



# FACTS & OPINIONS

*On Public Interest Issues*

## Quotes

Always vote for principle, though you may vote alone, and you may cherish the sweetest reflection that your vote is never lost.

— John Quincy Adams  
6th President of the U.S.

There will be a tax cut.

— Tom Vilsack  
Governor of Iowa

We have a nearly \$900 million surplus. The taxpayers of Iowa should share in this prosperity.

— Ron Corbett, Speaker  
Iowa House

I believe that the 16th Amendment has created a system that is economically destructive, impossibly complex, overly intrusive, unprincipled, dishonest, unfair, and inefficient.

— Sam Johnson, R-Texas  
Member of Congress

## The Tax Bite on Everyday Products ... GAS

Peter Cleary

When you cruise on over to the gas station to fill up your car's gas tank, you naturally assume that you are paying for gas. What you don't realize is that over half of what you pay goes to the government in taxes rather than for the gas.

The federal government adds an excise tax of 18.3 cents on every gallon of gas. Each state then adds an additional excise tax now averaging 19.4 cents per gallon. This adds up to a total of 37.7 cents per gallon.

Based on recent price data from the Energy Information Administration of the U.S. Department of Energy, these taxes account for about 28 percent of what you pay for a gallon of gas at the pump.

For a car with a standard 15 gallon gas tank, a tax of 37.7 cents per gallon adds up to \$5.66 per fill-up. The Tax

Foundation estimates that the average American household will spend \$422 this year on these taxes alone.

But that is not all. The government imposes 43 different direct and indirect taxes on the production and distribution of gas. The total tax burden amounts to 54 percent of the price of a gallon of gas.

*Peter Cleary is Communications Manager at Americans for Tax Reform. This article is one of a series on the Tax Bite on Everyday Products. For more information, call (202) 785-0266. Reprinted by permission from Americans for Tax Reform.*

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

## FACTS & OPINIONS

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### 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.

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## What's New at Public Interest Institute?

Amy K. Frantz &  
Michel Prince

Public Interest Institute welcomed new Research Analyst Arlan M. DeBlieck in November. Arlan brings his expertise on business, economics, and agriculture to the Institute.

He takes over writing IOWA ECONOMIC SCORECARD and will be working on INSTITUTE BRIEFS and other Public Interest Institute publications and research. Arlan also is looking forward to teaching classes for Iowa Wesleyan College.

Born in Clinton, Iowa, Arlan received his Bachelor of Science in AgriBusiness and Economics from Illinois State University and a Master of Business Administration from the University of Illinois at

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new web page at:*

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Urbana-Champaign.

In 1979 Arlan joined the Marine Corps, which took him to many foreign lands, including Japan, Korea, and several European nations. He left the Marines as a Major in 1995 and most recently worked as a production supervisor at Premium Standard Farms in Missouri before joining the Public Interest Institute staff.

During his time in the military he met and married his wife, Michelle. They now have three children: Elliot, 7; Hayden, 5; and Maverick, 1. They plan to reside in rural Mt. Pleasant.

Arlan looks forward to hearing from Public Interest Institute members and readers with ideas for the Institute.

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*Public Interest Institute's new Research Analyst Arlan M. DeBlieck.*

## Britain and the Global Implications of the EMU

Aimee Howd

*EMU  
members...hope  
that the single cur-  
rency will...make  
the EU an eco-  
nomic powerhouse  
in the global  
economy*

*Aimee Howd is an Editorial  
Assistant at Public Interest  
Institute.*

In January 1999, what may be the greatest step toward total European unity since the days of the Roman Empire took place in the European Monetary Union (EMU) with the introduction of a new currency, the euro. The euro is the final phase of a three-part plan set in motion by the Maastricht Treaty of 1992, which increased the political power of the European Union (EU) governing branches and mandated increased economic coordination among member nations.

EMU members, which include about two-thirds of the 15 nations of the current European Union, hope that the single currency will “rival the dollar as an international reserve currency, helping to make the EU an economic powerhouse in the global economy.”<sup>1</sup>

But one EU nation notably absent from the EMU is Britain. Not eager to link her exchange rates and interest rates to those of other nations, let alone bow to the economic mandates of unelected international officials, the United Kingdom has declined to join. And Britain’s debate over accession illuminate the uncertain — but certainly far-reaching — effects this union will have on the political and economic face of the globe.

The controversy is deeply rooted in history. Since the post-WWII formation of the Organization for European Economic Cooperation (OEEC) for the purpose of creating loose economic ties and promoting

trade, Western governments have tended to push for greater unity among the nations of Europe. Various coalitions and trade agreements evolved into the European Union, whose objectives were economic, not political. The Single European Act of 1987 simply bound countries to the goal of a single market by January 1, 1993, because earlier suggestions of a common currency were vehemently rejected. Nonetheless, history shows an inexorable and controversial move toward political cooperation.

