

FACTS & OPINIONS

On Public Interest Issues

Quotes

Would it not be better to simplify the system of taxation rather than to spread it over such a variety of subjects and pass through so many new hands?

—Thomas Jefferson

The right of freely examining public characters and measures, and of free communication among the people thereon...has ever been justly deemed the only effectual guardian of every other right.

—James Madison

The quality of ideas seems to play a minor role in mass movement leadership. What counts is the arrogant gesture, the complete disregard of the opinion of others, the singlehanded defiance of the world.

—Eric Hoffer

Morning Donations to Democratic Dreams

Rich Noyes

Every four years, ABC's *Good Morning America*, CBS's *Early Show* and NBC's *Today* open their doors to those who would be President. In theory, that's a good thing: While the evening newscasts offer only brief soundbites from the campaign trail, the weekday morning shows give millions of casual news watchers a chance to assess the candidates as they answer reporters' questions.

But do these programs give liberal candidates an advantage? As the 2004 primary season begins, Media Research Center analysts reviewed all 44 of the Democratic candidates' appearances on the ABC, CBS and NBC weekday morning news shows during the last six months of 2003, along with those of the Republican candidates for the same period in 1999.

The study found that Democrats got nearly twice as much airtime last year as the Republicans had in 1999. The

questions posed by network interviewers in 2003 reflected a pro-liberal, anti-Bush agenda, but four years earlier the GOP candidates were rarely indulged with pro-conservative, anti-Clinton questions from their network hosts.

100 Extra Minutes For The Democrats

The ten Democrats running to unseat George W. Bush have collectively received 100 more minutes of airtime than the field of eight GOP candidates received four years ago. (See box, page three.) Republicans were brought aboard the morning shows 20 times in the latter half of 1999. Those interviews totaled 2 hours, 16 minutes. Campaign regulation advocate John McCain received the lion's share of airtime — nearly 64 minutes in ten interviews, seven of which were on ABC. Front-runner Bush was interviewed four times (37

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FACTS & OPINIONS

May 2004
Volume 10, Number 2

President
Dr. Don Racheter

FACTS & OPINIONS is one of our quarterly membership newsletters, arriving in February, May, August, and November. It consists of short articles of public interest with an emphasis on current issues.

FACTS & OPINIONS is published by Public Interest Institute at Iowa Wesleyan College, a nonpartisan, nonprofit, research and educational institute, whose activities are supported by contributions from private individuals, corporations, companies, and foundations. The Institute does **not** accept government grants.

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Focus on Iowa Wesleyan College

Amy K. Frantz

Stanley and Helen Howe received the 2004 Council of Independent Colleges Award for Philanthropy. The Howes were nominated for this award by the Iowa Wesleyan College administration. Stanley Howe has served on the IWC Board of Trustees since 1975, becoming a Life Trustee in 2002. Stanley and Helen Howe were the lead donors in the construction of the Howe Student Activity Center at the College.

Hershey Hall at IWC has received some much-needed updating and repairs. The original slate roof was removed and replaced with shingles. New windows and downspouts were also installed. This should prevent further water damage to the building, as well as force the pigeons who had taken up residence on the upper floor to find a new home.

Iowa Wesleyan College has decided to discontinue the Interim Session that has been offered by

the college since the late 1960s or early 1970s. The IWC Interim Taskforce believes the current program had lost its original focus — to give students and faculty a chance to interact with each other in a more relaxed setting and to involve the students in the community — and decided the best route was to end the program.

The IWC Men's Basketball team earned a spot in the NAIA National Tournament this year, returning to the tournament for the first time since the 1994-95 season. Head Coach Alan Magnani also recorded his 100th career win at IWC this season. Congratulations to the IWC Men's Basketball team and Coach Magnani!

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Morning Donations to Democratic Dreams

Rich Noyes

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minutes), but not once on ABC during the study period.

Since July, CBS's *Early Show* has hosted 16 interviews with the Democrats, including co-host Harry Smith's visit to Iowa for a profile of John Kerry that included an extensive Q&A. NBC's *Today* offered 15 interviews, but they lasted longer — more than 111 minutes, compared with 64 minutes on CBS. *Good Morning America's* 13 interviews gave the Democrats an additional 65½ minutes of broadcast airtime. Altogether, the Democrats were granted 4 hours of network morning airtime, or almost 10 minutes per week.

Most of that airtime went to just two candidates. Howard Dean has received nearly 70 minutes of network airtime in 13 appearances, slightly behind Wesley Clark, whose 13 interviews totaled 71 minutes.

