



FACTS & OPINIONS

On Public Interest Issues

Quotes

The budget should be balanced, the Treasury should be refilled, public debt should be reduced, the arrogance of officials should be tempered and controlled, and the assistance to foreign lands should be curtailed lest Rome become bankrupt.

—Cicero, 63 BC—

The market is not an invention of capitalism. It has existed for centuries. It is an invention of civilization.

—Mikhael Gorbachev—

The problem with depending on government is, you can't depend on it.

—Tony Brown—

Motivated by the pursuit of private gain, individuals promote the public welfare.

—Walter E. Williams—

Everyone wants to live at the expense of the state. They forget that the state wants to live at the expense of everyone.

—Frederic Bastiat—

Making cents by shrinking government

by Jackie King

At least one researcher says taxpayers will save money through privatization and downsizing.

There's only one way for government to become more efficient: shrink it and put what are now federal programs under local control.

That's the conclusion drawn by William D. Eggers, the co-author of "Revolution at the Roots: Making Our Government Smaller, Better, and

Jackie King is a political reporter for Des Moines Business Record.

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Closer to Home," after spending more than two years on the road and visiting with hundreds of public officials.

Eggers, speaking at Iowa Wesleyan College in Mount Pleasant recently, says government has grown too large to be responsive. By trying to be all things to all people, it has lost focus.

Instead of governance from Washington, Eggers suggests we put control on the local level.

"Why should someone in Boise send \$1 in tax money to

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600 North Jackson Street, Mt. Pleasant, IA 52641

319-385-3462 • Fax 319-385-3799

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IDEAS DO MATTER.

Shrink It

by Jackie King

“Why should someone in Boise send \$1 in tax money to Washington, only to get it back with some administrative costs [taken out] and strings tacked on?”

Jackie King is Political Reporter for Des Moines Business Record
4th Street at the Depot
Des Moines, IA 50309
515-288-3336

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Washington, only to get it back with some administrative costs [taken out] and strings tacked on?” Eggers asked. “Why shouldn’t that dollar be spent right in Boise on programs that Boise needs and wants?”

Eggers, who is the director of both the Privatization Center and the 21st Century Government Project at the Reason Foundation in San Diego, should know what he’s talking about. He is also serving as a commissioner for quality and productivity for the city of Los Angeles. And he believes government is just trying to do too much.

“While we were traveling, we learned that many cities, in an attempt to save money, are now giving their zoos, museums, botanical gardens, things like that, to non-profits,” he said. “The non-profit groups really care what happens to those things, so what happens is more private money is used on them and you see a declining public subsidy. Non-profits are uniquely qualified to get grants and donations, and that eases the load on government.”

Eggers also believes that much of our welfare system should be “privatized,” or at least turned over to charitable groups that have traditionally dealt with the poor. Charitable groups and charitable giving have been replaced by the government dole.

“When you look at giving in America, it has certainly shifted over the past 50 years from giving to organizations

that deal directly with the poor to cultural organizations. It has shifted to the arts.

“There have been several scholarly studies over the past several years that show that for every percentage point increase in government spending on welfare, you will have a similar decline percentagewise in charitable giving.”

Eggers said eliminating some layers of government also would make it much easier to see tax money at work.

“What’s happening now is that there is so much cross-subsidization, that we can’t really keep track of what is happening.”

He suggested some areas could be trimmed more easily than others.

“There’s nowhere in the Constitution that provides for the federal government to have a role in some of these areas,” he said. “Education, social services, others. I really don’t think you’ve seen any positive effects from those federal programs.”

Instead, Eggers suggested that social service dollars be turned over to the states to handle.

“They’re already providing a lot of that funding. The states know what works in their communities. They also know what doesn’t work. Why should they be mandated to do something that they know just doesn’t work? That’s where downsizing the federal government and turning some of those programs over to local and state governments makes sense.” □

Privatize

by Lawrence Reed

The Push for Privatization

Lawrence Reed is Executive Director of the Mackinac Center for Public Policy
119 Ashman Street
Midland, MI 48540
517-631-0900

Privatization in one form or another is now an ongoing revolution in local government — with a track record that ought to convince even the most skeptical. Dozens of studies and countless real experiences have documented substantial savings. And the more it's done, the more we learn about when and how to do it right.

