desires. Philosophers and economists have taken different approaches to this concept, from the natural-rights theories of John Locke and Thomas Jefferson to the utilitarian economics of Friedrich Hayek and Milton Friedman. Despite the varied foundations, all strains of the liberty principle share the same confidence in free and responsible individuals' capacity for self-government. We likewise hold that when people are secure in their persons and property their voluntary interaction will abundantly provide for all human needs, both material and spiritual, for all members of society.

Adherents of the liberty principle do not deny an important role for government in the free society. We do, however, seek to seriously limit its scope. Government, as the ultimate agent of force, is essential in providing the institutional framework within which civic and market organizations can function. When government is confined to its core competencies of providing law and order, enforcing contracts and supplying a handful of true public goods, it remains so small that most citizens barely notice its day-to-day operation. The costs of such a minimalist government apparatus are likewise light, enabling citizens to spend most of their energies attending to their families, jobs or businesses, churches and civic organizations rather than straining under the burdens of heavy taxation and political interference. Finally, a government focused on defining and enforcing property rights and contracts will enable the market economy to flourish. Entrepreneurs — who, in the

The basic idea we endorse as the core principle for public policy is astoundingly simple: Government here exists to protect people from violent or deceitful actions of others, not to provide for their needs or desires.

For when government grows large and powerful, self-seeking citizens — whether profligate knaves or honest dupes — have strong incentives and ample opportunities to distort the political operation for their own personal gain. This is the opposite of the market economy; in this environment, success is less and less tied to productive efficiency and product innovation and more and more to one's skills in lobbying for subsidies and favorable regulation.

open, competitive economy could be any of us — know that their assets and the honest profits they earn are secure from the predation of both the petty thief and the bureaucrat. Their efforts toward investment, innovation and competition within the global economic marketplace bring about the awesome material prosperity to which we are so accustomed.

But when government goes beyond these narrow functions and attempts to dictate particular economic outcomes for particular people — in other words, when government panders to people's wants and desires rather than serving a strictly abstract principle of justice — it will necessarily undermine its ability to enforce justice, and weaken the civic and economic institutions that create prosperity. For government to provide for one man's wants, it must deprive another of his means. This basic fact remains true no matter how many "jobs" a political scheme promises to create, nor how popular the company or industry receiving the handouts may be, nor how loud the cries of "public interest" erupting from the special interests. There is no free lunch: The more the government gives to one class of citizens the more it must ultimately take from another, whether in the form of taxes, debt or inflation.

Examples of such political plunder abound these days, from the big auto company and Wall Street bailouts to the massive scheme of "green" energy subsidies, to the healthcare-reform racket, just to name a few. These abuses are nothing new for Washington politics. Their sheer magnitude and number today is finally starting to catch the attention of irate citizens. We too are sensitive to the gross abuse of justice and dangers to the vitality of the market economy that these free-for-alls of political plunder represent. For when government grows large and powerful, self-seeking citizens — whether profligate knaves or honest dupes — have strong incentives and ample opportunities to distort the political operation for their own personal gain.This is the opposite of the market economy; in this environment, success is less and less tied to efficiency and innovation and more and more to one's skills in lobbying for subsidies and favorable regulation. When entrepreneurial energy is thereby tied up in either using the political process to plunder the taxpayers (or to protect oneself from such predation) it is not directed toward enhancing the productive capacity of the economy. Prosperity suffers as a result. One need only look to the headlines coming out of southern Europe to see that, in the worst case, when government exceeds the narrowly circumscribed protective functions and attempts to be all things to all interest groups, economic and moral ruin soon result, inviting chaos, revolution and despair.

Analysis of Recent Legislation: Principled or Political?

Our quick overview of the basic forms of a liberty-oriented government should not be taken as glib. We acknowledge there are many complex aspects to good government, and fair-minded citizens can have honest disagreements about the soundness or justice of a policy even if they adhere to the same general principles. Nonetheless, the liberty principle provides fairly straightforward guidelines for assessing the worthiness of any policy proposal, at least in its broad outlines. We simply need ask: Does the policy achieve greater and more-refined protection of the individual — his person, property and freedom of action — against violent or deceitful abuse by others? Or does it benefit one person or group of people at the expense of others?

With this in mind, we turn to a brief overview of some major policy areas that have received attention lately in Indiana, assessing the accomplishments and critiquing some gnawing inconsistencies, all in light of the limited government principles outlined above.

• *Taxes and Fiscal Policy* — On the heels of the statewide vote to constitutionalize property-tax caps in 2010, the Legislature recently moved to reduce business-income tax rates and even began a phaseout of our inheritance tax. In the context of a balanced budget and stable fiscal situation, these are, in themselves, good measures for both individual liberty and economic vitality. The basic economic principle always applies: "If you tax something, you get less of it." Lower tax rates leave more income of the hands of those who produced it, which leaves the income earner more secure in his property and provides stronger incentives to work and produce. Moreover, government should not take more than it requires for its basic functions, lest the politicians and interest groups be tempted to find some new public "interest" on which to squander the citizens' wealth.

While our policy leaders have managed the state budget fairly well, and moved the overall tax situation in a good direction, the old political game of subsidizing well-connected interest groups persists.

Through special tax credits, state-mandated purchases, eminent domain and other fiscal ruses, Indiana politicians keep looking for ways to advance particular individuals' agendas. Although these stories aren't quite headline-grabbers, recent experience is full of bad examples, from special taxes for sports venues to targeted tax credits designed to attract business relocation to outright subsidies for "local" companies.

Such practices have us limited-government types wagging our fingers, but we can hardly say we're surprised. Bribing companies to set up shop in their jurisdictions is a hackneyed "job-creation" formula practiced by local pols and economic-development bureaucrats for decades. It is not in line with the liberty principle, for in these cases government is applying different rules to different people.

Such policy says, "If you're a large company with a visible impact on the labor market, we'll subsidize you. If you're too small to make headlines with large job promises, you pay full price for the blessings of government."

Nowhere have such shenanigans been more prevalent than the proposed Leucadia synthetic natural-gas plant in Spencer County. The unwillingness of gas utilities to commit to buy its coal-based gas, along with the company's inability to finance the project without federal loan guarantees and state-mandated purchases, indicates the plant does not pass the market test — *i.e.,* it is not a net-value creator, and resources can be put to better use elsewhere in the economy. But the lobbyists refuse to yield; they've won commitment for enormous tax credits; they have lined up the Indiana Finance Agency to serve as Leucadia's broker and have even attempted eminent-domain abuse in order to secure land for an adjunct CO^2 pipeline.

The Leucadia fiasco reveals a fiscal environment still mired in special -interest favoritism. This tax-Peter-to-subsidize-Paul philosophy of government is repugnant to the limited-government concept. Any future governor or legislator who truly abides by the liberty principle would do well to wring out not only the blatant special-interest-driven taxes and subsidies, but even the more subtle ones found in the form of various and sundry tax credits and deductions.

• *Education Reform* — Government support of education is in and of itself a troublesome issue for advocates of limited government. For starters, it is debatable whether, and to what extent, education constitutes a public good. Moreover, the justice of taxing *A* to fund *B's* children's education — even if we grant complete public-goods status — is questionable. Even as we are willing to entertain the argument that the very idea of taxpayer-funded education falls short on moral and economic grounds, we must assess education policy within the context of its long history and nearly universal political consensus supporting a major government role in the financing and delivery of education.

In this setting, we heartily endorse the Choice Scholarship program — indeed, our only lament is its limited scope and eligibility requirements. But even with some imperfections, we now have what appears to be the largest, most comprehensive school-voucher program in the country.

In an institutional context of entrenched government funding, vouchers generally embody the liberty principle. Vouchers introduce both a much-greater degree of individual autonomy and choice in the pursuit of education, and bring a much-needed dose of competition to the education industry. While some might view vouchers as a subsidy program, we would note that the subsidy is tied to

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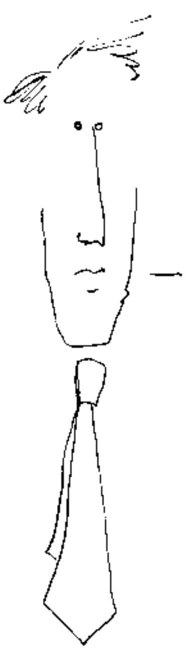
Choice Scholarship vouchers hold much promise but they are not without concerns. Some school-reform advocates are wary of the potential for vouchers to become tools of state control of even private-school curricula and customs. He who holds the purse strings ultimately calls the shots.

the student and not the school. While an ideal world would be altogether devoid of taxpayer-financed subsidies, the voucher system represents a second-best solution to chronic public-education failure. Vouchers are a significant improvement over the perverse incentives, palsied feedback mechanisms and lackluster outcomes of the public-school monopoly.

Choice Scholarship vouchers hold much promise, but we reserve some concerns. Some school-reform advocates are wary of the potential for vouchers to become tools of state control of even private-school curricula and customs. After all, he who pays the piper ultimately calls the tune.

We advise citizens concerned about limited government and the liberty principle to keep a vigilant eye on the Statehouse, watching for attempts by any faction to control or influence private-school curricula in a top-down fashion. Reform advocates worried about corrupting government influences should continue working toward a system where all education is strictly a private-enterprise operation, complete with privately financed voucher programs. Until that system arrives, we welcome Choice Scholarships as a step in the right direction.



• *Labor Reform* — On the surface, Indiana's new right-to-work law seems a no-brainer for advocates of the liberty principle. Right-to-work is designed to overturn a union's ability to impose a "union shop" on an employer, requiring all employees to join the union or pay an equivalent representation fee.

Why should labor unions be able to collect fees from unwilling individuals only because 51 percent of their colleagues consented to union representation? Proponents of right-to-work argue that workers should not be forced to pay union dues against their will, and that this legal privilege gives unions undue bargaining power that, while raising wages of union members, also harms business efficiency and reduces overall union-sector employment.

The reality, however, is more complex. Although most academic studies on the issue have found strong correlation between a state's right-to-work status and an improved industrial employment situation, the direct causal connection has been difficult to prove empirically. Business-management attitudes are overwhelmingly favorable to right-to-work, indicating that they expect it to help their bottom line, and studies have indicated that states that adopt right-to-work see an increase in business investment.

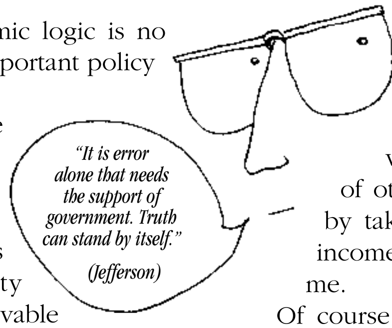
Right-to-work is not quite the open-and-shut case that partisans on both sides make it out to be. While right-to-work aims to counteract a legal privilege bestowed on unions by current labor law, it potentially violates freedom of contract itself by outlawing union-only contracts even if all parties agree. Fair-minded people can disagree on whether one government-imposed limitation on freedom of contract invites another limitation to offset the first.

Our opinion is that, given the institutional inertia of union advantages derived from the National Labor Relations Act (NLRA), right-to-work is a worthy ameliorative reform.

In other words, NLRA is not going away; while an optimal liberty-oriented policy would counsel neither the contractual limitations of the NLRA nor those of right-to-work, the entrenched nature of NLRA suggests right-to-work as a practical measure that moves in the direction of individual liberty and can improve economic outcomes.

A final word on the way right-to-work was sold in Indiana: Republican leaders framed the debate in terms of jobs versus unions, and many supporters denied there would be an effect on wages. This was disingenuous. Simple economics predicts a negative wage effect for unionized industries.

All else equal, weakening organized labor's collective-bargaining power will drive down the union-wage premium. Studies are mixed on this issue, some finding no wage effect from right-to-work, others finding a negative wage effect, still others finding a positive effect. But dismissing simple economic logic is no way to defend such an important policy shift.



Again, this is where principle should trump pragmatism. The ultimate rationale for right-to-work is that it corrects a fundamental disparity brought on by earlier, immovable legislation. Policy leaders would have done better to emphasize the individual-liberty issue represented by right-to-work, rather than making lofty free-lunch promises about new jobs.

Principles Matter Most

In all, we're thrilled about some truly great policy accomplishments in Indiana. But we want to make sure we're doing the right thing for the right reason. Politicians' motivation for these policy reforms seems to be "what can I sell to my constituents" in the form of creating jobs, improving health and education, or sponsoring the interest group *du jour*.

Instead, we would like to see an environment where politicians ask, "How can we enhance the protection of individuals' person and property, so that civil society can flourish?"

This is the criterion of sound policy. The common feature of good reforms is that they open the field for greater individual choice and decision-making, greater competition and less governmental influence over outcomes.

Bad reforms do the opposite: They close off sensible choices, substitute greater state control for individual freedom and choice, and reduce the competitive element in the provision of goods and services. They foster entrenched interest groups who become unwilling to release their political grip, even when they're causing obvious economic and moral damage.

We expect policymakers will object to our accusation of unprincipled action. We all want to believe in our own propriety, and few are cynical enough to admit to rank opportunism. So they'll say, "Of course we have principles. Our principle is to help people." But an unspecified positive outcome, even if it sounds nice, is no substitute for a sound principle. For there are many and conflicting ways government can "help" me. It can help protect my person and property against violent or deceitful actions of others. Or it can help me by taking 10 percent of your income and transferring it to me.

Of course the latter will be done in a subtle way; for instance, I'll set up a "green" energy company and the money confiscated from you will be given to me in the form of a tax credit.

Whatever principle you can find there, it is no kind of principle for good government. A legitimate principle of government must involve limitations on certain disruptive actions, and not merely open-ended goals to be accomplished with unchecked expenditures of taxpayer funds.

Again, the general functions of government following from such principles are fairly simple: Government simply needs to see to it that people don't break their contractual obligations; see to it that one person, whether acting alone or in league with a legislature, cannot take another's property without consent; see to it that interest groups are not accorded special treatment. Economic and social development will follow naturally.

We focus on these underlying principles because they matter most in the long run. After today's policy enactments are forgotten, history will remember the principles for which we stood.

Doing the right thing for the wrong reasons might placate the orneriest interest groups or perhaps even an impassioned majority.

We caution, however, that growing accustomed to such wrong reasons will eventually lead to doing the wrong thing. As the dramatized Thomas Becket says in T.S. Eliot's "Murder in the Cathedral": "The last temptation is the greatest treason: To do the right deed for the wrong reason."

Liberty-loving citizens must keep constant watch over our Indiana legislators, seeing to it that they avoid such temptations, and always put principle first when enacting policy.

Republican leaders framed the right-to-work debate in terms of jobs versus unions, and many supporters denied there would be an effect on wages. This was disingenuous.

A COLLEGIATE CASTE SYSTEM

An Indiana professor addresses escalating concern about the consequences of 'juicing' enrollments.

