



# FACTS & OPINIONS

*On Public Interest Issues*

## Quotes

The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.

– 10th Amendment,  
US Constitution

The great leading objects of the federal government, in which revenue is concerned, are to maintain domestic peace, and provide for the common defense.

– Alexander Hamilton

Democracy extends the sphere of individual freedom, socialism restricts it...Democracy and socialism have nothing in common but one word: equality. But notice the difference: while democracy seeks equality in liberty, socialism seeks equality in restraint and servitude.

– Alexis de Tocqueville

## Devolving Power from Washington, D.C., to the States, Part I

Fred Barnes

I've lived in Washington practically my whole life, and Washington does much more than it can do effectively. That's actually the good news. If they did everything effectively, then we'd really be in trouble. Of course, the governing ethic in Washington — and among bureaucrats in a lot of other places as well — is “*We know better.*” Whatever you think you know about living your life, their view is that they know better.

If I had my druthers, I would be for massive devolution. However, I fear that the electorate may not be as strongly in favor of full devolution as are conservatives, in particular. Let me give one example. The most ridiculous federal program is disaster relief. I've spoken about this on television before, particularly after the San Francisco earthquake. Why should I, a taxpayer living in Virginia, relieve people who build homes on the San Andreas fault, knowing an earthquake is likely some time in

their lifetime, probably within a decade? People know the history of earthquakes there and take a risk. Why should I subsidize that risk? Why should money have been sent to the farmers along the Mississippi River, who know perfectly well that their farms, crops, and houses are in the flood plain of that river and that it was going to flood some time? Why should my tax money from Virginia go there? I make both of the cases on television, and I've yet to find a single person who agreed with me, even in my own family (which is fairly large). The fact is people don't agree. They like billion-dollar programs like that. Even the most conservative Governors — even George Allen of Virginia who is an excellent Governor — has asked for disaster relief. It's a ridiculous program, and yet it's very, very popular. I also wonder whether some of these fights to eliminate cabinet departments are really worth it. We could end the Education

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## FACTS & OPINIONS

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**President**  
Dr. Don Racheter

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## Focus on Iowa Wesleyan College

**Carol Brown**

IWC and the Rec Center Board of Directors officially welcome Dennis Green as Facility Director of the Rec Center in Mt. Pleasant. Green, the first Iowa Wesleyan employee to become director of the 10-year-old community recreational and fitness facility, comes to the area as a recent graduate of the University of Louisville Graduate School. Under an agreement between the Rec Center Board of Directors and Iowa Wesleyan, the Center, formerly run by the city, will be managed by the College

Don Frey, CFO at IWC, said Green was selected not only because he has an M.S. degree in sport administration but because he has marketing experience as well.

"We are pleased to have Dennis on board," said President William N. Johnston. "He will continue the programming and fitness opportunities that the Rec Center currently offers and plans to enhance the fitness and learning offerings. We see the Rec Center's phenomenal potential for continued growth and service to the community."

*Carol Brown is Director of 'Communications for Institutional Relations at IWC. Reprinted with permission, edited for length.*

## What's New at Public Interest Institute?

**Laura P. Keith**

President Don Racheter, Ph. D., has retired from teaching at Central College after 29 years and will be full-time at PII. Previously Dr. Racheter was part-time President, and now hopes to move the conservative agenda forward by focusing on one primary occupation.

PII is also delighted to welcome Robert "Bob" Stewart as Research Analyst. A native of Sioux City, Iowa, Bob recently graduated from Central College in Pella, Iowa with a Bachelor of Arts degree in Economics and Political Science. He is interested in national and state economic issues, having interned on Capitol Hill and at the Siouxland Chamber of Commerce.

Bob will replace current Research Analyst Brad Cook, who will be leaving in August to pursue a Master's Degree in Economics at Youngstown State University in Ohio. PII staff regret losing him, but wish him the best in his studies!

Finally, Northwestern College student Melissa Smith from Mt. Pleasant joined us as an intern for the summer. She is writing book reviews and assisting PII staff in research.

*Laura P. Keith is a Research Analyst at Public Interest Institute.*

**The Taxpayer Protection  
Pledge —  
Pushing Elected Officials  
to Govern Well  
Jonathan Collegio**

**W**ith his election twenty-four years ago, Ronald Reagan revitalized America's debate on taxes. Abroad he stood up to the Soviets, and inward he took the fight to the American left, whose big government and high tax policies had sapped the American economy for decades. Central to his domestic agenda was spurring economic recovery through tax relief.