An article in the June 22, 1995 USA Today focused on the huge savings and service improvements that local governments are now realizing through carefully-crafted privatization programs. Indianapolis Mayor Stephen Goldsmith told the newspaper, "Virtually every subject we touched, costs came down about 25%." Introducing competition between local government workforces and private firms, the story strongly suggested, is a "key" to both less and better government.

“The Earth Isn't Flat Any More”

Still, one hears such outrageous claims as, "Privatization is not proven to be a cost-cutter." At a sparsely attended, union-sponsored conference on the subject in Mt. Pleasant on June 3, a Central Michigan University philosophy professor dismissed the whole idea as nothing more than corporate greed. Another speaker said that local govern-

ments privatize when they know it will cost more just so they can get rid of public employees.

We've said it many times, but let's say it again here: privatization is not a panacea; it won't cure every ailment of government. It shouldn't be done haphazardly or behind closed doors. To work effectively, governments must do their homework — accurately accounting for all costs, selling assets at open auction or writing contracts and monitoring work carefully, and establishing an open, competitive bid process, for example. Alleged privatization failures are almost always not the result of a faulty idea, but rather are the predictable result of a poorly-conceived process.

Opponents of privatization like those at the Mt. Pleasant meeting need to start doing their homework too. They should stop pushing self-serving myths and half-truths, get beyond the first-grade rhetoric, and acknowledge the facts of life. Privatization is accomplishing much that is good, and can do so much more if honest citizens are devoted to pursuing it with care. Instead of carping from the sidelines, opponents would suddenly be relevant to the times if they focused on giving governments constructive advice about avoiding the pitfalls and embracing the best of the privatization option.

The Earth is round. Privatization is working. Let's get on with it. □

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Voters

by Scott W. Rasmussen

“Do you think expenditures by government for relief and recovery are too little, too great, or just about right?”

Too Little	9%
Too Great	60%
About Right	31%

SOURCE: Gallup Poll of 1,500 adults conducted September 10-15, 1935

Scott Rasmussen is Editor of Portrait of America.
Grassroots Research
2915 Providence Road
Charlotte, North Carolina
28211
704-365-4621

Sixty years ago last November, Gallup pollsters asked 1,500 adults a question that is now the oldest polling question recorded in the Roper Center's extensive data base. During the depths of the Depression, while FDR and the New Deal were riding high, Gallup found that 60% of those surveyed felt the government was spending too much for “relief and recovery.” Another 31% thought government was spending “just about right” while only 9% thought the government was spending “too little.”

No wonder voters were angry! We've been sending the same message for 60 years and we've been ignored all that time. Of course, we have muddled the message by continuing to elect people who thought government was spending “too little.” As a result, federal spending today (adjusted for inflation) is more than 10 times higher than it was in 1935.

Since then, while big spenders won elections, Gallup has repeatedly documented voter interest in restraining government. **Decades of data show that voters consistently believe taxes are too high, roughly half of federal spending is wasted, term limits are a good idea, and Big Government is more of a threat to the nation's future than Big Labor or Big Business.**

This difference between voter actions and voter opinions is a major paradox of the New Deal era. Politicians appealed to both strands by pitching new spending programs while providing assurances that overall spending and taxes would not increase. For

a while, the miraculous economic growth of the 1950s and '60s provided enough maneuvering room for elected officials to have it both ways. Not any more!

While the history books focus on the election results and new government programs, there was always an undercurrent of resistance that has been generally ignored. For example, it was during the 1930s that Will Rogers raised mockery of public officials to an art form. Later, when TV became a staple in America's households, anti-tax jokes became a staple on TV sitcoms. For Don Adams and others, the Bureau of Internal Revenue was always good for a laugh.

More substantively, a drive began in the 1930s to abolish the 16th Amendment and eliminate the income tax. With a second push in the 1950s, a total of 35 states applied to Congress for a Constitutional Convention to propose federal tax limitation amendments (some rescinded their applications so a convention was never held). Seen in this context, the only surprise about the Proposition 13 tax revolt in California is that the voters waited so long.

Ironically, the strongest evidence of the anti-government undercurrent comes from the politicians themselves. From Roosevelt to Clinton, career politicians have done what comes naturally to elected officials — they tried to please everybody. While selling new programs, they also worked hard to go on record sharing voter concerns about excessive government spending and deficits.