If college attendance is expanded further, admissions officials will undoubtedly ratchet down the ability roster, and the polarization will be even greater.

by **T. NORMAN VAN COTT**

Current proposals to increase college enrollments won't magically increase Americans' academic abilities. Indeed, there is already evidence that many students — even those who graduate — fall far below the traditional standard for college achievement.

That which follows offers a glimpse of the polarization of ability that is evident even today within a university. If college attendance is expanded further, admissions officials will undoubtedly ratchet down the ability roster, and the polarization will be even greater.

First some background: I have been a professor of economics since 1968. I am currently in my 35th year at Ball State University (BSU) in Muncie, Indiana. I have taught an array of courses over my career, with the freshman-sophomore principles of microeconomics course my most-frequent assignment. I have not kept a count on the number of times I have taught this course, but it is surely more than 100.

For the last eight or so years, I have taught both an Honors section and a regular section of the microeconomics class in the fall semester. Honors students have been admitted to the university with exceptional high-school credentials. At BSU, less than 10 percent of the students are Honors. While those students always appeared to perform at higher levels than their regular student counterparts, I never quantified the gap until last semester. Last semester, prompted by escalating concern about the consequences of juicing enrollments, I decided to set the two courses up to be as identical as possible and to measure the performance gap between Honors and "regular" students.

Accordingly, I assigned the same textbook, gave the same multiple-choice examinations, gave the same lectures and had the same attendance requirements for both classes. The two classes even met on the same days — Tuesdays and Thursdays, one at 9:30 and the other at 12:30.

Were there still differences. Yes. Regular students usually take the course their sophomore year, whereas Honors students are typically first-semester freshmen, meaning that the regular students presumably have more college-classroom savvy. On the other hand, the Honors students completed 13 short-answer-essay homework assignments

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during the semester in addition to the common examinations. Additional course requirements and rigor are considered part of the Honors experience at BSU. I chose writing.

The tables below show performance on the three examinations. Column 1 shows the number of students taking the examination in each class, column 2 the average score in terms of number of correct answers (the number of questions on each examination in parentheses), column 3 the range of scores.

First Examination

	Number of Students	Average (55 possible)	Range
Honors	26	46.65	53-38
Regular	53	35.22	51-23

Second Examination

	Number of Students	Average (50 possible)	Range
Honors	25	40.96	48-31
Regular	48	30.18	45-14

Third Examination

	Number of Students	Average (66 possible)	Range
Honors	26	54.88	65-44
Regular	51	39.57	59-18

It is no overstatement to say that Honors students performed considerably better. The lowest Honors score on each examination exceeded the average score for regular students. Were one to convert the average scores into percentages, the percentage point gaps for each examination would be 20.8, 21.6 and 23.2, respectively. The grade-point averages in the two courses were different, too. On a four-point scale in which *C*=2.0, the average was 3.67 in the Honors course and 1.91 in the regular course, roughly one and three-quarters letter grades higher.

As far as outcomes are concerned, the two courses were effectively two different ones. In my opinion, based on my experience in both classes, the writing component had only a slight influence on the students' performance.

Should political efforts to spike college enrollments "succeed," the above performance gap will only worsen. In addition, the performance range within the regular student population will also increase.

It isn't surprising that Honors students perform at a higher level than their regular student counterparts. They're Honors students precisely because they have higher levels of academic ability and engagement. But what level of polarization is acceptable? Or do administrators even think about that?

No BSU administrator has ever asked me about the performance gap between my two classes. Moreover, none of my colleagues involved in "dual" teaching assignments like mine has ever told me of being asked about the gap for their classes.

A final note: I had the same attendance rule for the two classes. My rule: students can miss class four times with no punitive consequences for their course grade. (That's two weeks of class.) Each absence beyond the fourth reduced a student's course grade one letter grade.

Were there differences in attendance between the two classes?

You bet. Absences per student over the semester were 0.76 in the Honors class and 2.84 in the regular class.

In other words, the absence rate for regular students was almost four times that of Honors students. Forty-six percent of Honors students had perfect attendance; 19 percent of regular students had perfect attendance.

If attendance patterns are proxies for student sloth, the sloth quotient increases as college admissions officials ratchet down the ability roster.

I made a point of keeping the courses similar in content and grading standards and doing that showed the wide gulf between BSU's Honors students and the rest.

If the country follows through on the politicians' idea that still more young people should be in college, the result will be a further widening of the gulf between the students who are prepared for college and those who aren't.

In all likelihood, that will put professors under increasing pressure to dilute course content and inflate grades. That is another topic for research.

The absence rate for regular students was almost four times that of Honors students. Forty-six percent of Honors students had perfect attendance; 19 percent of regular students had perfect attendance.

CORPORATE WELFARE HOOSIER-STYLE

A former member of the Daniels administration tells of a bipartisan love affair over Elkhart electric cars.

"Elkhart's electric buzz has gone all but bust. Two local electric startup companies never got off the ground. Navistar is manufacturing short-range electric delivery trucks, but not yet at the level the company had hoped. And the Think plant has delivered only about 200 electric cars, many of them to government fleets."

— National Public Radio report

by TAD DEHAVEN

I have previously discussed how multiple levels of government work together to provide businesses with taxpayer money.[1,2] And while Republican policymakers have enjoyed making political hay out of the Obama administration's Solyndra problem, the truth is that both parties are willing partners in the corporate welfare racket[3].

The state of Indiana continues to be a perfect example. In March 2010, National Public Radio (NPR) ran a piece on the Obama administration's efforts to "stimulate" the city of Elkhart, which at one point during the recession had the nation's highest unemployment rate. The story was hopefully titled:

Electric Vehicles May Energize Elkhart's Future[4]

This week, the title of a new NPR piece on Elkhart is a little different:

As Elkhart's Electric Dreams Fizzle, RVs Come Back

The new piece focuses on the failure of Think, an electric vehicle manufacturer, to deliver upon the promises made by the company and the politicians who gave them taxpayer handouts:

> Backed by federal stimulus funding, state development grants and tax credits, Think announced plans to produce thousands of electric cars in Elkhart annually. Other companies lined up to make electric cars and trucks, and their parts, too, as Elkhart County, a place long known for producing gas-guzzling recreational vehicles, set out to jump-start its flat-lining economy with electric vehicles. During his State of the State address in 2010, Indiana Gov. Mitch Daniels said, "Our goal is to be the capital of this potentially massive industry of tomorrow." But two years later, Elkhart's electric buzz has gone all but bust. Two local electric startup companies never got off the ground. Navistar is manufacturing short-range electric delivery trucks, but not yet at the level the company had hoped. And the Think plant has delivered only about 200 electric cars, many of them to government fleets. The parent company, Think Global of Norway, filed for bankruptcy last summer.[5]

That's Republican Gov. Mitch Daniels, the allegedly above-the-political-fray politician who a lot of Republicans and conservatives continue to pine for as the

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would-be hero to deliver us from big-government Mr. Obama in November.

In December 2010, the Indiana Department of Natural Resources (IDNR) received Think's first 15 electric vehicles. Mr. Daniels stated that "we're proud to be the first customer." According to IDNR's press release:[6] "Energy Systems Network used a combination of federal stimulus funds and private donations to purchase the vehicles, then donated the vehicles to the state at no cost."

That's not good for federal taxpayers. But at no state cost, it's still good for Indiana state taxpayers, right?

Well, it turns out that this Energy Systems Network (ESN), which "provides development and coordination for collaborative projects and joint ventures" between Indiana universities and energy-related firms (including Think), receives money from Indiana state taxpayers courtesy of the Daniels administration.

From the ESN website:

> ESN member institutions provide industry expertise in advanced technology vehicles, distributed power generation, advanced biofuels, renewable energy and energy efficiency. Collectively, they make up a world-class clean-tech cluster with expertise that spans the energy spectrum. ESN is also fortunate to have close working relationships with government agencies and policymakers at the local, state and federal levels. *ESN's projects have benefitted greatly from funding and technical support provided by the State of Indiana and its agencies.*[7]

The italic text is my emphasis. As it turns out, ESN has friends in high places. Take a look at the résumé of ESN's president and CEO:

> Prior to joining ESN, (the president) served in the office of Governor Mitch Daniels as Policy Director for Economic Development, Workforce & Energy. In this capacity he oversaw legislation, policy and program development for the Indiana Economic Development Corporation, Indiana Department of Workforce Development and Indiana Department of Labor, and acted as the Governor's liaison to the Indiana Utility Regulatory Commission and Office of Utility Consumer Counselor. During his tenure with the Governor's Office, (he) also led the formation of and directed the Indiana Office of Federal Grants and Procurement.[8]

As fate would have it, I worked in the Indiana Office of Management and Budget when this fellow was a policy director for Gov. Daniels. Let's just say that it didn't take a genius to see that he recognized the opportunities awaiting him on the other side of the government-business revolving door.

Now, I'm absolutely not suggesting that illegal activity is involved here. I just think that people — especially those who view the world through a partisan lens — need to understand that the often-sordid relationship between government and business is not a problem that is unique to either Democrats or Republicans.

Energy Systems Network, which "provides development and coordination for collaborative projects and joint ventures" between Indiana universities and energy-related firms (including Think), receives money from Indiana state taxpayers courtesy of the Daniels administration.

Internet Links

1. *http://www.downsizinggovernment.org/obama-and-daniels-team-shovelsubsidies*
2. *http://www.cato-at-liberty.org/state-government-business-subsidiesin-the-news/*
3. "Both Parties Are Willing Partners in the Corporate Welfare Racket": *http://www.downsizinggovernment.org/gop-hypocrisy-energy-subsidies*
4. "Electric Vehicles May Energize Elkhart's Future": *http://www.npr.org/templates/story/story.php?storyId=124559227&ps=rs*
5. "As Elkhart's Electric Dreams Fizzle, RVs Come Back": *http://www.npr.org/2012/03/06/147255700/as-elkharts-electric-dreams-fizzle-rvs-come-back*
6. Press release: *http://www.in.gov/activecalendar/EventList.aspx?view=EventDetails&eventidn=35730&information_id=71599&type=&syndicate=syndicate*
7. Website: *http://www.energysystemsnetwork.com/partners*
8. Paul Mitchell: *http://www.energysystemsnetwork.com/esn-staff-members*

> "The reason North America's ex-colonies did so much better than South America's was because British settlers established a completely different system of property rights and political representation in the North from those built by Spaniards and Portuguese in the South. (The North was an 'open-access border,' rather than a closed one run in the interests of rent-seeking, exclusive elites.) We're becoming more like the failures of South America, especially at the state and local levels."
>
> *— Niall Ferguson, "Civilization: The West and the Rest"*

"The NCLB is doing more harm than good. Its complex rubric for grading schools is triggering costly one-size-fits-all interventions."

— NEAL

ANDREA NEAL

It Is the Death Knell For 'No Child Left Behind'

(Feb. 15) — According to *U.S News & World Report,* it is one of the nation's best large high schools.

During the 2010-2011 school year, 66 percent of its students passed both math and English assessments. In 2009-2010, 30 percent of its graduates passed an Advanced Placement exam, double the state average and surpassing state Department of Education targets. Its SAT and ACT scores consistently outpace the state average. Its graduation rate tops 80 percent.

When compared with Indiana schools of similar demographic makeup, its scores rank at the top. Forty-one percent of its students are on free or reduced-price lunch and 58 percent are minority. Twelve percent have special needs.

And yet North Central High School in Indianapolis has failed to reach the standards of the No Child Left Behind Act (NCLB). In 2011, it met Annual Yearly Progress (AYP) goals in only 16 out of 30 categories set by the federal government.

Which is why we don't want the federal government setting education goals.

Ten years have passed since President George W. Bush and Sen. Ted Kennedy led a bipartisan effort to force states to force schools to improve. In many ways, No Child Left Behind has worked.

Much like the Voting Rights Act of 1965 forced states to do what they should have been doing anyway — guarantee black citizens their unfettered right to vote — the NCLB has pushed states to act. Test scores now mean something. No longer can teachers promote children from one grade to the next regardless of whether they have shown proficiency in academic skills.

Now, however, NCLB is doing more harm than good. Its complex rubric for grading schools is triggering costly one-size-fits-all interventions. Regardless of socioeconomics, English-speaking skills or other factors, all students are expected to meet certain benchmarks. If one group of students doesn't score high enough, an entire school is "In Need of Improvement."

As evident from school systems like Washington Township in Indianapolis, NCLB's goal of 100 percent proficiency in math and reading by 2014 is not realistic. U.S. Education Secretary Arne Duncan has warned that four out of five schools face being labeled "failing" this year unless changes are made.

Frustrated with Congress' inability to remedy flaws in the law, Barack Obama invited states to apply for waivers as long as they promised to implement their own accountability systems that maintained emphasis on test scores, college readiness and graduation. Indiana jumped, and was one of 10 states that received waivers last week.

Indiana will replace the AYP formula with its progress-measurement system called Annual Measurable Objectives. Under this system, every Indiana school must earn a state letter grade of an *A* — or improve two letter grades to earn no lower than a *C* — by 2020. In addition, the state has pledged to intervene more quickly in failing schools.

So what will happen to NCLB? Reauthorization of the law is more than four years overdue, but Congress isn't close to resolving its issues. Mr. Obama has encouraged all interested states to apply for waivers, and it appears close to 40 will.

Somewhat ironically, Republicans on Capitol Hill are criticizing Mr. Obama for his waiver policies, which they say force states to jump through hoops set by the executive branch rather than the legislative branch, which is responsible for policymaking.

That didn't stop Indiana Gov. Mitch Daniels or New Jersey Gov. Chris Christie from seeking waivers; both are Republicans who have staked a name on education reform. Both wanted flexibility.

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A federal law can't possibly anticipate differences between, for example, North Central High School with all its socioeconomic diversity and Carmel High School six miles north with less than one percent of its enrollment on free or reduced-price lunch.

Congress should revoke NCLB, and then waivers won't be needed. Let's get back to the idea that education is the responsibility of states because states are in the best position to know what will work inside their borders.

Mass Transit: Time For a Reality Check

(Feb. 1) — Merriam-Webster defines *wishful thinking* as "the attribution of reality to what one wishes to be true or the tenuous justification of what one wants to believe." It's an apt description for folks clamoring to spend hundreds of millions on a Central Indiana mass-transit plan. We can pump in more money, create faster bus routes, build a commuter-rail system and construct a light-rail line. But the system will be underused, and it will lose money. Wishful thinking won't change that.

Take it from bigger cities where mass transit is far more popular than it is here. Financially it is always a losing proposition.

New York City has the highest percentage of riders (30 percent) and most-successful transit system in the country, yet its fares cover only two-thirds of operating costs.

Transit ridership in Chicago has dropped 15 percent since 1983 despite expansion of rail lines and increased population. Its transit company is deep in debt and unable to pay for basic maintenance.

In 1982, Baltimore mass transit undertook a major expansion that increased bus lines and added light rail and an elevated subway. In the 1980s, Baltimore buses made 122 million passenger trips a year. Today, although light-rail use has grown, total system ridership is 100 million trips per year. Meanwhile, operating costs have doubled.