It worked. Taxes were cut across the board by 30%, which breathed life into the economy as no one had remembered. Eighteen million jobs were created. Technology boomed. Taxes were down, but federal revenues nearly doubled by the end of his second term.

At Americans for Tax Reform, we first sought to keep the taxes cut by President Reagan down. There were some setbacks, but since Bill Clinton was inaugurated president in 1993, no Republican lawmaker at the federal level has voted to increase taxes. No tax hike has passed since 1991. And as 249 members of Congress and President Bush have signed the Taxpayer Protection Pledge to their constituents to oppose tax hikes, tax increases at the federal level are off the table.

But while the success of

Reagan and his legacy has made “no new taxes” the rule of the day in Washington, many lawmakers in state capitals across the country have yet to get the message. We have seen efforts to hike taxes in Oregon, Alabama, Nevada, South Carolina, Virginia, and other states where Legislators rebuke tough choices in their budgets, and pass the buck, literally, to taxpayers. All of these efforts had some degree of Republican support.

The record must be set straight: Pledging to protect taxpayers from tax hikes does two things. Aside from keeping more money in our pockets, taxpayer protection forces our elected officials to govern wisely. When budgets are tight, Legislators must make tough decisions and look at the state's priorities. That is why we elect and pay them.

Consider the Motor Vehicle department in your state. Is there really any reason why motorists must register their cars every two years — or in some cases, every year? Or why two year old Hyundai Excels with 4,000 miles must be emission tested as often as in some states? Unnecessary taxes and regulations cost individuals and the businesses that pay for them hundreds of millions of dollars each year. Regulations like this, the bureaucratic enforcers, and the taxes that fund them would never be given a second look if Legislators could simply pass the buck of a budget deficit on to taxpayers.

If policymakers spent less time trying to raise taxes and instead focused on reforming their government, more American would see good government. Republican

Gov. Rick Perry of Texas closed a \$10 billion budget deficit without raising taxes, while GOP Govs. Bill Owens of Colorado, Tim Pawlenty of Minnesota and Jeb Bush of Florida also closed significant budget gaps without tax hikes. These leaders were elected by their constituents to make tough decisions — to eliminate waste and pork from the budget while reassessing the functions of state government.

In the end, no taxes were raised, no children were left in the cold and no schools were shut down. At the same time, Texas, Colorado, Minnesota and Florida are experiencing faster economic recoveries than states that raised taxes — another payoff, as state revenues are growing fast as well.

Keeping taxes down makes every citizen richer. And it is also a strong balance against bureaucracy becoming as bloated as it always does. Tight wallets mean tough decisions. Tight wallets mean priorities. Most importantly, tight wallets mean that promises must be kept. Pledging no new taxes is important at election time, but it is more important still when the budget cards are on the table. Politicians who raise taxes have shut the door on the future of their careers because they have proven, with their vote, that the DMV and zoning committee bureaucrats are more important than taxpayers.

*Jonathan Collegio is the Director of Communications at Americans for Tax Reform. This article was first published in the Spring 2004 edition of The Tax Reformer. Reprinted with permission. [www.atr.org](http://www.atr.org).*

## Marx Lite

Thomas J. DiLorenzo

Two years ago I was on a faculty committee to choose the one book that incoming freshmen would be asked to read and discuss in discussion groups during freshman orientation. It was the School of Business' turn to choose the book, so I thought it would be valuable, for once, for the freshmen to read a book that was not the latest popular left-wing polemic, Marxism Lite, as seemed to be the practice.

Academic politics being what it is, I had little hope of convincing the other members of the committee to choose a book by Mises, Rothbard, Hayek, Hazlitt, Friedman, or Rand. But still, since the committee members were all part of a school of business and management, I had hopes that we would at least adopt a book on the history of American entrepreneurship, the debate over globalization, the high-tech revolution, etc. I quickly learned that the only positive role that I could possibly play on that committee was to hopefully embarrass the other members out of adopting another truly awful, economically ignorant attack on capitalism.

The most passionate debates centered over two books that

were favored by several members of the committee and which, it turns out, have become almost cult classics among the academic left. These are *Fast Food Nation: The Dark Side of the American Meal*, by Eric Schlosser and *Nickel and Dimed*, by Barbara Ehrenreich. Both are *New York Times* bestsellers and both are shockingly ignorant of the most elementary level of economic logic. (I did succeed in embarrassing my colleagues out of choosing them.)