“Today's anti-government mood is not something new and different. It is merely an expansion of a very large political base that has been around for at least 60 years.”

Lyndon Johnson had government accounting procedures changed to hide growing deficits. His administration co-mingled trust fund surpluses with the government's operating budget. Not only that, the passage of Medicare and other Great Society programs during his presidency was facilitated by budget projections grossly underestimating their cost.

Johnson, of course, was not alone. Politicians of both parties loved an income tax system that used inflation to raise taxes by pushing people into higher tax brackets. This saved them from the political risk of having to vote for tax increases. Even better, it allowed members of Congress to periodically vote for tax cuts that they could talk to voters about during election time. Naturally, the tax cuts gave back only a portion of the government's windfall.

The Reagan Administration ended this political free ride by indexing the tax code to protect taxpayers from inflation. Unfortunately, though, the Reagan years had gimmicks as well. David Stockman wanted to show spending cuts in the budget without identifying which programs should be cut. His solution was to create a “magic asterisk” representing \$44 billion in savings to be identified later. Surprise, surprise, these savings never were identified!

By the Reagan years, career politicians had also

created **current services budgeting, which labels any reduction in the rate of spending growth as a spending cut. This fraudulent technique still allows Congress to vote for spending “cuts” while approving larger and larger budgets.** In Washington, the politicians can keep their empire growing. At home, they can talk about their votes for spending cuts.

Even Franklin Roosevelt recognized the deep public resistance to government growth. When pitching Social Security, he made it sound as if the government would be administering a conventional pension plan. He implied that workers would pay money into a trust fund and draw upon that fund in retirement. The government's role was merely to put the “trust” in the trust fund. FDR did this because he knew that voters would never support the massive Ponzi scheme that was actually being created.

Eventually, politicians came to believe that voters liked spending cuts in the abstract, but not for specific programs. Polls were then conducted which seemed to back up this theory when respondents rejected spending cuts being debated by the politicians. For example, surveys on Social Security generally found that more than 90% of respondents would rather leave the system alone instead of cutting the Cost-of-

Living Adjustments (COLAs) for retirees.

What this polling missed is that voters were rejecting spending cuts proposed by politicians, not all spending cuts. Six years ago, to highlight this distinction, I commissioned a national opinion poll of 519 adults. Respondents were given five options for the future of Social Security — leave the system alone, cut COLAs, means-test it, make Social Security voluntary, and raise the retirement age while cutting the payroll tax. Given legitimate choices, 2 out of 3 respondents wanted to change Social Security.

Not surprisingly, cutting COLAs was the least popular reform. That's precisely why it was used for years to “prove” that people don't want to cut Social Security spending.

What all of this means is that today's anti-government mood is not something new and different. It is merely an expansion of a very large political base that has been around for at least 60 years. The base has expanded to become dominant today because one aspect of public opinion has changed since the New Deal. In 1935, voters trusted their government to do the right thing. **Today, they don't.** ¶

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Mandate

by Scott DeFife

Conditions on voluntary federal grants-in-aid are not defined as “mandates.”

Scott DeFife is a research analyst with: National Conference of State Legislatures
444 N. Capitol St., N.W.
Washington D.C. 20001
202-624-8670

THE UNFUNDED MANDATES REFORM ACT OF 1995

One of the first laws passed by the 104th Congress was the Unfunded Mandates Reform Act of 1995 (PL 104-4). The law is based on three fundamental principles: information, accountability, and consultation. It aims to restore balance to intergovernmental fiscal relations. State and local interests should view it not as a cure to the problem of unfunded mandates, but as a strong first step in correcting this problem.

The Act requires Congress to either pay for federal mandates or take a roll call vote in favor of passing on the costs to state and local governments.

Proposed in 1993, the legislation gathered momentum after the November 1994 elections and became the first bill introduced in the Senate during the 104th Congress. The legislation changes the way Congress and the federal bureaucracy deal with legislation that affects state and local governments, as well as businesses.

Title I — Legislative Accountability and Reform.