A lot of good but misguided people are wringing their hands over the fate of legislation in the 2012 Indiana General Assembly that would authorize a referendum asking voters if they'd pay higher taxes in Marion and Hamilton counties for a $1.3-billion mass-transit upgrade proposed by the Central Indiana Transit Task Force.

The plan envisions doubling the size of the Indianapolis Public Transportation Corp. (IndyGo) in Marion County and developing a railway to carry commuters from Noblesville to downtown Indianapolis. Rail and bus extensions to the rest of central Indiana would be added later as more counties signed on.

Killing this bill was the best possible outcome for taxpayers. What doesn't work in New York, Baltimore and Chicago definitely won't work in Central Indiana.

Urban mass transit is the most expensive form of travel in the United States at 72 cents per passenger mile. That compares with 23 cents per passenger mile for auto travel, 15 cents for air travel and 60 cents for Amtrak.

Such numbers explain the perennial budgetary challenge facing IndyGo, which has tried under different mayors but never found a way to simultaneously improve bus service, increase ridership and hold the line on costs.

In 2010, IndyGo's operating expenditures totaled $63.5 million for 8.3 million passenger trips. Of that $10 million came from passenger fares and advertising; taxpayers subsidized the rest.

Rail transit is worse. By any objective standard — profitability, ridership, cost-efficiency — "few American rail-transit systems make sense," says Randal O'Toole, an adjunct scholar of the Indiana Policy Review Foundation, a senior fellow of the Cato Institute and author of "Why We're Stuck in Traffic and What to Do about It."

"With the possible exception of Manhattan," he says, "Americans do not live or work in environments dense enough to need any higher capacity transit than buses."

Furthermore, virtually every light-rail project undertaken in this country in recent years has come in way over budget including those in Austin, Texas; Buffalo, New York; and Charlotte, North Carolina.

"We can pump in more money, create faster bus routes, build a commuter-rail system and construct a light-rail line. But the system will be underused, and it will lose money. Wishful thinking won't change that."

— NEAL

"Offering a full summer term means students who so choose will be able to complete a four-year degree in less than three calendar years."

— NEAL

To be sure, some elements of the task-force plan are worth trying on a limited scale. About seven percent of Indianapolis households have no car and need more transit choices. Adding bus routes in underserved areas and creating express commuter lines in highly traveled corridors can be achieved without legislation. Elsewhere innovative communities are competitively contracting out high-cost routes and encouraging privatized jitney service to meet unmet demand. Those are good ideas, too.

Supporters said the House bill should be passed, regardless of individual lawmakers' policy concerns, so that citizens of central Indiana can decide for themselves the future of regional transit.

Letting voters weigh in on a bad idea doesn't make it better. In terms of ridership and revenues, mass transit is a losing proposition. Wishful thinking will not change that.

Year-Round University Good For Parents and Taxpayers

(Jan. 18) — Purdue University's decision to convert to a year-round trimester system is good for students, good for parents and in the long run will be good for taxpayers. The only downside is that it may take 10 years to fully implement.

Other state universities should take note. Few taxpayer resources are wasted as egregiously as university campuses in summer. It makes no sense to idle dormitories, classrooms and laboratories when there's demand to use them – and when it costs almost as much to maintain empty buildings as full ones.

"A really sensible move toward becoming a more-efficient operation" is how Michael Poliakoff, a higher-ed reformer, described the plan.

Best part of all, offering a full summer term means students who so choose will be able to complete a four-year degree in less than three calendar years.

Key motivation for Purdue, the university says, is to raise revenue in light of declining state aid. This will help reverse rising tuition trends.

When in full effect, the trimester system should bring in $40 million more for the university.

Savings also should be found in capital costs. Though repair and maintenance expenses will go up when buildings are used more, a year-round calendar will boost dorm and classroom capacity, which means less need for new construction.

That benefits taxpayers, as does moving graduates with high-quality degrees more quickly into the taxpaying workforce, said Poliakoff, vice president of policy for the American Council of Trustees and Alumni in Washington, D.C.

"The idea of the three-year degree is an idea whose time came a long time ago," he said. "It's obscene it hasn't been more widely adopted."

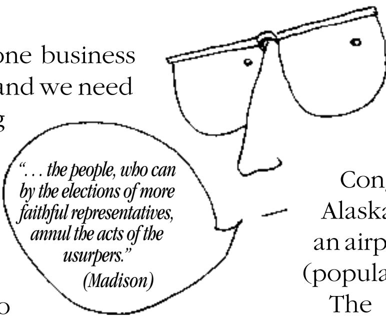
Purdue's undergrad enrollment now stands at 31,000. About 6,000 students take summer classes in West Lafayette averaging four to five credit hours each. The hope is to increase summer enrollment to more than 20,000 students by 2022.

Elsewhere around the country, three-year degree programs have been catching on but typically are designed for students on accelerated tracks able to reach the standard 120-credit-hour minimum more quickly than their peers — still using a traditional two-semester calendar.

The University of Virginia offers the option to earn a bachelor's and a master's degree in four years to students who enter with advanced standing. American University began its first three-year degree this fall in international service. In 2009 the Rhode Island legislature mandated a three-year option for students with advanced-placement and dual-enrollment credits — an option students in Indiana schools can exercise now depending on how many hours they bring with them from high school.

The more pioneering year-round option at Purdue would allow any student to get through in three years assuming completion of 15 credit hours per trimester — *i.e.,* three falls, three springs and two summers.

But why take so long to implement a good idea? Purdue spokesman Chris Sigurdson says 10 years may be needed to iron out details, especially with faculty whose teaching load and curricula are affected. If things can be done sooner, they will. "This is a significant change from how universities have done business for a hundred-plus years and we need to bring our people along with us.”



Although pushback from faculty is to be expected, success will depend on redefining professor productivity so that teaching hours are valued as much if not more than research. Just as K-12 has been forced to do, higher ed must change with economic reality.

There’s nothing sacred about the way universities operate. Consider that when Harvard opened its doors in 1636, the three-year degree was the standard. When the college changed to a four-year requirement in 1652, cost-aware students objected. In protest, 15 of 17 members of the Class of 1655 refused to pay the commencement fee or to accept their diplomas.

Purdue has taken a huge first step. Indiana University recently announced an initiative to boost summer-school enrollment and will want to expand that. Other public universities should follow. Instead of “publish or perish,” there’s a new mantra in academia: Be productive or perish.

A 2012 Resolution: ‘No More Pork’

(Jan. 4) — A mile down the street from my home, construction is set to begin on a $15-million parking garage and retail center. Its purpose is to relieve congestion in a trendy Indianapolis bar district called Broad Ripple. Citizens are subsidizing the 350-space garage with $6.3 million in parking-meter revenues.

Despite taxpayer questions about using public dollars on a purely commercial endeavor, the city says the project is justified “to alleviate parking issues and allow for implementation of a residential parking-permit system on neighborhood streets.”

This is what the Oxford Dictionary of Politics defines as *pork:* “Pet projects that favor a certain neighborhood or constituency, regardless of whether or not it’s a priority of the community-at-large.” Put another way, pork is the stuff government does with our money that’s nice but not necessary. Like $320 million for that notorious “Bridge to Nowhere” approved by Congress to connect Ketchikan, Alaska (population 8,900), with an airport on the Island of Gravina (population 50).

The idea drew so much ire in 2005 that the money was eventually dropped, but the idea still crops up every time Congress debates a highway funding bill.

Pork occurs at every level of government from City Hall to Capitol Hill. While publicized examples like the Bridge to Nowhere get folks riled up, it’s the hidden pork – tucked away in spending bills passed by Congress – that demands attention if the country is to tackle our $15-trillion debt.

Last month, Sen. Tom A. Coburn, R-Okla., released his annual report, “2011 Wastebook,” listing his top-100 “unnecessary, duplicative or just plain stupid projects spread throughout the federal government and paid for with your tax dollars this year.”

Among them were three with Indiana connections: The University of Notre Dame received $764,000 to study the wireless- and social-networking habits of college freshmen. The State Department spent $350,000 on the U.S. entry in an international art exhibit in Venice, Italy, organized by the Indianapolis Museum of Art. And the U.S. Agency for International Development spent $1.35 million for entrepreneurship training in Barbados at a business school partnering with Indiana University‘s Kelley School of Business.

All these are nice but unnecessary ways to spend our money. Who could or should have stopped them?

Part of the difficulty in tackling pork is citizens ourselves who have come to expect politicians to bring money back to our communities. As the Oxford Dictionary of Politics notes, “Electoral prospects, especially for congressmen, often depend on how much ‘pork’ they can divert to their home districts, and members are reluctant to obstruct each other’s pet projects in case their own are defeated.”

Aaron Smith of Watchdog Indiana, a good-government advocacy group, says

“Electoral prospects, especially for congressmen, often depend on how much ‘pork’ they can divert to their home districts, and members are reluctant to obstruct each other’s pet projects in case their own are defeated.”

— The Oxford Dictionary of Politics

it's time for citizens to accept that there's just not enough money to spend on nice but unnecessary projects. Not when 40 cents of every dollar the federal government spends is borrowed.

Smith has launched an effort to create a Coburn-style Indiana Wastebook online and is asking citizens to send him examples of projects in their communities that appear to be a waste of tax money.

Smith got the ball rolling by listing the Lebanon Gateway Project — use of federal surface-transportation money to build "a low-priority, unnecessary, nice-to-have gateway into the community." Smith says it makes no sense to spend $6 million in federal money on beautification when Lebanon needs better street pavement, curbs, gutters, sidewalks, street lighting and storm-water improvements.

And how about we all make a New Year's resolution to stop supporting projects that are nice but not necessary?

"Stopping wasteful local discretionary spending will not by itself win the federal debt war," Smith says. "However, by taking action to Stop Local Option Waste we will send a clear message to our elected federal public servants that they must put all possible solutions on the table now so a public consensus can be promptly reached . . ."

CECIL BOHANON

"Making a claim based on science makes one look intelligent or more important. It is often intended to strike fear and shame in the heart of a reader: fear of derision, shame at being lumped in with the ignorant rubes."

— BOHANON

Smoking Creationism: Blinded by Science

The fear of the LORD is the beginning of wisdom." — Psalms 110:10 (KJV)

(Feb. 20) — Science and scientific authority are often interjected into political discourse. Two recent letters to the editor in my local newspaper are examples. One author claimed that ". . . the science is clear: Smoke-free laws have no negative impact on bars or restaurants . . ." On another topic a writer decried the recent bill allowing schools to teach so-called creationism in science classes, stating it would ". . . belittle the scientific method . . . celebrate(s) ignorance" and that "Hoosiers must laugh (the bill) out of the Indiana legislature."

(Full disclosure: I oppose smoking bans, but not because of their alleged adverse effects on business; I am not sure what I think about the creationism bill.)

Making a claim based on science makes one look intelligent or more important. It is often intended to strike fear and shame in the heart of a reader: fear of derision, shame at being lumped in with the ignorant rubes.

If you drop a ball 10 meters in western Ohio in a frictionless vacuum it will fall to the ground in 1.42808698123 seconds. If you drop the ball 10 meters under identical conditions in central Indiana it will also fall to the ground in 1.42808698123 seconds. The predictions Newtonian physics makes are falsifiable — one can do the experiment — and are replicable — you can do the experiments again and the same results will emerge. Although Newtonian physics has been eclipsed by modern quantum physics, its power to predict is remarkable. As my late engineer father used to say, it's good enough to get a man to the moon and back.

It is this kind of certainty being invoked when authors lay claim to science in policy discussions. And no wonder. The power of scientific authority to persuade is extraordinary. Cloaking a claim as scientific gives it credibility, indeed, infallibility. But here is a dirty little secret of social sciences and of evolutionary theory: It

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can never legitimately claim the authority of Newtonian physics.

The biological evolution of the human species is a single event that happened over eons. We cannot go back and "do the experiment" again, much less replicate it. We can look at fossil evidence and sketch together consistent stories but these can never have the authority of law of gravity. In a similar vein Newtonian experiments in the social sciences are usually impossible. The best we can do is look at data and control as best we can for all other relevant factors and then surmise an outcome. Far from being settled, a recent refereed publication from a University of California at Berkley journal indicates that ". . . smoking bans in general negatively affect bars, but have a neutral to positive effect on restaurants." An interesting result, but hardly bullet-proof evidence of what the impact of smoking bans will be on related business in any Hoosier community or neighborhood.

Moral philosophers, social scientists and policy advocates often suffer from a bad case of "physics envy." This does not mean that a scientific approach to fossil records or social data isn't useful or informative. But the results are tentative, open to question and rarely settled. Invoking science and then dismissing or belittling one's opponent is no substitute for reasoned argument and careful examination of available data. In my humble opinion final authority on all matters rests with Almighty God — and not any human authority — ecclesiastical or scientific.

Resources

"Smoke-Free Laws Do not Hurt Business" by Ellen Hahn, University of Kentucky, Lexington, *the Star Press,* Jan. 15, 2012, p. 2D.

"Shocking" by Annie Laurie Gaylor, co-president, Freedom from Religion Foundation, Madison, WI., *the Star Press,* Feb. 7, 2012, p. 5A.

Adams, Scott and Chad Cotti, (2007) "The Effect of Smoking Bans on Bars and Restaurants: An Analysis of Changes in Employment," *the Berkley Electronic Journal of Economic Analysis & Policy,* Volume 7, Issue, 1, Article 7.

Hoosier Jobs: It's Productivity, Stupid

(Jan. 22) — Here is an exercise in junior-high math. It takes 100 workers 100 days to make a locomotive. The workers are paid $100 per day. What are the labor costs of the locomotive?

Answer: $1 million.

Here is a more-advanced problem. Suppose another set of workers are paid $200 a day. Construct a story where it is actually cheaper to use the high-wage workers to make the locomotive.

Easy. If 60 high-wage workers can make the locomotive in 60 days the total labor costs are $720,000.

There are a number of economic lessons in these simple math exercises. A high-wage workforce can be attractive to manufacturers if, and only if, they are sufficiently productive. Second, lower-productivity workers can make themselves attractive if they are willing to take lower wages. The key is to have what economists call low-unit labor costs — which incorporate the obvious interaction between wages and productivity. In the above example the high-wage workers have lower-unit labor costs.

A recent *Wall Street Journal* article reports that unit-labor costs in manufacturing in the United States have declined by 13 percent over the last 10 years. This is attributed to "more-flexible work practices and increased automation" as well as "minimal wage growth." In contrast unit-labor costs in manufacturing increased 2.3 percent in Germany, 15 percent in Korea and 18 percent in Canada over the same time period.

All this is of more than academic interest to manufacturing towns in Indiana, especially to my hometown of Muncie. Progress Rail, a subsidiary of Caterpillar Corporation, recently opened a locomotive production facility in Muncie. It also owns a unionized locomotive factory in Ontario, Canada. Press reports indicate that wages at the Ontario facility are around $30 an hour, while they are around $12-15 an hour in Muncie. In negotiations with the Canadians, Union Progress Rail is asking for 50-percent wage cuts as well as modification of factory work rules.

