



FACTS & OPINIONS

On Public Interest Issues

Quotes

The basis of our political system is the right of people to make and to alter their constitutions of government.

—George Washington

Our liberties we prize, and our rights we will maintain.

—Iowa state motto

You used to be able to bribe politicians. Now you have to submit sealed bids.

—Anonymous

I cannot and will not cut my conscience to fit this year's fashions.

—Lillian Hellman

The strength of a nation is derived from the character, not from the wealth, nor from the multitude of its people.

—Adam Ferguson

* * *

A New Beginning for Social Security

Pete Du Pont, IntellectualCapital.com

What is the difference, the cold war conundrum goes, between a magician, a Christian, and a communist? The magician asks you to see what you can't believe; the Christian to believe what you cannot see; and the communist — well, he asks you to disbelieve what you can see all too clearly.

Unfair Investment, Unstable System

Today's liberals are not communists. But they do ask the young people of America to disbelieve what they so clearly see: that Social Security is a terribly unfair investment for them. It is an investment required by law that is certain to pay them back less than they invest.

Worse, the entire Social Security system very soon will be in real financial difficulty. The system's Trustees report that in just 15 years Social Security tax revenues will be insufficient to cover benefits. The New York Times calculates that the baby boomer generation is entitled to nine trillion more in benefits than the following generation is obligated by law to pay into Social Security.

Remarkable Shift to Market Solutions

Help is on the way. Last year President Clinton's Advisory Council on Social Security released the results of a three-year study to determine how "to return the program to long term financial stability." Amazingly,

continued on page 2

A New Beginning for Social Security

Pete du Pont

Pete du Pont is Editor of IntellectualCapital.com, a public policy website, located at <http://www.intellectualcapital.com>. Reprinted by permission.

Indeed, all thirteen members favored investment of Social Security funds in financial markets — some thought the government, not the individual should do the investing.

Under this plan, we would own our own retirement assets, and be able to leave them to our children or grandchildren.

continued from page 1

the Commission recognized that “Little support exists today for increasing payroll taxes by the 2.17 percentage points [needed] to provide long-term balance” in the Social Security system.

More astounding still, five of the thirteen members of the Commission favored a system of private, Personal Security Accounts, similar to IRAs in which individuals would invest a portion of their Social Security taxes directly in the financial markets. Indeed, all 13 members favored investment of Social Security funds in financial markets — some thought the government, not the individual, should do the investing.

Lest you think this is trivial policy-wonk talk, consider the massive shift in thinking a market approach to retirement security represents. Eleven years ago last November, as part of the 1988 presidential campaign primaries, I offered a similar proposal to save Social Security by setting up optional Financial Security Accounts. Vice President Bush thought it a “dumb” idea. So in less derisive tones, did Dole, Kemp, Dukakis, Gephardt, and all of the other presidential candidates running that year.

In a decade, we have moved from “dumb” to endorsement of the concept by a near majority of a bi-partisan blue ribbon com-

mission appointed by a Democratic administration endorsing the concept.

Energizing Generation X

Just letting the market genie out of the bottle may energize the largely dormant Generation X-ers, whose only participation in the debate about their retirement years has been to express disbelief that Social Security will even be there for them. We’ve all heard the poll results: more young people believe in UFOs than believe that they will ever see a Social Security check.

Now there is a concrete plan to achieve three long-sought retirement objectives. Under this plan we would own our own retirement assets, and be able to leave them to our children or grandchildren. Today, of course, there are no Social Security assets that belong to us.

Second, we will begin to pay for our own retirement and stop, as Chile’s Jose Pinera puts it, “sitting around the table figuring out how to make our children pay for it.”

Finally, a market-based system not only can increase our monthly retirement check by a factor of two or three, but all the inequities of the present Social Security system disappear: the poor will get real retirement assets; people who die young will have something to pass

A New Beginning for Social Security

Pete du Pont

FACTS & OPINIONS is one of four quarterly newsletters published by Public Interest Institute at Iowa Wesleyan College. It appears in February, May, August, and November.

The Institute is a nonpartisan, nonprofit, research and educational institute, whose activities are supported by contributions from private individuals, companies, corporations, and foundations. Contributions are tax-deductible under sections 501(c)(3) and 170 of the Internal Revenue Code. The Institute does **not** accept government funding of any kind.

Permission to reprint in whole or part is granted, provided a version of this credit line is used: "Reprinted by permission from **FACTS & OPINIONS**, a quarterly newsletter of Public Interest Institute."

The views expressed in this publication are those of the authors and not necessarily those of the Institute.

If you have an article you believe is worth sharing, please send it to us. All or a portion of your article may be used. The articles in this publication are brought to you in the interest of a better-informed citizenry, because **IDEAS DO MATTER**.

CALL us at 319-385-3462,
FAX to 319-385-3799,
E-MAIL to piiatiwc@se-iowa.net, or
WRITE us at Public Interest Institute
600 North Jackson Street
Mt. Pleasant, Iowa 52641-1328

Executive Director
Dr. Don Racheter

Copyright © 1998

on to their kids; and intergenerational unfairness is eliminated — young people will get the same deal as older ones.