In *The Constitution of Liberty*, Friedrich Hayek made the point that one of the keystones of socialism is the denial of individual responsibility. Thus, the crusade for socialism always included attacks on individual responsibility. For if individuals do not have free will, and are not responsible for their actions, then their lives must be controlled somehow — preferably by the state — according to the socialists. They must be regulated, regimented, and controlled — for their own good.

This is the underlying message of *Fast Food Nation*, in which the author makes the remarkable scientific discovery that a steady diet of chocolate milkshakes and french fries, combined with little or no exercise, will make you fat. Schlosser has nothing at all good to say about the fast food industry despite the fact that millions of Americans (and others) express their disagreement with him every day by spending their money at these establishments.

Schlosser fails to acknowledge that American consumers are as educated as they have ever been

and can judge for themselves where the best place to eat is. Just as everyone has understood that smoking is bad for your health for well over a hundred years, if not longer, it is common knowledge that a super-sized double cheeseburger with fries has considerably more calories than baked chicken and broccoli. We don't need Eric Schlosser to inform us of this.

One gets the impression that despite his voluminous discussion of the alleged problems of the fast food industry, Schlosser has never paid close attention to the menu items at Wendy's, McDonald's, or Burger King. These fast food restaurant chains, and many others, have adapted to the American public's demands for healthier foods by cutting down on fat grams, offering more and more salads, wrap sandwiches, and other more healthful items, as well as all kinds of low-carb offerings. The free market is working, in other words. But Schlosser's book is nothing if it is not an uninformed attack on the free market in the food industry.

Schlosser reveals his true agenda in the book's epilogue, where he sings the praises of "scientific socialists," a term that Lenin used to boast of the alleged accomplishments of Soviet socialism. He lambastes capitalism in general and waxes eloquent about the alleged munificence of government intervention, from the job-destroying minimum wage law to "public works" departments and road-building programs, which have been perhaps the most

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colossal examples of government waste, fraud, inefficiency, and corruption.

He ends the book by recommending a blizzard of government intervention, as though that will make us all thinner, fitter, and healthier. We need more government “job training” programs, he says, despite the fact that such programs were even deemed to be abysmal failures by the U.S. Congress itself in the 1970s when it sunset the Comprehensive Employment and Training Act (CETA). We need more laws that give special privileges to labor unions, says Schlosser, who is apparently ignorant of how such union power played an important role in almost destroying the American steel and automobile industries, among others, over the past several decades.

The food industry is regulated by federal, state, and local bureaucracies, and by “consumer activist” busybodies in the nonprofit sector, but that is not enough for Schlosser, who advocates layers and layers of additional regulatory regimentation. He ignores the most important type of “regulation” of the fast food industry: consumer sovereignty. It is the quest for the consumer’s dollar that creates the most potent incentives to offer safer, tastier, and healthier food, but Schlosser makes no acknowledgment at all of this important fact.

Creating a new Soviet-style bureaucracy to control, regulate, watch over, and punish ranchers,

farmers and supermarkets is also on Schlosser’s policy menu, further revealing his rather childishly naïve, pie-in-the-sky view of government as some sort of omniscient and benevolent nanny.

Free commercial speech is also a problem that could be corrected with advertising bans. This, too, reveals Schlosser’s economic ignorance: Advertising makes the fast-food industry *more* competitive and therefore *more* likely to offer healthier food. If McDonald’s is the first to come up with say, a tasty, low-carb meal, it will want to advertise that fact heavily. And if it is popular, the profitability of the meal will induce all of McDonald’s competitors to produce similar offerings.

***“Schlosser does nothing more than repackage some of the same tired old myths about capitalism that earlier generations of muckraking socialists perpetrated.”***

Schlosser does nothing more than repackage some of the same tired old myths about capitalism that earlier generations of muckraking socialists perpetrated. Indeed, on the back of the paperback edition of *Fast Food Nation* is a blurb from the *San Francisco Chronicle* proclaiming that Schlosser is “channeling the spirits of Upton Sinclair and Rachel Carson.” Indeed he is. Sinclair was the early twentieth-century socialist author of the

book, *The Jungle*, which turned out to be a wildly inaccurate and unfair portrayal of the meatpacking industry.