"A high-wage workforce can be attractive to manufacturers if, and only if, they are sufficiently productive. Lower productivity workers can make themselves attractive if they are willing to take lower wages."

— BOHANON

"If you want to avoid second-hand smoke, good for you: Don't go to bars and don't work there."

— BOHANON

Not surprisingly the Canadian workers are appalled by the company's request and are currently on strike: and on one level we all empathize with them. Who among us would welcome much less meekly accept our earnings being cut in half?

Although I have no detailed knowledge of production and cost data at either the Canadian or the Muncie facility, nor any details on the Canadian labor negotiations, I suspect that at the end of the day employment opportunities will expand in Muncie and decline in Ontario. The irony is that a traditional union stronghold like Muncie is likely to gain jobs as Canadian union power declines. A local Muncie pundit asks, "are we stealing jobs?"

A Hoosier enters the grocery store and faces a choice between three pounds of mealy-looking Florida-grown tomatoes priced at $12 and three pounds of luscious-looking Canadian-grown tomatoes for $6. She buys the Canadian tomatoes. Did the Canadian producer "steal" a customer from the Florida producer? Just as no producer has a property right to a customer, no individual worker or collective labor pool has a right to a job outside a legally negotiated contract.

It is a stark and discomforting reality, but in the long run unit-labor costs drive job location. Simply insisting on high wages is hardly a strategy for ensuring the required level of productivity is in place to make those wages tenable. In my opinion it is not useful or enlightened to couch this as a moral issue. Rather the best we can do is encourage the development of those skills, attitudes and institutions that foster increased productivity.

Smoking: An Issue of Freedom And Individual Responsibility

(Dec. 23)— Every day each of us makes choices that influence our own health: what we eat, how much we exercise, whether we take our medications. These are by nature private choices and private responsibilities.

Some health choices, however, are collective. Outdoor air quality compromised by industrial pollution or mosquito control are good examples of health issues that are by nature public choices and public responsibilities.

Where does smoking in bars lie?

In my humble opinion, no one is forced to enter a saloon; nor for all but the shortest duration is anyone compelled to work in such an establishment. Second-hand smoke in a bar is a health issue but no more of one than second-hand smoke in a tobacco shop or a private residence.

What is at stake, then, is not public health or business vitality. Those are — pardon the pun — smokescreens. Rather, personal freedom and personal responsibility are the issues. If you want to avoid second-hand smoke, good for you: Don't go to bars and don't work there. You are free to encourage, cajole and persuade smokers to change their behavior, plus those who choose to be around second-hand smoke.

What is being considered instead is coercion, using force and threats of state-sanctioned violence to make one group of people do what another group wants them to do. And whenever we use coercion to protect people from harms from which they can protect themselves, whenever we allow public force to replace private persuasion, we give up a little bit of freedom, defer a little bit of individual responsibility and give up some of our precious heritage of liberty and take one more step on the Road to Serfdom.

No, Indiana will not become a gulag if smoking in bars is outlawed. And no, advocates are not calling for the immediate criminalization of tobacco. Anti-tobacco legislation, however, is following the same trajectory followed a century ago with alcohol regulation that culminated in Prohibition. I am reminded of my colleague Walter Williams' story about boiling a frog. If you wanted to boil a frog, you would not throw him into a pot of boiling water — the frog would jump out. Rather, you would place him in a pot of cold water and then gently and slowly turn up the heat. Freedom is lost one regulation at a time, one government takeover of individual responsibility at a time.

Finally I have never quite understood the argument that we should pass a law because people in California or New York have passed one. Are we so insecure, so afraid of being labeled hicks or rubes that we feel compelled to ape what our "betters" are doing?

The Bright

We write in response to your recent comments on the need to replace revenue "lost" by eliminating Indiana's inheritance tax with a new tax on online sales. While I applaud you for adding legitimacy to current efforts to repeal the death tax, the savings to taxpayers should remain in the private economy. We feel strongly that the Indiana Legislature should refrain from implementing a new, constitutionally dubious tax increase on Internet shoppers.

Due to the fiscal prudence of your Legislature and Gov. Mitch Daniels, Indiana boasts a projected $1.77-billion surplus. This is the time to be reducing the state's tax burden, not shifting it from one activity to another.

Taxing Internet sales is an especially problematic idea. The U.S. Supreme Court's ruling in *Quill v. North Dakota* enshrined the physical-nexus standard for tax collection into law by forbidding states from forcing out-of-state companies (Internet or otherwise) with no physical presence to collect taxes. Taxing online sales is an issue for the U.S. Congress to review, as state-level attempts to dissolve the physical-nexus standard violate the Commerce Clause of the U.S. Constitution solely to raise taxes.

"Rather than replacing one bad tax with another, it's time to seriously reduce Indiana's tax burden and allow the private sector to grow."

Internet taxes also have a proven history of punishing in-state advertising business, which often serve as the nexus for out-of-state online retailers. In every state the affiliate nexus tax has been enacted, retailers have terminated advertising agreements to avoid the unconstitutional tax, causing tens of thousands of in-state companies to close up shop or flee a state.

Eliminating the death tax is a worthy goal in and of itself. The tax chases monetary and human capital across state lines and discourages hard work, productivity and savings. Farmers are punished as they pass along land and equipment to the next generation . . .

The difference between smart government and wasteful government is what the one does when surpluses are realized. Governor Daniels has the right idea with his automatic refunds of surplus dollars to taxpayers.

You should follow suit. Rather than replacing one bad tax with another, it's time to seriously reduce Indiana's tax burden and allow the private sector to grow. — *Grover Norquist, Americans for Tax Reform, and Dick Patten, American Family Business Institute, Jan. 5, 2012*

The Dim

Thanks for your letter endorsing my efforts to eliminate Indiana's Inheritance Tax.

To help your understanding, it is important to recognize that sales tax on a remote sale is not a new tax. It is one already due and failure to pay it — either by the consumer or by the retailer on behalf of the consumer — violates the law. This sales tax is already due, but remains largely uncollected. As we begin to collect it, I choose to use the revenues to eliminate the Inheritance Tax rather than to fund another government program. It would seem more appropriate for you to applaud my effort than to criticize it.

"My past record of eliminating taxes and returning the money to the private sector is undisputed."

Your observations about taxing Internet sales are especially off target. The sales tax is a tax on the consumer, not the Internet. It is important that the tax treat all consumption equally, since tax differences based on where you purchase discriminate both against other consumers and retailers. When the remote sale is not taxed, this inequity occurs. Bricks-and-mortar retailers are placed at a competitive disadvantage with respect to product price, thus distorting the marketplace with a government -imposed element, the sales tax. The Hudson Institute has recently written a white paper pointing out that this artificial disruption of the marketplace should be stopped. Paying taxes is bad enough, but becomes worse when tax systems treat different consumers and in this case, different retailers, differently, merely based on how a transaction occurs.

The Quill v. North Dakota ruling leaves to Congress the determination of when a sales tax can be implemented on remote Internet or catalogue sales. There are three bills in Congress today which (sic) would authorize collection by the states with the remote retailer doing the remission, authored by both Republicans and Democrats. Today's world of technology allows this to be done at little or no cost to the retailer, and all bills contain special provisions to protect the small Internet seller.

My past record of eliminating taxes and returning the money to the private sector is undisputed . . .

Please reconsider your thoughts and support my elimination of the Indiana Inheritance Tax through the fair and equitable collection of sales tax already owed and due.

None of us who try to achieve low taxes argue that illegal tax avoidance is an appropriate way to achieve our goal. — *Luke Kenley, State Senator, Chair, Appropriations Committe, Jan. 10, 2012*

THE INDIANA WRITERS GROUP

Van Cott, Keating, McCarthy, Sikma, Schansberg, Brown, Troyer, Bego, O'Toole

"Guilt-trippers argue that Americans should either: 1) boycott migrant-harvested food, thereby shutting down the source of migrant starvation; or 2) urge the government to enact laws requiring landowner-farmers to pay migrants higher wages. Both, it turns out, worsen the plight of migrants."

— VAN COTT

A Misguided Prayer: Having and Having Not

"Whether one is a . . . churchman or a heathen, it is useful to know the causes and consequences of economic phenomena." — George Stigler (Nobel Prize in Economics, 1982)

by T. NORMAN VAN COTT

(Feb. 22) — "Forgive us, Lord, for we eat food harvested by people working for starvation wages." So spoke the leader of the congregational prayer at my church several months ago. Taken literally, it meant that each congregant's mealtime bounty (including mine) traces to the harvesters' agonizing deaths.Figuratively, it meant that we were contributing to the harvesters' grinding poverty. Literal or figurative, they were serious words.

Alas, introspective censure like this is also a regular part of my professional life. That's because I'm a university professor. Guilt-tripping tales about haves having because of have-nots having not are common in capped-and-gowned circles, and not just with regard to dinner-table bounty and "starving" agricultural workers. University types have a seemingly inexhaustible list of examples of Americans enjoying economic plenty because plenty's producers, both domestic and foreign, suffer. Migrant farm labor, however, has long been one of the have-not poster children.

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

So, what are migrant farm laborer earnings anyway? The U.S. Department of Labor estimated migrants' average earnings in 2010 to be $10.22 per hour. Not much to write home about, is it? Wrong. The influx of immigrant farm labor into the United States, like virtually all U.S. immigration with the exception of African slaves, can be traced largely to communication among families and friends. So however desperate the migrants' plight, it apparently beats their alternatives. It is the latter that my forgiveness-seeking church elder and guilt-tripping university colleagues ignore.

Should we be surprised that migrant workers' earnings, however low, beat their alternatives? Not at all. Think about it for a moment — with your head, not your heart. If landowners-farmers offered migrants less than they can earn in their alternatives, migrants won't accept the jobs. The same terms of employment must also benefit landowners-farmers. Otherwise, landowners-farmers don't want to hire the migrants. The necessity of mutual gains to sellers and buyers is a simple, powerful proposition that escapes guilt-trippers' thought processes.

Instead, guilt-trippers argue that Americans should either: 1) boycott migrant-harvested food, thereby shutting down the source of migrant starvation; or 2) urge the government to enact laws requiring landowner-farmers to pay migrants higher wages. Both, it turns out, worsen the plight of migrants. Boycotts shut down employment opportunities for migrants, consigning them to their previously next-best opportunities. Guess what? Next best is precisely that — next best. Whatever living standard $10.22 per hour generates, the next-best living standard is lower.

That mandating higher migrant wages also worsens the position of migrants is more subtle. It traces to the aforementioned mutuality that underlies market transactions, however, for mutuality involves more than just the wage. A myriad of non-monetary dimensions to jobs — workplace safety, for example — are also subject to mutually beneficial agreement. It is somewhere between naïve and stupid to think that a higher wage can be mandated without negative consequences for things like workplace safety. The surplus of labor that emerges at the mandated wage leads employees to compete among themselves on various job-safety margins for the now-reduced number of jobs. The safety-erosion process continues until the surplus is eliminated, at which point the combination of wages and safety will be inferior to the initial combination, for both employees and employers. The guilt-trippers' wage coercion is an equal opportunity wealth destroyer.

In the final analysis, people's incomes measure how much they help others, not how much others help them. The more you help other people, the more these same people will pay you to help them. From this perspective, migrants' living standards are relatively low because they help others little. Guilt-trippers try to reverse this causation with their calls for boycotts and wage hikes, and end up violating the "first-do-no-harm" maxim. That many of these folks are well-intentioned, including my church elder and university colleagues, is not good enough. How can there be a bright side to reducing everyone's mealtime bounty?

Mercantilism: Is it Local, Is it Logical?

by MARYANN O. KEATING

(Feb. 15) — In Northern Indiana, a few things remain for which politicians cannot claim credit: amber waves of grain in the summer, Chocolate Charlie at Christmas, paczki for Madi Gras. We can be cheerleaders for local things yet question the role of officials in selecting which industries to attract and protect.

The American Heritage Dictionary defines *mercantilism* as a theory of political economy based on accumulating gold and silver. The goal is for the home area to export more than it

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"To restrict imports with the intention of protecting local industries is unwise. Wherever this course has been followed, consumers have paid the price."

— KEATING

Not only is liberty a system under which all government action is guided by principles, but it is an ideal that will not be preserved unless it is itself accepted as an overriding principle governing all particular acts of legislation. Where no such fundamental rule is stubbornly adhered to as an ultimate ideal about which there must be no compromise for the sake of material advantages — as an ideal which, even though it may have to be temporarily infringed during a passing emergency, must form the basis of all permanent arrangements — freedom is almost certain to be destroyed by piecemeal encroachments. For in each particular instance it will be possible to promise concrete and tangible advantages as the result of a curtailment of freedom, while the benefits sacrificed will in their nature always be unknown and uncertain. If freedom were not treated as the supreme principle, the fact that the promises which a free society has to offer can always be only chances and not certainties, only opportunities and not definite gifts to particular individuals, would inevitably prove a fatal weakness and lead to its slow erosion.

— Friedrich Hayek in "The Constitution of Liberty," 1960

"Competitive countries do not expend great effort in attempting to control other countries' trade policies, and they do not aspire to be self-sufficient. They compete through competent individuals who analyze where and how their country's comparative advantage fits into the global supply chain."

— KEATING

imports in order to earn precious metals or bring in foreign revenue. Mercantilism is a flawed philosophy. In mercantilism, those associated with government accumulate wealth but the general population experiences soaring prices through inflation, higher-priced imports and inferior products.

Contrast mercantilism with classical economic theory in which individuals, not government, own the fruits of their labor and can freely trade and purchase goods in global as well as domestic markets. The primary economic goal of any region should be general well-being, not merely the prosperity of the state.

Mercantilism, unfortunately, is an economic philosophy yet to be relegated to the trash bin of history. Rather, for most of the 20th century much of Latin America experienced widespread poverty as a direct result of prohibitive trade restrictions, an import-substitution tariff structure and runaway inflation. Governments never learn; only people do.

Wherever an oligarchy is empowered to manipulate exports and imports and to determine which industries succeed or fail, an elite group of individuals amasses personal wealth while the general population experiences a rising cost-of-living and stagnant real incomes.

George Melloan, writing in *the Wall Street Journal* on Japan's first trade deficit in 31 years, argues that the government-industry alliance that many assumed was responsible for turning Japan into an export machine was highly overrated. Japan's export success had little to do with bureaucratic intervention, but rather was due to private Japanese corporations becoming good at making products that appealed to consumers across the globe.

One might ask two questions:

What's wrong with encouraging exports in order to achieve a positive international balance of trade?

What's the difference if an area develops in free markets as compared with government manipulation that prompts an advantage to certain industries and corporations?

The answer to the first question lies in the process through which a balance of trade is achieved. International trade freely entered into and based on comparative and absolute advantage tends to balance to the mutual gain of ordinary people in whatever country. The answer to the second is that although we acknowledge the political skills of our officials they lack the ability to direct industry — nationally or regionally — toward economic growth.