Saving Social Security from the Socialist Mindset

Of course, the battle has just begun. While a divided Commission did offer a bold plan, it is a long way from acceptability, let alone enactment. A socialist mindset still dominates America's power structure when it comes to Social Security.

Six members of the Commission, led by former Social Security Commissioner Robert M. Ball, "are completely opposed to any plan [in] which. . . part of the [Social Security] protection [is] dependent on earnings from individual investment."

Big Labor is opposed too, and has denounced both the individual investment concept and announced a major political coalition to kill it.

Democratic Senate Minority Leader Tom Daschle (D-SD) scotched the idea the day before it was announced as a "non-starter." Senate Budget Committee Chairman Pete Domenici (R-NM) thinks we should "go slow" on the idea. New York Senator Pat Moynihan wants band-aids to patch up the tottering pay-as-you-go system.

But the deed is done. Greater freedom to invest and greater financial security in our retirement years have been proposed. One day it will come to pass. The only question is when: In time for your retirement? Or only for your kids'? ◊

IOWA FACTS

Did you know?

Iowa has 41 public and private colleges, and 15 community colleges.

24% of America's pork and 4% of the nation's grain-fed beef are raised in Iowa.

Over 13 million travelers spend three billion dollars in Iowa each year.

For more facts on life in Iowa, consult Public Interest Institute's *Statistical Profile of Iowa*.

Order your copy for \$12.00, by calling, faxing, e-mailing, or writing the Institute:

**Phone: 319-385-3462
Fax: 319-385-3799
Email: piiatiwc@se-iowa.net
Address: Public Interest Institute at Iowa Wesleyan College, 600 North Jackson, Mount Pleasant, Iowa 52641**

Education Reform in Iowa: A Personal View

Ian Binnie

Ian Binnie is a former member of the Des Moines Public School Board. He gave this testimony at a recent Congressional hearing on education reform held in Des Moines.

Reading by the phonics method, arithmetic by rote, were taught from day one.

My defeat I believe was largely due to my maintaining the sacrilegious position that the schools' problem was not too little money but too much.

I was born and raised on the east side of Glasgow, Scotland — a city which in those pre-WWII days enjoyed the reputation of being the slum capital of western Europe. Education was seen as the only way out of the grinding poverty of the Depression and was correspondingly a tough, no-nonsense affair.

The school-leaving age was 14 and only the privileged few went beyond that. There was no time for frill, and self-esteem was something that had to be earned by individual effort.

Reading by the phonics method, arithmetic by rote, were taught from day one. History and geography followed as soon as possible, and at the age of 11 a foreign language followed a year later by another language.

Tracking was standard, and promotion was by a combination of class record and year end exam. Damage to the psyche was not considered. The system, like all systems, worked well for some — less well for others. It did have the merit of rewarding those willing to work.

There was also daily prayer and Bible reading. As I turned into a confirmed secularist, the current fears in this country of religious indoctrination would seem to have little foundation.

Both my children were

born in Toronto, Canada. The laws of the province of Ontario allowed you to designate your local school taxes either to the public school system or to the parochial schools. Ontario did not become a religious dictatorship because of this.

Both my children got most of their education in the Des Moines school system and apparently suffered no lasting damage. Both graduated from college.

My wife was active in the PTA. I served one term on the Des Moines Public School Board and failed to be elected to a second term. My defeat I believe was largely due to my maintaining the sacrilegious position that the schools' problem was not too little money but too much. This encouraged them to neglect the basics in favor of various forms of social engineering which had the advantage of having no measurable standards.

I do not hold up the Scottish or Canadian school systems as shining examples. The one thing that I know about the good old days is that they weren't all that good. But I submit that they were as successful as our American system, demonstrating that there is more than one way to educate children.

However, my varied experiences have led me to some conclusions. The first is that the federal

Education Reform in Iowa: A Personal View

Ian Binnie

Public education should simply be the education of the public at public expense.

America's prosperity is based on two premises, freedom of choice and competition, both lacking in public education, except for the rich.

government has no place in the education system, which should be left to the states, who in turn would be well advised to leave it to local government.

The second is that public education is fundamentally flawed and beyond repair of the usually proposed Band-Aid variety. Public education should simply be the education of the public at public expense. Instead, what we have is a state monopoly — except for the rich.

In fact, American public education is fundamentally un-American. With the demise of the Soviet Union, American public education is the world's largest remaining socialist system.

America's prosperity is based on two premises, freedom of choice and competition, both lacking in public education, except for the rich. They must be injected — which means adopting a 100% voucher system to allow all parents to send their children to the school of their choice which will have to compete for their business just like any other American enterprise. Anything else is doomed to failure and a waste of time.○

Would you like more information on education reform in Iowa? Contact the Institute at 319-385-3462.

Legislative Update

Stephen Lazarus

Here are some key issues to watch in 1998 affecting Iowans:

Taxpayers' Rights Amendment

This proposed amendment to the Iowa Constitution would establish a limit on the ability of state and local government to raise taxes and spend revenue. It would permit each level of government's revenue and spending to grow no faster than the inflation rate, plus population growth.