Title I of the Act requires the Congressional Budget Office (CBO) to estimate state

and local costs for federal mandates in certain pieces of federal legislation. There is a \$50 million annual aggregate threshold that allows points of order to be raised against any legislation that contains a federal mandate without a cost estimate. If a mandate in excess of \$50 million exists, then the legislation must also provide a mechanism for funding it. A point of order to ensure that a cost estimate is performed and that a method of paying for the mandate is included can be overridden by a recorded vote of a majority in the House or Senate. If the legislation contains a method to pay for the mandate, but the appropriations are not later provided, the mandate expires. Therefore, this title requires members of Congress to either acknowledge and pay for a federal mandate or go on record as supporting the passage of a federal mandate.

In the Act, “mandates” are defined as “any provision in legislation, statute or regulation that would impose an enforceable duty upon state, local or tribal governments.” Exceptions include conditions on voluntary grant programs, and provisions that enforce constitutionally protected rights of individuals and prohibit discrimination on the basis of race, color, religion, gender, national origin, age, handicap or disability status, or are necessary for national emergencies or disasters.

Points of order may also be raised as to bills that enact a cap or otherwise limit federal

Mandate

(continued)
by Scott DeFife

Federal agencies must now consult with elected state officials before promulgating costly new regulations.

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payments to an entitlement program involving matching payments by the states, such as Aid to Families with Dependent Children or Medicaid, unless the states are granted flexibility under the law to alter their end of the partnership.

Title II — Regulatory Accountability and Reform.

Title II of the Act sets forth a series of steps that federal agencies must take, including a cost-benefit analysis, before promulgating any regulations that would cost state, local or tribal governments and the private sector \$100 million or more annually. The Office of Management and Budget (OMB) has issued guidelines that emphasize agency consultation with elected representatives of state and local governments. Agencies are required to consider several alternatives to the regulatory path they would otherwise take and to choose the least burdensome, most cost-effective option. OMB is also required to set up pilot programs in two federal agencies to implement a more flexible regulatory approach in its dealings with state, local, tribal, and private concerns.

Title III — Review of Federal Mandates.

Title III authorizes several studies to be performed by the Advisory Commission on Intergovernmental Relations (ACIR). The ACIR is to report on:

- the role of federal mandates on state and local govern-

ments and the private sector,

- recommendations on easing existing mandates,
- judicial mandates, and
- a feasibility study on measuring the direct and indirect cost of mandates.

The report on judicial mandates has been completed, and the others are under way. The prospects for ACIR to receive full funding in the Fiscal Year 1996 budget to complete these studies are uncertain. ACIR is collecting examples of the most onerous mandates and should make recommendations on possible congressional action by the spring of 1996.

Title IV — Judicial Review.

Title IV allows courts to order a federal agency to conduct a cost-benefit analysis, but does not allow a court order to invalidate an agency regulatory action. Other aspects of the law are exempted from judicial review.

The CBO has set up a State and Local Cost Estimate Unit and is building a network of cooperating state and local officials and analysts to help develop the cost estimates. National Conference of State Legislatures (NCSL) and the Federal Funds Information Service for States have been meeting with the CBO and have organized a list of state contacts. NCSL will continue to monitor the implementation of the Act. □

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Executive Director
Dr. Don Racheter

State Research Director
Greg E. Watson

Public Relations Director
Pat Newville

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Reverse Privatization? Indigent Defense Costs Savings

by Bob Rafferty

Governor Terry Branstad said he'll ask the 1996 Legislature to shift more work away from private lawyers to lower-paid state public defenders.

The state of Iowa expects to spend approximately \$21 million on indigent defense this year and costs are expected to increase 20 percent over the next two years. Nearly the entire increase in costs would go to private, court-appointed attorneys to provide legal representation to indigents.

According to the Department of Management, state-employee public defenders cost about \$215 per case last year, while private attorneys charged on average \$355 per case.

Bob Rafferty is Executive Assistant to Governor Branstad, Office of the Governor, State of Iowa.

Branstad said he will propose the hiring of additional state public defenders.

In recent years, the state has adopted a number of cost-containment strategies to help control rising indigent defense costs. In 1991, Branstad proposed, and the Legislature approved, expanding the state public defender office, shifting more of the indigent defense work from the private sector to state employees. In 1992, court-appointed contracts paying \$45 an hour were required for private attorneys providing indigent defense in 19 counties.

The public defender office represents indigents in 40 of Iowa's 99 counties and has not requested any expansion in its budget. □

**Public Interest Institute
at Iowa Wesleyan College
600 North Jackson Street
Mt. Pleasant, IA 52641**