A physician recently lamented economic decline in his local community, "How can we survive if the people working at the mall on the north side of town shop at the south-side mall and vice-versa? No one is making anything."

He is right, of course, and he should not be branded a mercantilist merely for posing the question. The easy answer is to lament that the international rules of the game are against us and that we are not going to take it any longer. But to restrict imports with the intention of protecting local industries is unwise. Wherever this course has been followed, consumers have paid the price. High-cost inefficient producers and officials catering to protectionist interest gain.

Unfortunately, import restrictions and export subsidies appear, on surface, logical. "It's about jobs, jobs, jobs," is one argument, and another is "Do we want to join the race to the bottom by paying low wages to American workers?" These concerns are real and legitimate, but perhaps there is a better way to address them without restricting liberty and reducing the overall standard of living in the country.

The first exercise is to face facts. Import restrictions in the U.S. will be countered by import restrictions abroad that affect U.S. exports. Import restrictions on intermediate goods make U.S. products less competitive. The U.S. is presently the second-largest exporter in the world, and our exports are the source of many domestic jobs. Home-grown local products are fine, and we all could enjoy more of them. U.S. residents and the globally rising middle-class, however, have strong preferences for goods and services that can only be provided internationally. In order to pay for these products, we must have something to transfer abroad — besides debt.

The experience of countries adopting mercantilist policies offers a warning.

Similarly, the experience of countries such as Singapore, Australia, South Korea and Germany offers insight in how to proceed in the face of global competition. Admittedly, in many cases these countries try to identify industries with potential. However, the reason for their export success cannot be primarily attributed to subsidies and protection of favorite industries. Competitive countries do not expend great effort in attempting to control other countries' trade policies, and they do not aspire to be self-sufficient. They compete through competent individuals who analyze where and how their country's comparative advantage fits into the global supply chain. Then, the government and the less-adventurous stand back and permit individuals and firms, willing to assume risk, take their chances.

Of course, we are free to root for the home team. We exercise our preference by purchasing mustard, wine, automobiles and caskets made in Indiana by Hoosiers. This is different, however, from lobbying for tariffs at the federal level or encouraging local officials to obstruct or support certain industries for political gain with little or no economic benefit.

Super Bowl Costs: Will We Ever Know?

by FRED McCARTHY

(Feb. 7) — Will we ever know the cost of "the Game" to the taxpaying citizens of Indianapolis? We ask the question because, even the day after, we are getting confusing reports in the media about the dollars involved.

A couple of weeks ago we got a statement from the Capital Improvement Board (CIB), with some numbers at least estimated, that their part of the operation suffered a loss of something over $800,000.

A significant part of this was the deal made with the National Football League (NFL) forgiving most of the taxes everyone else pays for this kind of event, that and allowing the NFL to refuse to pay for any extra costs involved with public safety. We were not treated to any information as to how this last loss would be handled.

Today's issue of *the Indianapolis Business Journal* carries two stories starting on the front page:

The one continuing to page 22 quotes the host committee chairman as follows: "He said spending to host the game totaled $37 million, with $8 million footed by taxpayers."

The second story continued to page 23, and the same gentleman is again quoted: "(He) wouldn't say how much of the committee's $29-million budget was spent on operating the Village other than, 'It is a significant expense. It cost millions'." (The "Village" is the Georgia Street party.)

The obvious question is: Was the village operation responsible for the $8-million-dollar budget overrun? Further, can the expenditure be justified?

Our guess would be, particularly since the weather turned chilly and damp on Saturday after actual game-going visitors started arriving in numbers, that a good percentage of the attendees at the "Village" were locals, making any economic impact insignificant. Yes, it was a successful party but may one wonder whether Indianapolis, or any municipality for that matter, should be in the business of giving multi-million-dollar parties?

We're going to hear for weeks — or months — about the terrific benefit to the city of this past week's activities. But we already know that taxpayers have been hit for nearly $21 million of the costs. That's $800,000 for the CIB, $8 million for the host committee and $12 million for re-doing Georgia Street.

Yes, we know, the Georgia Street improvement is meant to be a permanent attraction for civic activities. But parties costing millions of tax dollars? And after all the current excitement dies, we'd suggest that most of the folks coming down that way will really be on their way to Union Station.

Of course, the $12 million was mostly federal money so we don't have to worry about that (a little sarcasm there). It would be nice, though, to know which locally elected governmental body has approved,

"Yes, (the Super Bowl) was a successful party but may one wonder whether Indianapolis, or any municipality for that matter, should be in the business of giving multi-million-dollar parties?"

— McCARTHY

Fred McCarthy, an adjunct scholar of the foundation and longtime president of the Indiana Manufacturers Association, edits the blog, Indy Tax Dollars.

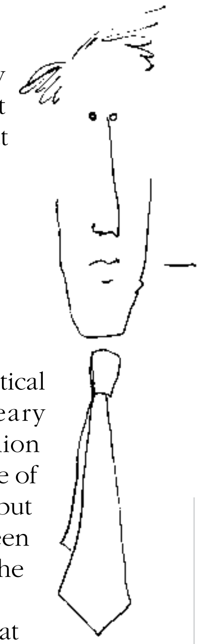
"Compared with arguable job numbers or mere partisan leverage, supporting a person's freedom to own what is rightfully his makes a powerful political argument. "

— SIKMA

or will approve, the nearly $9 million already spent — to say nothing of what more is still unknown.

The Right-to-Work Law: There Was A Better Way To Frame the Issue

by **BRIAN SIKMA**



(Feb. 4) — As a political strategist in battle-weary Wisconsin watching union protesters in my homestate of Indiana, I could not help but think there had to have been a better way to make the Right-to-Work argument.

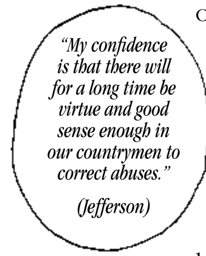
A maxim of war is that you, not your opponent, defines the location of the battlefield. Reform-minded political leaders in Indiana did themselves a disservice by allowing proponents of the *status quo* to define the debate and choose the field.

In general, conservatives and leaders advocating for free markets and limited government need to rethink their approach to political battle. The present approach cedes far too much ground to those who promote big government, big labor, big education and big media.

Since many politicians believe that their re-election is essential to good government, they will rarely cross a line that entails earning enough public ire to throw them out of office. Defining the political debate is crucial to earning enough public support for a policy proposal to become public policy.

State and local elected officials seeking to enact conservative reforms need to boldly define the debate in terms that the public understands and already supports. Not only that, they need to set the tone in such a way that the public understands that by supporting a conservative reform they are really putting their own values to action.

In the debate over Right-to-Work, Republican leaders framed the issue around the numbers. Those numbers involved jobs projected to come to Indiana as a result of Right-to-Work, wage increases expected to occur after it became law, and even an increase in tax revenues projected from future economic activity. Although helpful arguments, none made the strongest case of all: Right-to-Work is about freedom, the freedom of the worker to choose for whom he will work and the freedom of the employer to choose who he will hire.



Compared with arguable job numbers or mere partisan leverage, supporting a person's freedom to own what is rightfully his makes a powerful political argument.

In the case of Right-to-Work, our ability to be productive — our labor — is one of the few assets that we truly own free from any government taxation or regulation.

Unlike other property, which can be taxed, or financial capital, which can be taxed, or anything that can be purchased (which includes a sales tax), your labor belongs to you. Right-to-Work is about ensuring that government does not allow unions to deny anyone the freedom to use his labor as he sees best.

Thus framing the debate in terms of liberty and first principles, *i.e.,* the ideas found in the Declaration of Independence, denies proponents of big government critical advantage.

It clarifies that what is at stake is nothing less than the soul of our system of self-government and a free-market economy. Allowing the debate to degenerate into a mishmash of one man's statistic versus another man's statistic missed the big picture of freedom versus tyranny.

If Indiana's state and local leaders are serious about championing conservative reforms, they need to think big and define the debate in terms of freedom.

The other details can make for a good supporting argument but don't give in to the temptation to debate progressivism on the statistical ground of its choosing.

This experiment in liberty is premised on the idea that self-government is the only legitimate form of government. Don't

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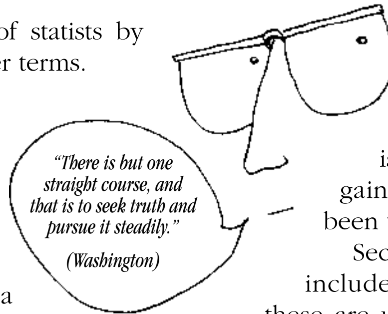
legitimize the arguments of statists by debating them on any other terms.

Romney, Buffet And Tax Rates

by ERIC SCHANSBERG



(Feb. 3)— Mitt Romney pays lower tax rates than a teacher? Warren Buffett pays less than his secretary? Really? It's not meant to happen that way. Our federal income-tax code is supposed to be "progressive": those with higher incomes should pay higher rates. How does this work?

First, exempted income — through exemptions and the standard deduction — causes average tax rates to rise with income. For example, if the first $20,000 of income is exempt from taxation, then someone with a $100,000 income will have 80 percent of his income taxed, while someone with a $40,000 income will only have 50 percent taxed. Second, federal marginal tax rates ("tax brackets") increase with income. So, dollars earned in higher income brackets will be exposed to higher rates of taxation.

So, it shouldn't happen, but it certainly could. When a tax code is loaded with special loopholes — deductions and credits for all sorts of activities — an otherwise progressive system may not yield progressive outcomes.

Rich people can legally avoid (and illegally evade) taxation and pay low tax rates. Variations of this story have been increasingly popular over the last few years. (The President even used a story in his State of the Union address.) Perhaps this shouldn't be too surprising, given the economic doldrums inspired by the "Financial Crisis" and extended for more than four years now by the policies of Presidents Bush-Obama and their Congresses. Envy and resentment find more fertile ground in tougher times.

With respect to federal income taxes, there are two other factors to consider. First, there are different taxes on capital gains and labor income. But this complicates the calculation considerably — and is different in that capital gains income has already been taxed once.

Second, taxes on income include "payroll taxes." But these are usually ignored, despite the immense pain they inflict on the working poor and middle-class. The most common comparisons you'll hear are simple, focusing on federal income taxes only.

Unfortunately, these comparisons usually suffer from ignorance of the tax code and most notably, the difference between average tax rates (ATR) and marginal tax rates (MTR).

ATR is the proportion of one's income devoted to a tax or taxes in general. For example, if one has an income of $100,000 and has taxes of $12,000, his ATR is 12 percent.

MTR is the proportion of tax paid on the last dollar earned. If one is in the 28-percent tax bracket, then the last dollar earned is taxed at 28 percent. Each dollar earned is taxed in its respective tax bracket. Instead, most people believe that if you're in the 28-percent tax bracket, then every dollar earned is taxed at 28 percent. Not true.

For example, singles have a standard deduction of $5,800 and exempted income of $3,700. So, the first $9,500 earned is not exposed to any federal income taxes. (They've already lost about $1,400 to payroll taxes, but we don't talk about that very often.) If they earn $10,000, only the last $500 is exposed to the 10 percent MTR in the lowest tax bracket, resulting in taxes of $50 and an ATR of five percent.

In the Occupy Wall Street's Mitt Romney versus teacher example (on Facebook), Mr. Romney is said to have a tax rate of 13.9 percent while the teacher has a 25-percent rate. Since there is no 13.9-percent tax bracket, the author must be referring to Mr. Romney's ATR. But if you do the calculations, a teacher who is single would need to earn at least $232,600 to have a 25-percent ATR. Married with no children would need to earn $367,000; head of household with only one child

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"When a tax code is loaded with special loopholes — deductions and credits for all sorts of activities — an otherwise progressive system may not yield progressive outcomes."

— SCHANSBERG

"We are expected to share (official) 'surprise' that asbestos is found in a building built in 1971 or that an elevator in a building built more than five decades ago will need to be overhauled."

— BROWN

would need to earn $314,700. (The numbers would be higher if the teacher had itemized deductions. I'm assuming he is neither charitable nor has a mortgage on his home.)

Of course, teachers don't make this much money. So, those making such comparisons are invoking Mr. Romney's ATR and the teacher's MTR, comparing apples and oranges — or really, apples and rocks.

If one is really concerned about the taxes paid by the not-so-wealthy, then one has to address payroll taxes — which result in a loss of about $15 for every $100 earned by the working poor and middle-class. If one is really concerned about taxes paid by the wealthy, the easiest way to ensure equity is a flat income tax with some exempted income for everyone, but no deductions (except perhaps charity) or tax credits. Can we get there? Only with candid discussion and courageous politicians instead of lame comparisons.

Can We 'Handle the Truth' About Cost Overruns?

by **LIZ BROWN**

"The truth? You can't handle the truth."

— Jack Nicholson as Marine Col. Nathan Jessup on the witness stand in "A Few Good Men."

(Jan. 20) — Perhaps politicians believe we can't "handle the truth" about the costs of building and public works projects. They rarely put all the facts and figures on the table from the start. We are forced into the role of cynics, negativists and obstructionists, suspecting that every government project will have cost overruns and expensive delays.

This is not the way the process has to work. Private contractors will tell you that those "unexpected" contingencies should have been expected.

So what's exactly going on here?

The cleverest politicians know that if the true costs were revealed upfront the public would rightly question the worth of a project and the ability to fund it. Sadly, there is a stack of evidence and anecdote documenting government cost overruns. Indeed, *the Journal of American Planning* published a study of almost 300 government projects over 70 years. Nine out of 10 exceeded their cost estimates.

Some overruns are infamous. The Big Dig, a mega-tunnel rerouting Boston traffic arteries, was estimated to cost $2.6 billion but finished at $22 billion. And as Reason.com noted in "Congress' Phony Price Tags," pulling the wool over the taxpayers' eyes is an old problem as well as a universal one.

In a suburb of Portland, Oregon, the money spent on a bus-shelter project could have built a three-bedroom house. As a councilman there noted, "What we should do is build a house at each station, and if you miss your last bus, you can stay overnight."

We need look no further than our own back yard. In Fort Wayne, my hometown, the purchase of an old downtown building, now known as "Citizens Square," was supposed to be a straightforward renovation project to create arguably needed government office space. It turned out to be anything but that.

The mayor pointedly selected the same architectural firm that had worked on the building previously so its "institutional knowledge" would give credibility to the administration's project estimates. A whopping $300,000 in annual contingencies was built into this building project's budget up front. And even so, the project is now almost $2 million over budget — a more than 25 percent increase over the original renovation estimate.

Why? Two reasons: 1) Either government officials knew what dollar limit would pass public muster, revealing expenditures only up to that amount; or 2) they were careless and unrealistic in their expectations, not bothering to perform due diligence.

Our representatives often kick the tires but don't look under the hood. "Ask before you buy" should be their mantra. And if they don't ask, we taxpayers should. For when we don't, the costs of these public projects grow out of proportion to their worth.

Elizabeth Brown, an attorney and adjunct scholar of the foundation, served four years on the Fort Wayne City Council in an at-large seat.