This constitutional limit would restrict the power of government to impose ever higher taxes. If the Taxpayers' Rights Amendment is adopted, the percentage of Iowans' total personal income consumed by state and local government spending would gradually decrease.

The Amendment would allow the limit on taxing and spending to be lifted temporarily in case of emergencies by either a majority vote of citizens in a referendum, or by the approval of two-thirds of both the Iowa House and Senate. Keep an eye on this one.

continued on page 6

Legislative Update

Stephen Lazarus

Stephen Lazarus is a Research Analyst with Public Interest Institute.

The Commission has called for \$105 million to implement its recommendations. However, insiders say that this price tag far underestimates the money actually required.

continued from page 5

Education

Watch for education to take center stage as Legislators debate the recommendations of the Pomerantz Commission. The report recommends several changes to Iowa's educational system. Included among these are: raising the minimum salary of teachers to \$27,000 over a three-year period; establishing a new merit pay system to motivate and reward the state's best teachers; and measuring the academic progress of schools and school districts by issuing regular "report cards."

The Commission has called for \$105 million to implement its recommendations. However, insiders say that this price tag far underestimates the money actually required. This will especially be true if the Legislature forces school districts to increase the entry pay for teachers. Raising the entry salary for teachers to \$23,000 (and to \$27,000 for those completing internships) will ratchet up salaries across the board.

Also in the education debate will be tuition tax credits for parents of children attending non-government-run schools. The Iowa Catholic Conference proposed a refundable tax credit of \$500 for par-

ents with students in kindergarten through eighth grade, and a credit of \$1,000 for parents with students in high school. However, Governor Branstad supports increasing the amount of the existing tax credit available to parents from \$100 to \$250.

Abortion

This year, 1998, marks the 25th anniversary of the *Roe v. Wade* Supreme Court decision, which made abortion legal in every state for virtually any reason. In the Iowa Legislature, House Majority Leader Brent Siegrist (R-Council Bluffs) has announced that the House will debate a ban on partial-birth abortions. Insiders expect safe passage for the legislation through both chambers. New Jersey recently passed similar legislation.

Payroll Tax Relief

At the federal level, watch for new legislation which would allow workers to deduct fully their share of the Social Security payroll tax from their income tax. This widely-supported tax cut would eliminate an unfair tax on a tax, and increase the take home pay for the average two-income family by \$1,200. An estimated 77 million working families would benefit from the payroll tax deduction.○

Academic Advisory Board Spotlight

Do you have an idea or topic you'd like to see covered in FACTS AND OPINIONS? Let us know! See page three for information on how to contact us.

Public Interest Institute welcomes Dr. William Peirce of Weatherhead School of Management at Case Western Reserve University to National Academic Advisory Board

We are pleased to announce that Dr. William Peirce has joined the Institute's National Academic Advisory Board. The Board consists of 12 distinguished scholars in the fields of economics, management, political science, and public administration.

Dr. Peirce chairs the Department of Economics at the Weatherhead School of Management at Case Western Reserve University in Cleveland, Ohio. His research interests include public choice analysis of the European Union, economics of industrial standards, and land value taxation.

In his role as an advisor to the Institute, Dr. Peirce brings over 30 years of experience in research and

teaching. Included among his teaching specialties are energy economics, public finance, and the economics of technological change.

Dr. Peirce has authored many books and articles of special interest to Institute members. These include: *Bureaucratic Failure and Public Expenditure* (New York: Academic Press, 1981); *Economics of the Energy Industries*, Second Edition (Westport, Connecticut: Praeger, 1996); and "Government: An Expensive Provider," a chapter from *Limiting Leviathan*, a book forthcoming from Public Interest Institute in 1998, edited by Advisory Board Chairman Dr. Richard Wagner and the Institute's Executive Director, Dr. Don Racheter.

Dr. Peirce is also a Trustee of the American Institute for Economic Research.

The Institute is honored this distinguished scholar has joined our Advisory Board. We look forward to our association together and welcome the opportunity to rely on his expertise in the future.

For information on how to obtain research by Dr. Peirce in which you might be interested, or for a complete list of the members of Public Interest Institute's Academic Advisory Board, contact the Institute. (See page three for contact information.)○

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

NONPROFIT ORGANIZATION
U.S. POSTAGE PAID
MAILED FROM ZIP CODE 52761
PERMIT NO. 338

Focus on Iowa Wesleyan College

On January 7, several Iowa Wesleyan College (IWC) faculty and staff members attended the Institute's Alive After Five open house, co-sponsored by the Mt. Pleasant Chamber of Commerce. Also attending were representatives of the Mt. Pleasant business community and school board, and Institute members from southeastern Iowa.

Guests toured the Institute, met with staff members, enjoyed hors d'oeuvres prepared by the IWC food service, and became better

acquainted with the work of the Institute. Some lucky guests also won Institute door prizes!○

The crowd gathers at the Institute's Alive After Five Open House, co-sponsored by the Mt. Pleasant Chamber of Commerce.