Free Airtime for Democrats	
Morning Show Interviews, 7/1 - 12/31 2003	
Wesley Clark (13)	71 mins, 21 secs
Howard Dean (13)	69 mins, 58 secs
John Kerry (7)	46 mins, 3 secs
John Edwards (5)	24 mins, 4 secs
Joe Lieberman (2)	13 mins, 45 secs
Carol Moseley Braun (1)	4 mins, 40 secs
Dick Gephardt (1)	3 mins, 52 secs
Al Sharpton (1)	3 mins, 50 secs
Bob Graham (1)	3 mins, 8 secs
All Democrats	240 minutes, 41 seconds
All GOP (1999)	136 minutes, 7 seconds

Among the leading candidates, Dick Gephardt has been practically shut out, with only one appearance in the last six months (on *The Early Show*, November 10). That puts the former House Minority Leader on par with Carol Moseley Braun, Al Sharpton, and Bob Graham. Far-left, anti-war candidate Dennis Kucinich had yet to appear on any of the weekday morning shows.

Inviting The Candidates To Bash Bush

The morning hosts posed 319 questions to the Democratic candidates, nearly one-fifth of which (58) were designed to get them to reiterate or amplify their condemnations of President Bush. The morning hosts often asked the candidates to repeat charges they had leveled elsewhere. Four years before, only 4 out of 179 questions similarly invited the GOP candidates to differ with Bill Clinton or Al Gore.

CBS's Rene Syler served up this softball to John Kerry on December 4: "You called President Bush's foreign policy arrogant, inept and reckless. Give us some specifics."

On September 8, the morning after a Bush speech, NBC's Matt Lauer opened the door for Howard Dean: "You

called his speech nothing short of outrageous and said the President was, quote, 'beginning to remind me of what was happening with Lyndon Johnson and Dick Nixon during the Vietnam War.' Explain that to me."

On September 24, ABC's Charles Gibson asked Dean to repeat one of his smarmiest claims: "You said the extreme right wing has shown nothing but a contempt for democracy. Do you think the extreme right wing is in control of this administration, and do you think it shows contempt for democracy?"

While it may seem natural to ask challengers to criticize the current administration or the other party's front-runner, that did not happen four years ago. Then, network reporters rarely asked Republican candidates about either Clinton or Gore. A rare quote: "I know you've been critical of the Clinton presidency and what it's done to the office," Katie Couric prompted Dan Quayle on July 16, 1999.

Instead, reporters' questions highlighted GOP schisms: "Is the leadership of your party in Congress out of touch with the American public, and is the party too much a captive of the right?" Gibson asked McCain on October 12, 1999.

Both Parties Faced Liberal Questioning

In 2003, reporters posed 54 questions that could be categorized as reflecting either a liberal or a conservative view. Nearly all of these questions (47) were based on a liberal premise,

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Rich Noyes

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compared with seven that reflected a conservative agenda. But that's not just because the Democratic contest pits liberals against each other; reporters also posed far more liberal than conservative questions to Republicans four years ago. (See box.)

On November 16, 1999, Matt Lauer challenged Bush's proposal for a missile defense system by citing the standard liberal objections that it might not work, would violate the ABM treaty and could "only jump-start a nuclear arms war." ABC's Diane Sawyer reflected the liberal view on September 27, 1999, when she saluted McCain: "However brave a stand campaign finance reform may be, members of your own

party have rejected it. What's the matter with them? Why don't they get it?"

But instead of asking this year's Democrats to respond to conservative arguments, the networks kept up their liberal approach. Unlike Dean, John Kerry would leave the middle class tax cuts intact, which earned him this rebuke from ABC's Sawyer on Sept. 2: "If you only repeal those above \$200,000, we calculate that it comes to some \$40 billion against a potential \$470 billion deficit. What does it gain?"

On October 1, Katie Couric demanded that Dean explain reports he once supported capping the growth of Medicare. She followed up with another question that doubted Dean's liberalism: "Are you sorry that...you described Medicare as one of the worst things that ever happened and a bureaucratic disaster?"

As for those rare conservative-oriented questions, Couric on December 16 asked the anti-war Clark whether "an Iraq with

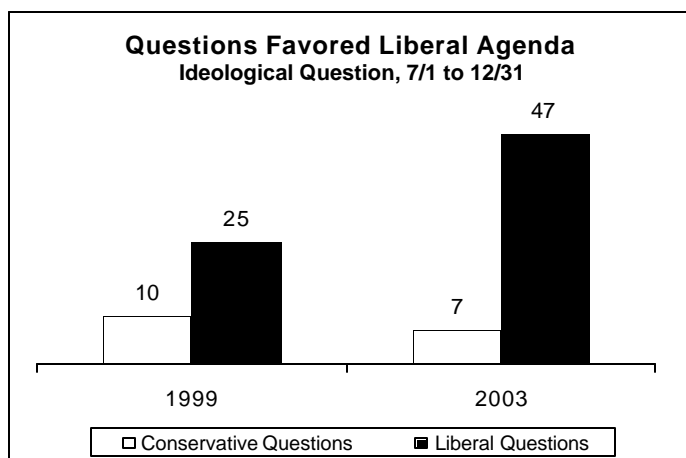
candidate's new book, ABC's Gibson challenged trial lawyer John Edwards: "So many people feel that it's a system run amok, that there are frivolous lawsuits, that the litigiousness of our society has driven up the cost of everything."