I WANT the people of America to be able to work less for the government and more for themselves. I want them to have the rewards of their own industry. This is the chief meaning of freedom. Until we can reestablish a condition under which the earnings of the people can be kept by the people, we are bound to suffer a very severe and distinct curtailment of our liberty. — *Calvin Coolidge.*

"Indiana's pension fund for state employees is short by some $6 billion in expected investment gains, just since 2008. This shortfall, unless the stock market experiences a prolonged bull market, will eventually have to be made up by Hoosier taxpayers."

— TROYER

The new Public Safety Academy in my city, a $ 36-million project meant to pay for itself, now costs municipal taxpayers more than a half-million dollars a year.

Officials would have us believe that such overruns are incidental to progress, something that nobody can anticipate. Thus we are expected to share their "surprise" that asbestos is found in a building built in 1971 or that an elevator in a building built more than five decades ago will need to be overhauled.

Not surprised are the private contractors who work on these projects, who often are used by elected officials as scapegoats. It is our elected officials, though, who either deceived us or asked the wrong questions. They are the ones who should be held accountable.

As a city councilwoman, I knew that if I hoped to find out where tax dollars were going I would have to ask. It was my job. We elect our officials to ask those questions for us. And once they commit to a project, we should be sure that they are not acquiescing to an oversight process that tolerates far more than initially approved.

So can we "handle the truth" — that public works projects go over budget? This is the government we are talking about, remember, a historically troublesome entity that can raise taxes, add fees or simply stop plowing your streets in order to increase revenues to fund its own cost overruns and misjudgments.

But if we expect the worst of government we should demand more of elected officials. The next time a great economic-development or "stimulus" project is brought to your city council, someone there will undoubtedly ask, "How much?"

That is when you should make like a Missourian and add the imperative, "Show me."

Is Rube Goldberg Managing The State's Pension Funds?

Goldberg, Rube (1883–1970) U.S. cartoonist; creator of the comic strip character Professor Lucifer Gorgonzola Butts (an inventor of complex mechanical devices to achieve simple tasks).

by PHIL TROYER

(Jan. 1) — It wasn't mentioned in his State of the State message, but Governor Daniels will leave for his successor a frustratingly complex and under-performing pension-management system.

That is so even though at first glance the contents of the 2011 annual reports issued by the Indiana Public Retirement System appear to offer positive news, both for the Combined Retirement Investment Fund (which covers state employees, including police, firefighters, judges and legislators) and for the Teachers Retirement Fund.

Specifically, the investment accounts for the state employees' pension fund achieved a 19.9 percent return (net of fees) from July 1, 2010, to June 30, 2011, while the teachers' fund grew by 18 percent during the same time period. Importantly, those investment returns far surpassed the annual growth rates assumed by the funds' actuaries.

If you dig deeper, however, as few in the news media or the General Assembly are willing to do, it becomes clear that these numbers conceal important flaws in the state's management of its public-pension obligations.

To begin with, it must be noted that during this same time period, the S&P 500 Index grew by 28.1 percent. This

Phil Troyer, an adjunct scholar for 20 years, is a Fort Wayne attorney specializing in regulations related to employer-provided insurance plans.

"Legislators chose to construct a Rube Goldberg device built on the assumption that Indiana's public-pension funds can win big at the stock market roulette wheel if they simply pay enough money to Wall Street experts to manage the bets."

— TROYER

means that the state's retirement system would have achieved almost a 50 percent higher return had it invested all of the funds' money in an index fund that simply tracked the performance of the broad stock market.

I purchased shares in such a fund for my Individual Retirement Account for $7 through Scottrade. By contrast, the state retirement system paid Wall Street investment banks and international hedge funds $137,421,000 for professional advice that enabled it to significantly underperform the stock market. To put that figure in context, the system shelled out more for "investment expenses" during 2011 than it paid in actual retirement benefits for police officers, firefighters, judges, excise police, gaming officers, conservation enforcement officers, prosecutors and legislators – combined.

Furthermore, while the fact the investment returns for the state employees' fund and the teachers' fund more than doubled those assumed by the funds' actuaries for 2011, one good year does not a healthy pension fund make. In fact, according to its own figures, the state employees' pension fund still has not recovered the losses it suffered in the 2008-2009 bear market. Specifically, at the end of 2007, the market value of the state combined fund stood at $16,114,300,000. By comparison, its market value at the end of 2011 was just $15,976,600,000.

Had the fund grown at the seven percent annual rate now being assumed by its actuaries, it would currently be valued at $21,122,560,000 – meaning Indiana's pension fund for state employees is short by some $6 billion in expected investment gains, just since 2008. This shortfall, unless the stock market experiences a prolonged bull market, will eventually have to be made up by Hoosier taxpayers. Not to dampen your hopes, but the S&P 500 index actually declined in value during the second half of 2011, meaning the market will need to rally significantly for our state pension funds to meet their investment targets for even this year.

Why not eliminate the future threat to Hoosier taxpayers by making state employees responsible for managing their own retirement savings? Wouldn't that be better than constructing a large and expensive bureaucracy that guarantees lifetime pensions to our public servants? In other words, why not put state employees in the same type of 401(k) program that is now the norm for most private-sector employees?

Such straightforward solutions ignore the need to ensure that legislators continue to receive campaign funds from public-employee unions in exchange for protecting fringe benefits that greatly exceed those offered in the private sector. And given that massive tax increases would be required to sustain these promised benefits if the state adopted a pay-as-you-go approach, legislators chose to construct a Rube Goldberg device built on the assumption that Indiana's public-pension funds can win big at the stock market roulette wheel if they simply pay enough money to Wall Street experts to manage the bets.

It's no wonder Governor Daniels left this out of his speech. Only Mr. Goldberg could be proud of it.

The Right-to-Work Debate: 'The Devil at Our Doorstep'

by DAVID BEGO

(Jan. 3) — As the 2012 Indiana Legislative Assembly convenes, January will represent a tipping point for all Hoosiers' individual freedoms as politicians and big-labor bosses draw battle lines to determine if Indiana will become the 23rd right-to-work state.

Common sense should make the outcome of such a battle obvious, as right-to-work ensures that every employee has freedom of choice against compulsory unionism and the right to one's own property — his or her labor. Unfortunately, common sense needs some help with this often misrepresented issue.

Under a right-to-work law, an employee would not be compelled to join a union as under current law. Additionally, "security clauses" or closed shops that require every employee to be a union member and "check-off clauses" requiring a company or government entity to collect union dues would be eliminated from collective-bargaining agreements. These punitive clauses basically guarantee union contracts for life, thus eliminating incentive to provide members viable products or services. Other than decertification, employees have no options or recourse from belonging to the union and paying dues, thereby perpetuating forced unionism.

A second form of forced unionism exists, one that sets the table for the perpetual forced-unionism model. As chronicled in my book, "The Devil at Our Doorstep," unions utilize vicious corporate campaigns to force employees to unionize by pressuring employers to capitulate and sign a "neutrality agreement," the genesis of the so-called "card check." This agreement eliminates an employee's right to a secret-ballot election, requiring employers to provide to union organizers information on all employees, including home addresses. Union organizers then utilize unscrupulous tactics, unmonitored by any government agency, to intimidate or otherwise force a bare majority of employees to sign union cards, at which time the employer is automatically unionized. The campaign depends on abuse, intimidation, improprieties and misinformation.

Despite historical claims of protecting the middle class, unions have essentially created an unsustainable system in both the private and public sectors, ultimately destroying the middle class they purport to support. The American auto and steel industries are prime examples of the unions' destruction of viable industries. Consequently, we have seen a historical decline in the number of middle-class jobs in the auto and steel industries as well as the current threats facing public-sector employees.

Even so, big labor would have you believe they have an altruistic mission to provide people the right to be represented in the workplace. If unions were so concerned about peoples' rights, you would think they would be in favor of right-to-work, allowing each employee freedom of choice. These unions, though, are nearly extinct and desperately need membership dues to elect sympathetic politicians who in turn will pass laws and appoint bureaucrats to utilize regulatory power to further their agenda. If unions are willing to force people to unionize, they will likely utilize the same tactics to keep them unionized, assuring their own survival at the expense of the economy, jobs and freedom of choice.

Again, right-to-work is an issue of the right to private property — one's labor — which we as Hoosiers expect both sides of the aisle at the statehouse to honor and defend. The right to private property is a triumph of Western Civilization, and the associated freedoms that come with it have proved to be extremely rewarding for those working hard to achieve the American dream.

Our founding fathers designed a marvelous system that guarantees social and economic justice by establishing individual responsibility. It is time for all Hoosiers to hold elected officials accountable to protect our individual freedoms and pass a right-to-work law.

David Bego is the owner of a national business based in Indianapolis hiring 5,000 employees and servicing facilities in 37 states. Mr. Bego, who holds a master's degree in microbiology, is the author of "The Devil at my Doorstep," which chronicles his company's labor challenges. A new book, "The Devil at Our Doorstep," will be released shortly. He wrote this for the foudation.

"Despite historical claims of protecting the middle class, unions have essentially created an unsustainable system in both the private and public sectors, ultimately destroying the middle class they purport to support."

— BEGO

A Case Study in Competitiveness: Ask Albert Pujols to Mow Your Lawn

by T. NORMAN VAN COTT

(Dec. 31) — When I teach the economic elements of competitiveness, I use the case of a professional athlete like Albert Pujols, long-time slugging first baseman for the St. Louis Cardinals who will be playing for the Los Angeles Angels next year.

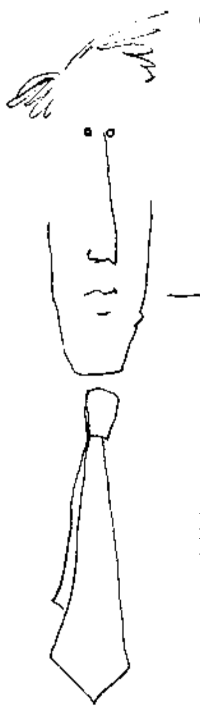
The skills that make Pujols such a tremendous baseball player — upper and lower body strength, eye-hand coordination and quickness — would undoubtedly make him a phenomenal mower of lawns. Indeed, it is no exaggeration to say that Mr. Pujols could probably cut more lawns per day than anyone in St. Louis, Los Angeles or anywhere else for that matter.

Would Mr. Pujols' lawn-cutting prowess translate into competitiveness in lawn-

> *"The same people who sell a lot abroad also buy lots of things from people in other countries. Do we want to say that higher living standards simultaneously undermine competitiveness? That would be silly."*
>
> — VAN COTT

cutting circles? Nope. Just the opposite. He would surely be among the highest-cost lawn cutters wherever he lives. That's because his cost for cutting grass depends on what he can earn were he not cutting grass — in this case, playing baseball. He will reportedly earn about $155,000 per game next year. Assuming he could cut, say, 40 lawns per day, that translates into an opportunity cost of close to $4,000 per lawn. So is the fastest mower of lawns in the country serious competition for other lawn cutters? Duh.

Can Mr. Pujols' lawn-care competitiveness ever change? Sure, but it takes a change in his baseball earnings relative to his lawn-cutting abilities. Looking at only one activity tells us nothing. Likewise, positing that both abilities fall (or rise) tells us nothing absent knowledge about how his abilities are changing relative to each other.



> *"We are firmly convinced that with nations as with individuals our interests soundly calculated will ever be found inseparable from our moral duties."*
>
> (Jefferson)

It is the latter error writ large to a whole country that ensnares commentators. Unless changes in a country's overall production abilities are skewed, its competitiveness — that is, opportunity cost — doesn't change.

Am I am overstating the commentators' position? No. Consider World Economic Forum's (WEF) "Global Competitiveness Report," issued annually for over 30 consecutive years, usually to much media acclaim. Its most-recent report (more than 500 pages) claimed to rank the competitiveness of 142 countries, defining competitiveness as "the set of institutions, policies and factors that determine the level of productivity of a country." In econo-speak, productivity is merely another term for overall production potential or living standards. The WEF offered no hint of opportunity-cost thinking when discussing competitiveness.

Some might think that the fact that people in wealthier countries sell lots of things to people in other countries supports the idea that international competitiveness traces to living-standard differentials. Not true. After all, the same people who sell a lot abroad also buy lots of things from people in other countries. Do we want to say that higher living standards simultaneously undermine competitiveness? That would be silly.

In the final analysis, wealthier nations buy lots of things from the rest of the world because they're wealthier. These purchases provide foreigners the wherewithal to buy things from them.

So people from wealthy nations sell and buy a lot abroad because they're wealthier. The composition of what is sold and bought turns on the arbiter of competitiveness: opportunity costs, not wealth.

The competitiveness gurus' lack of attention to economic fundamentals leads them to polar-opposite competitiveness "stories" in other venues.

For example, it is common to hear pundits intone about people in poor economies having a competitive advantage when they sell in the United States. Say the pundits, lower foreign living standards mean foreigners work for less, dooming any Americans who try to compete with them.

This makes the error of treating our various maladies as *prima facie* evidence about competitiveness. To wit, how can Americans becoming poorer make Americans less competitive, but foreigners being poorer make foreigners competitive?

Hint: it can't.

Being poorer can't reduce competitiveness for some and increase it for others. That's because competitiveness doesn't turn on overall production capabilities. Think Albert Pujols and lawn cutting.

So does this mean that levels and changes in living standards are unimportant? Not at all. Living standards obviously matter. They measure the effectiveness of economic systems and policies. However, positing a link between living standards and competitiveness is asking living standards to answer a question they can't answer.

If systems and policies cause a nation's residents to be poorer, let's just say so — and leave "competitiveness" out of it.

A version of this essay was published by the Mises Institute.

Indy Transit Task Force Misses the Mark

by RANDAL O'TOOLE

(Dec. 19)— The Central Indiana Transit Task Force has identified several problems in the Indianapolis region, including a weakening regional center, congestion and air pollution. But the Task Force's proposal to spend $1.3 billion improving transit, nearly half of which would go to a commuter-rail line from Noblesville to downtown Indianapolis, is the wrong solution to these problems.

Transit may offer mobility to people who lack access to an automobile, but for almost everyone else transit works only for those willing to make large lifestyle changes and sacrifices in their day-to-day lives.

Transit currently carries only 0.3 percent of passenger travel in the Indianapolis area, making it irrelevant to the urban core, congestion and air pollution. Census data indicate that only about 2,000 of the 60,000 people who work in downtown Indianapolis take transit to work.

Suppose the Task Force's plan manages to double transit's share of travel, something no American city has managed to do since World War II. Then it would carry just 0.6 percent of travel and about seven percent of downtown commuters to work. That is simply not enough to improve the vitality of downtown or relieve traffic congestion.

Nor is transit good for the environment because buses and diesel-powered commuter trains burn fossil fuels just like automobiles. IndyGo's buses use more energy and emit more greenhouse gases, per passenger mile, than the average SUV, and extending bus service to remote suburbs will only make things worse.