Rachel Carson’s fable about the alleged dangers of pesticides, the 1962 book, *Silent Spring*, became a classic of the environmental movement despite the fact that it was a work of *fiction*. The book had a powerful influence, however, and governments throughout the world banned DDT and other pesticides beginning in the early 1970s. This ban has led to the death of literally millions of people in the Third World from malaria. It has also caused numerous crop disasters as voracious insects that were once killed off with DDT are no longer, and substitutes are often unaffordable in Third World countries.

In 1970, shortly before DDT was banned, the National Academy of Sciences determined that DDT had saved 500 million lives over the previous three decades by eradicating malaria-carrying mosquitoes. DDT was banned by the U.S. government in the early 1970s despite the fact that no science was presented that it had the effects that Carson and the environmental movement claimed it had.

Even if the National Academy of Sciences estimate of lives saved by DDT is off by a multiple of two, Rachel Carson and her crusade against the pesticide would still be responsible for more human deaths than most of the worst tyrants in world history.

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## Devolving Power from Washington, D.C., to the States, Part I

Fred Barnes

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Department, the Commerce Department, the Energy Department, and the Department of Housing and Urban Development without having their functions picked up by other agencies, and still be better off. But that's not what most of the public thinks.

Another point is that devolution isn't a program — it's a transfer of duties and powers from the federal government to the states. Some states you just don't want to give power to. Should you give more power to California, a state that has an 11-percent top state income tax rate? Maybe Governor Pete Wilson has gotten it down about a percent, maybe it's only 10 percent right now. (In Virginia, I think it's 5.75 percent.) New York has committed every economic sin. These states are, in some ways, ill-governed. Do we want to give them more power?

The jury is still out on whether state and local governments can actually outperform the federal government. There have been times in American history when things had to be forced on states, like getting rid of malapportioned legislatures and eliminating segregation. Without the federal government, the federal government, even though it used a specious grounds of national defense, we would not have an

## *Facts & Opinions* Question of the Quarter: Do universities in Iowa promote anti-free market thought?

Send your thoughts on this issue to us at [public.interest.institute@limitedgovernment.org](mailto:public.interest.institute@limitedgovernment.org). We will publish some of your ideas in the next issue of *FACTS & OPINIONS* in November 2005 and on our Website at [www.limitedgovernment.org](http://www.limitedgovernment.org).

interstate highway system, which I like very much. We couldn't have it if it had been left to the states to devise a system like that.

Here's something to think about: When it comes to some crisis or big issue, it's hard for politicians to say, "The best thing for me to do is nothing." That's a quick way to get unelected. People expect politicians to act. I remember when Gerald Ford did very little during the recession of 1974 and 1975, and then ran for re-election. (During a recession, it was the smartest thing for the federal government to do, economically. Usually programs don't even come on line until after the recession's over.) Still, it's very tough for a politician to say, "I went eyeball to eyeball with that recession, and I didn't do a thing."

Now we have a practice that President Clinton has set as a precedent. Wherever there's any disaster or quasi disaster, the President has to visit, and he has to bring some money or relief with him. He had to go out after the Los Angeles riot. He went and spoke to the families of TWA 800 in Long Island, and so on. People tend to like when a President does that. Is it good policy in many of

these cases? No. But politically, I think we're stuck with all of this — a lot of challenges.

*Ed. Note: This is the first in a two-part series. In the November 2005 FACTS & OPINIONS, Part II by Grover Norquist of Americans for Tax Reform will be published. Fred Barnes is Executive Editor of the Weekly Standard and co-host and commentator on Fox News Channel. These articles were originally published in the Spring 2005 edition of the Journal of the James Madison Institute. For more information, visit [www.jamesmadison.org](http://www.jamesmadison.org). Reprinted with permission.*

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## Marx Lite

Thomas J. DiLorenzo

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The second, and truly asinine, book of choice by the academic left is *Nickel and Dime*, by Barbara Ehrenreich. Although she is a PhD biologist who has written for *Time*, *Harper's*, *The New Republic*, *The Nation*, and the *New York Times Magazine*, Ehrenreich pretended to be an indigent, entry-level restaurant and hotel worker so she could write a book about her experiences. To add to Eric Schlosser's remarkable scientific discovery that pigging out on fast food seven days a week will make you fat, Ehrenreich makes the momentous discovery that entry level jobs at fast food restaurants don't pay very well.