Tough On Losers, Not On Liberalism

While they hardly ever challenged the candidates' liberal beliefs, reporters did confront the Democrats with tough questions. On September 16, Diane Sawyer told Edwards he had little support in New Hampshire polls. "What are you doing wrong?" she demanded. CBS's Rene Syler point blank asked Kerry on December 4: "Is your campaign foundering?"

Plainly, the networks aren't shielding liberal politicians from all aggressive questions. But their performance over the last six months shows how rarely reporters question liberalism itself.

Saddam in charge is preferable to an Iraq with Saddam in custody." And on November 25, in an otherwise soft interview about the



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Ten Myths About Jobs and Outsourcing

Tim Kane, Brett Schaefer, and Alison Fraser

The American economy never rests — at this moment, in fact, economic growth is vigorous. Yet every time there is a slight dip in the acceleration of output, jobs, or incomes, the undying myths of a sputtering, backfiring economy rise again. Today, many of those myths concern the ills of outsourcing.

The plain facts, however, lay all of today's myths about outsourcing to rest. But there is still a real danger that politicians working with incomplete or incorrect information will hobble American competitiveness. Scapegoating poor Third World countries, "Benedict Arnold CEOs," and free trade will not improve the U.S. economy or labor market, but would likely cause great harm. Robert McTeer of the Federal Reserve Bank of Dallas summed up the promise of government action on outsourcing well: "If we are lucky, we can get through the year without doing something really, really stupid."

Myth #1: America is losing jobs. Fact: More Americans are employed than ever before. The household employment survey of Americans indicates that there are 1.9 million more Americans employed since

the recession ended in November 2001. There are 138.3 million workers in the U.S. economy today — more than ever before.

Myth #2: The low unemployment rate excludes many discouraged workers.

Fact: Unemployment is dropping, despite a surging labor force. Not only is the unemployment rate low in historical terms at 5.7 percent, but the workforce has been growing — there are now 2.03 million more people in the labor force than in late 2001. Without a higher rate of unemployment or a shrinking workforce, there is no evidence of growing discouragement.

Myth #3: Outsourcing will cause a net loss of 3.3 million jobs. Fact: Outsourcing has little net impact, and represents less than 1 percent of gross job turnover. Over the past decade, America has lost an average of 7.71 million jobs every quarter. The most alarmist prediction of jobs lost to outsourcing, by Forrester Research, estimates that 3.3 million service jobs will be outsourced between 2000 and 2015 — an average of 55,000 jobs outsourced per quarter, or only 0.71 percent of all jobs lost per quarter.

Myth #4: Free trade, free labor, and free capital harm the U.S. economy. Fact: Economic freedom is necessary for economic growth, new jobs, and higher living standards. A study conducted for the 2004

Index of Economic Freedom confirms a strong, positive relationship between economic freedom and per capita Gross Domestic Product. Countries that adopt policies antithetical to economic freedom, including trying to protect jobs of a few from outsourcing, tend to retard economic growth, which leads to fewer jobs.

Myth #5: A job outsourced is a job lost. Fact: Outsourcing means efficiency.

Outsourcing is a means of getting more final output with lower cost inputs, which leads to lower prices for all U.S. firms and families. Lower prices lead directly to higher standards of living and more jobs in a growing economy.

Myth #6: Outsourcing is a one-way street. Fact: Outsourcing works both ways. The number of jobs coming from other countries to the U.S. (jobs "insourced") is growing at a faster rate than jobs lost overseas. According to the Organization for International Investment, the numbers of manufacturing jobs insourced to the United States grew by 82 percent, while the number outsourced overseas grew by only 23 percent. Moreover, these insourced jobs are often higher-paying than those outsourced.

Myth #7: American manufacturing jobs are moving to poor nations, especially China. Fact: Nations are losing manufacturing jobs

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Ten Myths About Jobs and Outsourcing

Tim Kane, Brett Schaefer, and Alison Fraser

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worldwide, even China.

America is not alone in experiencing declines in manufacturing jobs. U.S. manufacturing employment declined 11 percent between 1995 and 2002, which is identical to the average world decline. China has seen a sharper decline, losing 15 percent of its industrial jobs over the same period.

Myth #8: Only greedy corporations benefit from outsourcing. Fact: Everyone benefits from outsourcing.