The Task Force's proposal to spend $625 million on a rail line is especially questionable. Why should the region spend nearly as much money on one transit route as all the other routes put together? Rail transit is so expensive that most regions that have built new rail lines cannibalized their bus systems to pay for the trains.

After Los Angeles began building its first rail lines, transit ridership declined by 17 percent until the NAACP sued to restore bus service to minority neighborhoods. Since Portland, Oregon, built light rail, the share of the region's commuters who take transit to work declined from 10 to seven percent.

Similar stories can be told about Atlanta, Baltimore, Buffalo, Dallas, Miami, San Francisco, St. Louis and many other cities that built rail lines.

Commuter rail lines in cities comparable to Indianapolis, including Albuquerque, Dallas, Ft. Lauderdale, Nashville, Portland and Seattle, are so expensive and carry so few people it would cost less (and be better for the environment) to give every daily round-trip rider a brand-new Toyota Prius every other year for the rest of their lives.

Some cities claim their rail lines spurred economic development, but this is merely more misinformation to justify bad decisions.

The reality is almost all so-called "transit-oriented developments" along new rail lines required further subsidies. Portland has given hundreds of millions of dollars in subsidies to developers along its light-rail and streetcar lines.

Most cities building new rail lines are merely chasing after federal dollars. Congress' "New Starts" transit fund is designed so that cities that come up with the most-expensive transit projects get the most money, while cities that plan efficient transit systems get the least. House Republicans want to end this fund, which means Indianapolis would not be likely to get much federal funding for an expensive project like the Noblesville commuter train.

The Central Indiana Transit Task Force's plan would spend a lot of tax dollars and produce few benefits. If the Task Force is truly interested in solving the region's problems, it should go back to the drawing board.

Randal O'Toole is a senior fellow with the Cato Institute and author of "Gridlock: Why We're Stuck in Traffic and What to Do About It." He wrote this for the foundation.

"Commuter rail lines in cities comparable to Indianapolis, including Albuquerque, Dallas, Ft. Lauderdale, Nashville, Portland and Seattle, are so expensive and carry so few people it would cost less (and be better for the environment) to give every daily round-trip rider a brand-new Toyota Prius every other year for the rest of their lives."

— O'TOOLE

THE OUTSTATER

True leadership, distinguished from its pretension, is demonstrating the intelligence, judgment and character to be depended upon to seek what works and avoid what doesn't.

Arnold Toynbee, in his great work "The Study of History," said that he never came across a civilization that could not have been saved by a single individual at the right place and time.

My daughter's ballet master opens every season with a little speech. She tells the young women that her academy recognizes two types of dancers: those who love to be seen dancing and those who love to dance. She wants only the latter.

Leadership, if not dancing, is a critical issue in an election year. If we parse what is being presented, though, it is more accurately understood as pretension.

This is not cynical, it is semantic. And being a journalist, I am an authority on both words and pretending.

For the craft of journalism requires keeping one's ignorance hidden from the subject. Otherwise, the interview starts at such a basic level that time runs out before any useful information is imparted.

To put it as generously as possible, it is the job of daily journalists to backfill, to learn what we didn't have time to learn before the assignment was drawn. Although not exactly admirable, we at least place serving the readership above merely keeping our jobs.

The typical politician is another matter. He pretends so he can lead, *i.e.,* pretending for pretension's sake.

I have on my desk what the Pulitzer-winner David Mamet called the greatest book on politics ever written. It is William Allen White's "Masks in a Pageant," another Pulitzer winner's notes on the politicians of his time (1868-1944). Mr. White provides us a template for differentiating the leaders from the pretenders.

His character sketches make clear that leadership is knowing what works and what doesn't — or, more accurately, demonstrating the intelligence, judgment and character to be depended upon to seek what works and eschew what doesn't.

There is not a member of our foundation who does not understand how rare that is today.

Yet, and this is the discouraging part, knowledge of what works and what doesn't in all areas of public policy has never been more available. Any Indiana politician can with a tweet arrange to sit down with the important economists, engineers and scientists of our day.

Until recently, politicians, with exceptions, were too busy to call them — too busy pretending.

Now comes the optimistic part.

Arnold Toynbee, in his great work "The Study of History," said that he never came across a civilization that could not have been saved by a single individual at the right place and time. The adjunct scholars of our foundation fill that bill. I can name two dozen of them who, had they been consulted, could have diverted the public-policy crisis on this morning's front page.

So our exceptions, though few, may be enough to save our state, our nation. That, at least, is what some of us believe, for true leadership is a powerful thing. The question is whether we as an electorate can distinguish it from the ersatz.

About a decade after the Iron Curtain lifted, an American network sent a crew to a mid-sized city in Czechoslovakia. The city had achieved sudden prosperity and the reporter was pressing its young mayor to give up the secret.

Had the mayor formed an economic-development committee? Was he offering rebates or incentives? Had the city council financed the new downtown hotel?

The mayor, seemingly puzzled, had not done any of those things. "We just did what your Milton Friedman (the American Nobel economist) told us to do," he said.

In other words, he did what worked — individual liberty. His community, after generations of statist leadership that only failed, was historically attuned, desperate even, to try what might succeed.

This election cycle, before it's too late, we need to identify leadership like that, the more unpretentious the better.

* * *

There was more, more, just inside the door; in the store, in the store;

There was more, much more, just inside the door; in the corner grocery store.

— Raffi, "The Corner Grocery Store Song"

He was what we once called an ordinary American, a poor man's capitalist growing up above an iconic corner grocery where his mother managed the cash register in front, his dad cut meat in back and he and his sister stocked shelves between.

Charles Murray in his latest book, Coming Apart, warns that we are running out of such people. The citizenry once was salted with them — men and women who made things or packaged things or sold things, stocked things, grew things.

"As the new upper class increasingly consists of people who were born into upper middle-class families and have never lived outside the upper middle-class bubble, the danger increases that the people who have so much influence on the course of the nation have little direct experience with the lives of ordinary Americans, and make their judgments about what's good for other people based on their own highly atypical lives," Murray writes.

Gone are the successful Americans who came from homes where "how's business?" was the question over a game of Pitch or Euchre at a tiny kitchen table in a two-bedroom, second-story flat with that defining balustrade of two-by-fours running up the outside stairway.

Bill Vaughan, the great paragrapher, founded a club of people raised above grocery stores. Hubert Humphrey supposedly was a member (he was vice-president of that, too). My father-in-law was a member. There was a grocery on a corner in every neighborhood throughout America.

We, though, true to Murray's model, became young urban professionals (Yuppies they used to call us) — junior law partners, university co-administrators, executive vice-presidents, deputy municipal planners, special assistants to the superintendent, crusading journalists, assistant managers of this or that and other glorified high-tech clerks.

"There is no such thing as an 'ordinary American,'" Murray concludes. "The people who run the country have enormous influence over the culture, politics and the economics of the country. And increasingly, they haven't a clue about how most of America lives. They have never experienced it. They don't watch the same movies, they don't watch the same television shows — they don't watch television at all, in many cases — and when that happens, you get some policies that are pretty far out of whack."

And none of them could keep a corner grocery operating for even a day.

My friend could run one in his sleep, but the store went out of business in the 1982 recession. He stuffed his business diploma into the glove box of his GTO, loaded two Bluetick Coonhounds and five sacks of dog food and headed for the Rockies.

Politically incorrect and looking for work, he hired out with the dogs chasing bears off high-country ranches (animal cruelty). He hauled coal down mountain roads (a polluter). He married (traditionally) and made payments (a class-based privilege) on a ranch of his own (a scar on the landscape).

He raised a houseful of children, none of whom went to Africa to fight world hunger but who included an engineer at the Colorado School of Mines, a cornerback at Cornell and a combat officer in Afghanistan.

He despised journalists. It was a prejudice stoked in the basement of the White House as an Army draftee working the media switchboard for the Johnson administration.

And lest anyone wanted to push him off any of these life stances — or his property

We are running out of ordinary people. The citizenry once was salted with them — men and women who made things or packaged things or sold things, stocked things, grew things.

He raised a houseful of children, none of whom went to Africa to fight world hunger but who included an engineer at the Colorado School of Mines, a cornerback at Cornell and a combat officer in Afghanistan.

— he was dependably armed and a crack shot, a descendant of Kit Carson.

He was alone in our generation. We, being lazy and in need, sought to leverage those with energy and means. In mid-life, though, when all our socio-economic experiments began to collapse, we tried to change our tune. If socialism wasn't good, we argued lamely, then wealth at least was bad — or not as fair or as kind as government could make it.

We were idiots. He wasn't.

That and a second recession were the death of him.

* * *

Listening to the anointed, insecure to the point of panic, make their recurrent promises to "fight" for us, I realize that my annual Veterans Day column is two months late.

The date always slips by me, the holiday being understated to the point of ephemera in my politically correct corner of suburbia.

That's not entirely true. I always get a "Happy Veterans Day" from my wife and children, which brings a near tear and is all any veteran expects. It for sure is more than we expected from the God-awful experience of standing in line all those years waiting for bad things to happen to us, not the worse of which was the food.

Again this year I counted the times my elected officials mentioned our "sacrifice." The number, interestingly, has increased steadily since the Recession began (by 20 percent in 2011). That indicates to me a growing jingoism, the distraction of choice for those who have made a mess of their country.

And please know that the word "sacrifice" is not chosen lightly. Combat records tell us that is exactly what is meant. For every life lost heroically in securing a military objective, many more are lost inconsequentially — that is, while some central command tries to figure out what the heck is going on.

Things seem better in the current "Army of One," especially beginning with the two Iraq Wars. An incredible effort was made there by a generation of Vietnam-era officers to minimize needless risk to U.S. servicemen — to the point that casualty rates today often read more like those of a busy stretch of California interstate.

This period, one fears, is but a fortunate moment. That generation has retired. Does anyone today even know what the military historically considers an acceptable casualty rate? Try 40 percent, and that is for a decided victory, reasonably well-planned and executed.*

News of such a battle will dry up recruitment and reenlisted rates PDQ (Pretty D*** Quick) as they say in the barracks. The various sub-groups clamoring for full inclusion in the total military experience will fall oddly silent.

When that happens, lights will be burning late on Capitol Hill as speeches are prepared calling on the nation — meaning other people's children — to bear the sacrifice and submit to conscription. Specifically, that will be callow young men, politically innocent but physically fit with traditional backgrounds, preferences and dispositions.

To those fellows and their families, I extend in advance my eternal respect and appreciation in this a belated Veterans Day observance.

And my gratitude is not for your sacrifice, which will be considerable, but for your sense of honor and duty — displayed on the orders of a political class that will have demonstrated by then it lacks so much as a shred of it.

* * *

We have been looking for something on the front page of our morning newspaper. It is a headline, a story, that is journalism's equivalent of archaeology's "Cambrian explosion" — a point of view that accounts for all points of view.

We have dug deep but have come up empty even though our search has expanded to the newspaper's web pages. It has become a game played with increasing seriousness over our morning cup of tea.

The rules are strict but much is at stake. A functioning Fourth Estate, be it press or electronic, is critical to a constitutional

** Fully 40 percent of the 28,000 Marines and soldiers who fought the Battle of Peleliu died or were wounded.*

republic. The story we seek must meet one of these criterion:

• Recognize an absolute in an event or personality — something larger than the individuals or institutions involved.

• Appreciate it may be "a personal problem," as my Chief Petty Officer used to say with a sneer, and must be solved or endured by the subject himself.

• Accept that the pathos or joy of the story must be credited in part to incentives (intended or not) set by bureaucracies.

• Concede that the situation prompting the story may be inherent and will not be improved by the involvement of any government, charity or other presumably altruistic authority.

Most readers live their daily lives under those general rules. And if you are a psychiatrist you already have guessed that their inverse loosely tracks the clinical definition of narcissistic personality disorder.

Let us grant right here that we are all narcissistic at one point in our lives. It is the working definition of adolescence and immaturity. Most of us, though, to twist a line from Bobby Knight, grow up and learn how to interact with the world in more-effective ways.*

Modern journalists, cocooned in corporate newsroom cultures, may not.

Perhaps they never did. If my career is indicative, newspapers are ruled by thirty-somethings working the news and copy desks during the day and collecting rare wine and Gertrude Stein quotes at night. These are the media "effete" identified as far back as the first Nixon term. Nothing new there.

What has changed is the economics of ownership. Gone is the publisher-owner with his fogeyish views, generations of hometown connections and overriding interest in the long-term survival of his particular medium as a community institution — the adult supervision, I like to say.

Walter Pincus, a veteran reporter for *the Washington Post,* touched on this in "Newspaper Narcissism," an article for *the Columbia Journalism Review:*

> My profession is in distress because for more than a decade it has been chasing the false idols of fame and fortune. While engaged in those pursuits, it forgot its readers and the need to produce a commercial product that appealed to its mass audience, which in turn drew advertisers and thus paid for it all. While most corporate owners were seeking increased earnings, higher stock prices, and bigger salaries, editors and reporters focused more on winning prizes or making television appearances.

And that in a paragraph is why market penetration has declined since the 1960s. The Internet had little to do with it.

Someone will figure that out sooner or later, either online or off-press. But until then, we renew our subscription with a sigh.

* * *

As want-to-be hippies of the Baby Boom now leaning toward a classical liberal persuasion, my generation has its weak moments. There are times we look to government for an answer.

On hurried grocery trips, for instance, I have found useful the federally mandated "total carbohydrates" line item on food labels. And watching college bowl games, it has occurred to me that inanity alone justifies imprisoning those who interview coaches or players.

For such moments, friends have helped me gather a collection of seven wonders of governmental disaster — excluding, for lack of storage, any wars (martial, social or political). I keep the list handy these days:

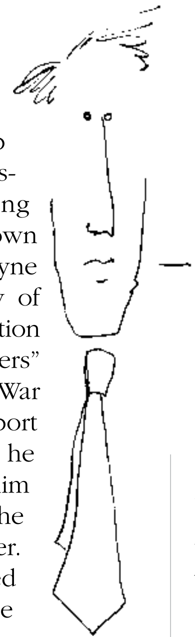
1. The Central Canal — As a Hoosier, the premier place in my collection must be reserved for Indiana's Mammoth Internal Improvements Act of 1836. It allowed our state government to get into what was then the high-tech business of canal-building. It's a short story but typical: The only part of the imagined Central Canal of Indiana that actually functioned was an eight-mile stretch closest to the center of political power. And by 1841, the state couldn't pay the interest on its internal debt and went bankrupt. (*The Indiana Policy Review,* pp. 17-21, winter 2008.)

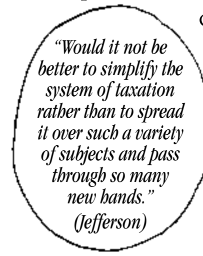
2. The Fort Wayne Bypass — A multi-generation exercise in community-wide shortsightedness, the so-called Fort Wayne bypass (Coliseum Boulevard)

** "We all learn to write in the second grade; most of us go on to other things."*

Gone is the publisher-owner with his fogeyish views, generations of hometown connections and overriding interest in the long-term survival of his particular medium as a community institution — the adult supervision, I like to say.