Her main theme is that people who leave the welfare rolls and go to work have a tough time of it. Of course, that is true of many who are entering the job market for the first time, whether they have been on welfare or not. On the other hand, the hordes of immigrants from Mexico and Central America — legal and illegal — seem, for the most part, overjoyed at the prospect of having such jobs and moving up and on from there, as generation after generation of Americans has done. They obviously have not read *Nickel and Dime*.

What Ehrenreich's sob stories about the rigors of work at entry

level jobs shows is not that capitalist bosses are greedy, uncaring exploiters — the watered down Marxist theme of her sophomoric book — but that the welfare state, combined with the disastrous government-run school system, has destroyed the work ethic and job prospects for millions of Americans. Why prepare oneself for a life of work if it is possible to simply sit back and collect a welfare check?

This of course is yet another example of what economists call the moral hazard problem of the welfare state. By supposedly helping “the poor,” the welfare state *harms them* by inducing them to avoid doing the very things that will make them un-poor — learning how to interact in society, such as at a job; learning a skill or trade; learning how to be a responsible citizen and employee; saving some of your earnings; and getting married and staying married.

The fact is, every mentally capable person looks at entry-level jobs as a first step on the economic ladder. And it is certainly true that there is a great deal of upward mobility in the U.S. labor market for those who want to work, gain experience, learn on the job, and continue to educate themselves. Ehrenreich makes no mention at all of any of this.

Like Schlosser, Ehrenreich whines like a baby about the alleged “cruelty” of capitalism while championing the same tired, old socialistic agenda that Schlosser does. She advocates a super minimum wage that would price out of jobs thousands of the

very people she claims to be so concerned about — entry level restaurant and hotel workers. She urges government to build more government housing projects, bemoaning the fact that public housing subsidies declined during the 1990s.

For one thing, welfare subsidies of all kinds often fail to rise as rapidly during times of vigorous economic growth, such as in the 1990s (even if that growth was artificially fuelled by expansionary monetary creation by the Fed). Ehrenreich simply does not understand this. Nor does she seem familiar with the disaster that government-run housing projects have been in every city in America. The absence of property rights in “free” public housing has created a nationwide system of gigantic, abysmal slums plagued by crime and squalor. Ehrenreich thinks we need more of this.

Moreover, all the increases in government spending Ehrenreich calls for would only siphon even more resources from the private sector — the source of all government funding — causing *fewer* jobs to be created there. It would also place a larger tax burden on all workers, including the ones she claims to be speaking for. The average American family already pays more in taxes than for food, clothing, and shelter combined, as Amity Shales documents in her book, *The Greedy Hand*, and Ehrenreich's big-government agenda would only increase this already confiscatory burden.

Authors like Schlosser and Ehrenreich get big book contracts from major publishers, are treated

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## Marx Lite

Thomas J. DiLorenzo

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like celebrities on college campuses and paid hefty speaking honoraria, and are always optimistically portrayed as the next Upton Sinclair or Rachel Carson. But their books are nothing more than carefully scripted, anticapitalist drivel that is void of even the most elementary level of economic logic or analysis. This is why economics is so important: today's college students who remain ignorant of economics are all the more likely to be bamboozled by books such as these that call for an end to the very system that is the sole source

of American prosperity — and of their own economic futures. Capitalism and its essential ingredient — private property — are also a prerequisite for freedom.

For as Ludwig von Mises wrote in *The Free and Prosperous Commonwealth* (p. 67): “Private property creates for the individual a sphere in which he is free of the state. It sets limits to the operation of the authoritarian will. It allows other forces to arise side by side with and in opposition to political power. It thus becomes the basis of all those activities that are free from the violent interference on the part of the state. It is the soil in which the seeds of freedom are nurtured and in which the autonomy of the individual and ultimately all intellectual and material progress are rooted.”

If we continue to pay attention to authors like Schlosser and Ehrenreich who blame the free market for the problems we face, public support for the market will dwindle to less than it is already, and the prosperity that the free market generates will be destroyed.

*Thomas J. DiLorenzo is Professor of Economics at Loyola College in Maryland and author of How Capitalism Saved America (New York: Crown Forum, 2004). This article was originally published in the December 2004 monthly The Free Market, published by the Ludwig von Mises Institute. Please visit [www.mises.org](http://www.mises.org) for more information. Reprinted with permission.*