Outsourcing is about efficiency. As costs decline, every consumer benefits, including those who lose their jobs to outsourcing. A 2003 study by Michael W. Klein, Scott Schuh, and Robert K. Triest, which includes dislocation costs in its calculations, shows the benefits of trade outweighing its costs by 100 percent.

Myth #9: The government can protect American workers from outsourcing. Fact: Protectionism is isolationism and has a history of failure. Proposals to punish businesses that outsource jobs, institute tariffs, or change tax rules will carry unintended consequences if enacted. Such measures would injure U.S. firms that export goods and services and erode

Facts & Opinions Question of the Quarter:

Will liberal bias in the media affect the November election?

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U.S. competitiveness, often in unexpected ways. Recent steel tariffs, for example, cost jobs in dozens of industries while raising prices for consumers.

Myth #10: Unemployment benefits should be extended beyond 26 weeks. Fact: Jobless benefits are already working. The median duration of unemployment is now 10.9 weeks; most workers are covered by existing benefits, which last for 26 weeks. Extending today's coverage to 39 weeks would cost billions of dollars and have little impact.

Conclusion

America's workers deserve a more informative, less partisan debate on outsourcing. The negative impact of outsourcing on the economy and American employment has been greatly exaggerated, and the benefits of outsourcing almost entirely ignored.

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Increase Spending, Raise Taxes? Been There, Done That

Richard Vedder

Governor Mark Warner has proposed a huge increase in the aggregate tax burden of Virginians. To be sure, the tax hike is disguised as a “tax reform” bill. Governor Warner believes that higher state revenues are necessary to finance important governmental functions and will benefit the people of the state. There is a host of empirical evidence, however, that suggests otherwise.

Literally dozens of studies show that there is an inverse relationship between the overall tax burden and economic growth — higher taxes, lower growth. This relationship holds for different areas, time periods, and ways of measuring growth. It holds using widely differing methodologies. For example, over the long period 1967-97, the twenty-five states with the highest overall tax burden had 50% per capita income growth (adjusting for inflation,) while the twenty-five states with the lowest burden had an average 72% growth, which translates into literally thousands of dollars more annual income per family by the end of the period. Statistics also indicate that people tend to migrate out of high tax states into low tax ones. For example, from 2000 to 2002, there was net emigration of

native-born Americans from the ten highest tax states of 371,000; by contrast, the ten lowest tax states, including Virginia, had net immigration of 729,000. Human resources flee high tax jurisdictions for low tax ones.

The nonpartisan Tax Foundation calculates that Virginia had the eleventh lowest state and local tax burden in 2003. It is not coincidental that by all measures Virginia has exceeded the national average in terms of economic growth — higher per capita income growth, greater population growth, more growth in total personal income. A favorable tax climate has been an important contribution to the state’s economic health.

One reason high taxes have negative effects on a state’s welfare is that they impose what economists call “deadweight losses.” Some of the gains to consumer welfare from trades (where both sellers and buyers benefit) are lost when taxes crowd out private exchanges of goods and services. Aggravating the problem is the fact that most private sector activity is produced efficiently in competitive markets, while most governmental activity is produced in a monopolistic non-market environment where there are few incentives to perform efficiently and in an innovative fashion.

The Warner tax “reform” package is bad for other reasons as well. It proposes increasing the progressivity of the state income tax by raising taxes on the “rich” (defined as anyone making \$100,000 or more a year), while

lowering them for some lower income people. Research shows that of all major taxes, the individual income tax has the worst impact, dollar for dollar, on economic activity. Moreover, states with flat rate structures tend to do better than states with similar income tax burdens but highly progressive rates. Raising the top rate is absolutely the worst single fiscal policy move that Virginia could make from the standpoint of economic growth. This outmoded and discredited “soak the rich” philosophy would serve to lower income generally for all Virginians, rich and poor alike.

Putting all of these arguments aside, proponents of the tax changes might argue that the state needs the revenues or services to citizens will have to be slashed. As a non-Virginian, I cannot evaluate this argument definitively. Yet I would ask the following questions. Have you moved to a more efficient, market-based approach for providing health care services (e.g., Medicaid)? Have you moved to rationalize public education spending, rewarding the highly productive and efficient districts and staff, while punishing the less efficient providers of education? More generally, have you moved towards a market-based, more competitive schooling environment (school choice)? Have you closely examined staffing changes at your state universities to see if, as I am nearly certain, staff is growing faster than enrollments? Have you privatized activities more

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**Richard Vedder
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efficiently provided by the private sector, including prisons, highway maintenance, and college dormitories? If the answer is mostly “no” to the above questions, increasing tax revenues only encourages the continuation of what are clearly inefficient and wasteful practices.

Virginians should be wary of so-called tax reform, particularly when there is ample reason to believe that it means tax increases that will stifle the spirit of enterprise and growth.

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