I have a collection of seven wonders of governmental disaster — excluding, for lack of storage, any wars (martial, social or political). I keep the list handy these days.





was overrun by growth almost before completion in 1952. Clogged with stop lights, it now confuses cross-town traffic, circumscribing little more than the downtown area. A prominent Fort Wayne businessman told the story of receiving a visit from a delegation of Fort Wayne civic "leaders" in the months after World War II. They wanted his support for the bypass route. When he withheld it, one reminded him of a promise to support the route when the war was over. The businessman explained that he had made that promise during World War I.

3. The Cincinnati Subway — An object lesson for Mayor Greg Ballard and his Indy mass-transit boosters, the subway system in neighboring Ohio was a work in progress for almost two decades or until 1946. Cincinnati began digging tunnels for the $12-million subway despite the fact it had only $6 million in the budget. It completed the tunnels but didn't have money for the trains. The system now reportedly costs $2.6 million a year to maintain in its emptiness.

4. The Kansas City Storm-Drainage System — A sentimental favorite, the storm-drainage system is a case of poetic justice in its fullest literary sense. The system of viaducts built in the 1920s by Tom Pendergast's Ready-Mix Cement Company, reportedly six-feet deep in places, helped finance four decades of machine corruption. In 1977, a few years after the last Pendergast died, a freak storm dumped water in just the right place for the viaducts to reroute a creek through the Country Club Plaza. The posh shopping area was frequented by many of the prosperous businessmen who had formed the "good government" clubs that ran the Pendergasts out of City Hall. The resulting flash flood killed 25, some of them in restaurants and bars with persons other than their spouses. It is remembered by the irreverent as "Pendergast's Revenge." (*The Indiana Policy Review,* pp. 17-21, winter 2008.)

5. The Haitian Earthquake — Earthquakes of Haitian-like intensity do not in themselves kill 316,000 people. A similar 1994 southern California earthquake, by contrast, killed less than 100 people. The difference is that the Haitian government doesn't understand or doesn't care about the life-saving nature of private property. It is estimated that 68 percent of Haitian city dwellers and 97 percent of their rural counterparts live in housing for which no one has clear legal title. That is because it takes virtually a lifetime to obtain government permission. "The resulting shabby construction won't cause earthquakes, but it'll make earthquake-related damages more extensive, even fatal," observes an economist at Ball State. (*The Indiana Policy Review,* pp. 4-5, winter 2010.)

6. American Indian Reservations — My next is an amalgam of the others, a working model of what Barack Obama envisions for us all. Unpaid debts on some reserves may have to be pursued in tribal "national" courts or even internationally so, predictably, loans are difficult or impossible to get. The great number live on meager per-capita checks from their tribes' trust funds — that and government aid. A former chief, Manny Jules, explained the situation to *Forbes Magazine:* "Markets haven't been allowed to operate in reserve lands. They've been legislated out of the economy. When you don't have individual property rights, you can't build, you can't be bonded, you can't pass on wealth. A lot of small businesses never get started because people can't leverage property (to raise funds)." And, yes, Congress votes $2.5 billion a year to keep this one perpetual.

7. The Battle of the Little Bighorn — Finally, we include this as an asterisk because it is based on a theory, albeit a good one. The government's inability to tally things correctly may be the difference between chasing Native Americans and being surrounded by them — disastrously so. Two Ball State University professors, James McClure and T. Norman Van Cott, have solved the mystery of Custer's Last Stand. And they did it without leaving their offices in the economics department.

Writing in *the Journal of Economic Education,* the two note that a primary source of military intelligence for the U.S. Army in 1876 was the count of Native Americans on reservations. Logically, the more warriors on the reservations should have meant fewer out on warpaths. "But who counted the Indians?" the professors wanted to know.

The answer, according to a respected historian of the battle, Evan Connell, was government agents — agents paid by the number of Native Americans they counted, a systemic error that would cost General Custer and his men their scalps:

> Connell reports that reservation agents' salaries varied directly with reservation populations. This provided an incentive for the agents to overstate the count. In Connell's words, ". . . an agent foolish enough to report a decrease in population was taking a bite out of his own paycheck."

The agents reported 37,391 Native Americans on reservations before the battle but a count afterward could find only 11,660. It is reasonable to believe, therefore, that Custer thought he was running to ground a relatively small party of warriors when in fact he was about to be surrounded by what may have been three times as many.

You believe what you wish, but it is this opinion that George Armstrong Custer was not done in by the white man's arrogance or even incompetent or jealous senior officers, two of the more popular explanations. He was killed by a self-serving bureaucracy within his own government.

* * *

"Hoosiers might never see an automatic taxpayer refund that is unexpectedly near its trigger under a bill filed by the Senate's fiscal leader (Republican Luke Kenley)." — Jan. 6, 2012, Fort Wayne Journal Gazette

I fight it, but more and more I think of my public officials, elected or not, as mandarins.

The comparison has become disturbingly apt. They simply don't behave in ways that bring to mind the brave men and women who founded this state under the Northwest Ordinance or even the local citizen legislators of the 20th century.

This new breed of official — public servants, they like to be called — have grown more brazen in recent years, treating tax revenue as if it were an imperial right. Any tax cuts must be offset by revenue increases, salaries and benefits of government employees must be perpetually increased, and services must never, never be cut or discontinued. In sum, the emperor's court and treasury must be full.

Discouraging in this regard was Lt. Gov. Becky Skillman's recent report on her 92-county tour of the outstate mandarins . . . oops . . . local elected officials. She returned from her visits with recommendations that would be familiar to anyone living in the Tang Dynasty:

• Allow low-level mandarins to use "surplus" revenue from some accounts for work on the people's roads and streets.

• Urge the Imperial Court to find a way to pay for the administration of emergency services, which could include new taxes on provincial communication systems.

• Streamline village government by eliminating village councils and moving fiscal authority to the regional capital where it could be overseen by mandarins of a proper rank.

• Increase professionalism among low-level mandarins by adopting anti-nepotism and conflict-of-interest decrees.

Mandarins were the pluperfect bureaucrats. They served the imperial Chinese civil service, a system dating back to the Zhou Dynasty 2,600 or so years ago. In more recent history, tragically, they were the models for the cadres who distributed the Little Red Book during the late Chairman Mao Tse-Tung's Great Leap Forward.

Ms. Skillman, who pointedly did not meet with any township officials on her summer tour, might know that the mandarin system was developed as a way of stopping the spread of nepotism and favoritism — a goal pursued by her and Emperor . . . oops again . . . Governor Daniels.

"Theoretically, local government authorities were given the task of selecting talented candidates, mandarins,

The comparison of today's public officials with the ancient mandarins has become disturbingly apt. They simply don't behave in ways that bring to mind the brave men and women who founded this state under the Northwest Ordinance or even the local citizen legislators of the 20th century.

"Here's the problem: There now is no story. At the end of the day, there is only reality. Things work or they don't. When they work, people notice, and say it."
— Peggy Noonan

then categorizing them into nine grades depending on their abilities. In practice, however, only the rich and powerful would be selected," reads our Wikipedia entry.

In reference to a method of further classifying Chinese civil officials, Ms. Skillman's tour of Hoosierdom can be understood as a mandarin of the "First Pin" visiting mandarins of the "Ninth Pin."

"Those directly under the Emperor heading the top departments were considered First Pin, and those who are county judicial officers, for example, were generally Ninth Pin," Wikipedia continues.

It didn't work for China and it won't work for Indiana. While the hiring of a bungling nephew was an occasional problem, the mandarins became a permanent ruling class that eventually smothered a great civilization in taxes, rules and regulations.

Now, everyone likes Becky Skillman. But even putting the mandarin analogy aside, there is such a thing as the right person in the wrong place (another wonderfully useful Chinese concept).

Ms. Skillman was the right person to tell the story of the early Daniels administration — that it was morning in Indiana and everything would work out swell. But that story ended in 2008 when it became clear what a mess government can make of things.

Peggy Noonan addressed this in her Oct. 1 *Wall Street Journal* column: "Here's the problem: There now is no story. At the end of the day, there is only reality. Things work or they don't. When they work, people notice, and say it."

We need someone on the throne . . . oops for the last time . . . someone in a position to restore our democracy to constitutionally working order, not someone treating money wrenched from the citizenry as the entitlement of a political class.

And that someone can't be a mandarin — even a Republican of the First Pin.

* * *

Napoleon had journalists pegged: They're the ones who ride down from the hills after the battle to shoot the wounded.

This journalist accepts that characterization. Indeed, it should be applied to this critical assessment of the battle that has been the Daniels administration.

First, there is no argument that Indiana was fortunate to have a man of Mitch Daniels' ability in its public service. I would list his accomplishments right here except that it would waste space, his public-relations machinery having done that expertly and often.

So what's not to like?

Before getting into that, a defense of journalism: Yes, we have an unearned vantage but a vantage nonetheless. There's a pretty good view of the battle sitting way back up here in these hills — better, sometimes, than that of those performing the heroics.

There is a historic example. James Buchanan, an economist and Nobel laureate, writes of the confusion after the Battle of Midway among the fleet admirals. Although they were the choreographers of the combat, they had no idea how it had unfolded — not until they flew in a hapless young aviator, shot down early and left floating on a seat cushion. The admirals took notes in their Honolulu map room as the ensign explained how exactly the Japanese had lost.

So, here's my view: Governor Daniels has been more of an accountant (plus or minus $320 million) than an economist, more Beltway than Hoosier. And although he claims to admire the classical-liberal philosophy, you strain to see any sign of it in his governing.

An early Daniels appointee, a corporate retail manager, asked the governor how to supervise his assigned bureaucracy. Mr. Daniels, he says, told him to simply "run it like a business."

Every time this man applied that advice to his particular corner of government "all hell broke lose." He finally resigned, not really in disgrace but under a media cloud that he was not quite up to the job.

We asked him to write his story for our quarterly journal. We thought it would increase understanding of the public-private divide.

Now, the Daniels administration has a reputation for personalizing its politics. Whatever the truth of that, our man, after initial enthusiasm and several weeks of consideration, declined to speak further about his experience.

But others told the story. Tad DeHaven, disowned as a Daniels economic whiz but now valued at the Cato Institute, testified before Congress as to what he believed was the ineffectiveness of the Indiana development model, one he had dubbed "press-release economics."

And there were questions asked inside and outside the Statehouse about why Governor Daniels put his weight behind such crony capitalist ventures as professional sports teams and natural-gas pipelines, arguably at the expense of a broad economic climate for all enterprises.

Right there is where I see the wrong turn, the tactical error, the misspent cavalry charge.

On my desk is a web posting that appeared early in the first term. The author, Fred McCarthy, the longtime president of the Indiana Manufacturers Assocation, now edits the blog IndyTaxDollars. Mr. McCarthy suggested what would have been the correct strategy. It fits into a paragraph that could be advertised nationally:

> The state of Indiana hereby announces a new policy for business development. In the belief that businesses locate or expand more productively using long-term, genuine economic logic, we will no longer offer temporary tax incentives. Instead, we pledge the efforts of government to create and maintain the very best business climate for you. Within the limits of fairness and justice, rules and regulations inhibiting such productive operations will be reduced or eliminated whenever possible. Grants, abatements, subsidies and/or other tax gimmicks that depress governmental revenues and increase other taxpayers' bills will cease. On the other hand, be assured that tax dollars you may pay in the future will never directly finance your competitor. All private businesses will be treated in the same way.

Governor Daniels, instead of using his political skills to thus position the Indiana economy for 2012 and beyond, built an Emerald City on the fiction that government could be run like a business, betraying precious public confidence in the process.

Whatever, it's time to ride back up into the hills and get a good seat for the 2012-13 General Assembly.

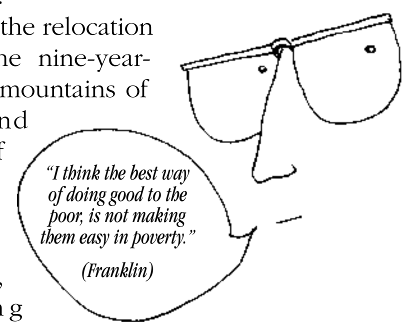
* * *

The free-market works too silently and over such long stretches of time to be visible in most policy arguments. An exception, however, occurred in my section of town when the market acted to protect our children from criminal predators.

Earlier we had lost a nine-year-old girl whose great tragedy was to live in the midst of what was described as a "hotbed" of child molesters — about two dozen older mobile homes surrounded by middle-class family subdivisions.

It was popular with sex offenders due to its low rents and a location well outside the prescribed 1,000 feet from any school, daycare or public park. It was an "unintended consequence," to use some economic lingo.

In any case, the relocation policy failed the nine-year-old, as did the mountains of paperwork and thousands of government hours, including countless police investigations, documenting sex offenders living within a few yards of her.



But to the rescue came, of all people, commercial realtors.

An auction sign went up for the trailer park in early March. The notoriety, and perhaps a sense of civic duty in the owner, had increased the "opportunity costs" of the property. That meant the tract would be sold for a "higher use," most likely commercial.

The government, though, was already worried about where all the sex offenders can live now.

"It causes problems, because now 14 people don't know where they are going to go," a sheriff's officer told a local newspaper.

It is suggested the law be amended to read that sex offenders must relocate *within* 1,000 feet of the children or grandchildren of any pensioned legislator, judge, parole officer, prosecuting attorney or child-welfare officer. — *tcl*

A mobile-home park was popular with sex offenders due to its low rents and a location well outside the prescribed 1,000 feet from any school, daycare or public park. It was an "unintended consequence," to use some economic lingo.

Q.

YOUR NOMINATION FOR 2012 CITIZEN-LEGISLATOR?

When the editors sat down to select the question for this quarter's "Reality Check," there was concern that our 300 correspondents would simply nominate their own legislator on our March 4 survey.

Those concerns were unfounded. Few could think of any legislator who conformed to the mission statement of the foundation.

So, were our specifications restricting?

Not unless you consider the Declaration of Independence, our state and federal constitutions and the legislative oaths of office to be over-the-top expectations. Our mission statement simply requires allegiance to the following three principles:

- *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.*

We conclude that our correspondents, men and women throughout the state faithful over the years in responding to our quarterly surveys, are in their silence sending a message we dare not ignore. We therefore present the following results as a finding, and please excuse the white space.

Sen. Jim Banks, Columbia City, 17th District

Rep. Wes Culver, Elkhart, 49th District

Sen. Scott Schneider, Indianapolis, 30th District

Sen. Greg Walker, Columbus, 41st District

Rep. Tim Wesco, Goshen, 21st District

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

THE DESTINIES OF THOSE WHO SIGNED

Emanuel Gottlieb Leutze, oil on canvas, 1851

Thomas Hoepker, photograph, Sept. 11, 2001

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."

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

INDIANA POLICY review

An Indiana Journal of Classical Liberal Research and Opinion
Observing its 23rd Year