The ardently pro-EU countries like France and Germany apparently hope to use the EMU as a catalyst to boost their national power, critics say. They have often been accused of playing both ends against the middle, on one hand pressing for unity and on the other for preeminence. Such subtle cloaking of what British conservatives see as wolfish international political objectives within the sheep’s clothing of popular economic rhetoric is at the heart of Britain’s contentions both with the EU and EMU.

Britain has political objectives of her own to protect, such as her special relationship with the United States and her desire not to let the Brussels bureaucracy get out of hand. But Britain’s relatively new Prime Minister, Tony Blair, has been generally pro-euro, even while maintaining a wait-and-see approach to the EMU. Some

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## Global Implications of the EMU

(continued)

Aimee Howd

*From day one of  
the EMU the  
sterling-euro  
exchange rate  
poses a huge risk  
for the British  
economy*

*Aimee Howd is an Editorial  
Assistant at Public Interest  
Institute.*

contend that he has an inflated view of Britain's influence and wouldn't mind the EMU evolving into an EPU (European *Political Union*) if only he and Britain were at its helm.<sup>2</sup> Blair has made public statements that European Union nations have been gradually adopting the British point of view that "a union of nations rather than a superstate" is desirable. But critics say that the leftward movement sweeping the continent (the recent election of a Social Democrat government in Germany, for example) has caught Blair in its currents, and that he now not only favors bigger government but greater political integration within the EU (especially in defense). His ministers have stated that Britain's formal position in regard to the EMU is no longer "prepare and decide" but "not if but when."<sup>3</sup>

The UK business sector has pressed the government to clarify its outlook on EMU membership. Although the earliest Britain could decide to join the EMU is 2002 and at least two more years would pass before the euro could circulate within its borders, two opposing groups of British businessmen are already lobbying their positions vehemently.

Pro-EMU mainstream organizations like the Confederation of British Industry and the British Chambers of Commerce claim that anti-euro coalitions such as Business for Sterling "misrepresent majority business opinion." Anti-euro

groups allege that Eurocrats are turning traitor to democracy for a few pieces of silver they've been promised by liberal pundits.<sup>4</sup>

Some are concerned that permanently opting out of the EMU would cause discrimination against UK businesses, especially if national politicians continue to make EMU membership a heated, water-shed issue. If the Euro-zone survives, even should Britain decide never to join, "the markets would need persuading that a UK out on its own was not a UK that would return to its old inflationary ways." From day one of the EMU the sterling-euro exchange rate poses a huge risk for the British economy, because it will be "more damaging than any bilateral exchange rate now is... partly because 60% or more of UK trade would be invoiced in euros."<sup>5</sup>

Attempts to understand the EMU's implications are clouded by political disagreements (though how economics and politics could genuinely be separated in this issue is difficult to determine). It seems that a majority of policymakers have chosen to ignore traditional cost-benefit analyses which find that monetary union might at best "be desirable on political grounds, but only if states are willing to pay what might be considered a net cost on the economic side."<sup>6</sup>

Still there are voices saying that perhaps British "politicization" of the issue

## Global Implications of the EMU

(continued)

Aimee Howd

*Britain stands coyly  
behind the English  
Channel — reticent  
to join the collective  
group hug of her  
neighbors*

*Aimee Howd is an Editorial  
Assistant at Public Interest  
Institute.*

isn't such a bad thing: after all, France and Germany have long vaunted the political implications of the EMU.

In a November 1998 interview with *Forbes Magazine*, American International Group Inc. (AIG) Executive Director Bernard Connolly, a British economist and former senior official of the European Commission, compared the assumptions of the euro to the notions which brought about the Asian crisis. One of the main goals of the euro — the elimination of exchange rate fluctuations — is blatantly anti-free-market, he said. He criticized Americans for seeing the European Union “as a flattering phenomenon...a second U.S.A.” He said, “There will be some sort of European state within ten years, but it will not be anything like the U.S.”<sup>7</sup>

He believes Charles de Gaulle's statement that “Europe is France and Germany” is being played out as France and Germany set policy and other EU nations are forced to follow. Beyond this he seconds the statement of Jean-Pierre Gerard, a former member of the monetary policy council of the Banque de France, who warned that “the point of the single currency is to suck capital out of the U.S., force U.S. interest rates up, create unemployment in the U.S., and force the U.S. to accept global exchange-rate management. The U.S. would then have to sit down and negotiate the shape of a world economic order.”<sup>8</sup>

Meanwhile, so-called Europhiles seem more than willing to take the burden of proof upon themselves, arguing that the euro is the world's gate to currency diversification and stability and member nations' key to “greater influence in the running of the international monetary system.”<sup>9</sup>

In the short term, this unprecedented experiment in political-economic unification will encompass a “euro-zone” of almost 300 million inhabitants and account for almost 20 percent of the world's gross domestic product.<sup>10</sup> Succeed or fail, such a big ripple will send waves far beyond the Continent. As Britain stands coyly behind the English Channel — reticent to join the collective group hug of her neighbors lest it prove a stranglehold — the answers to her great questions will be found in the indelible ink of history.

### ENDNOTES:

<sup>1</sup>Charles Wolf, “All for One Currency, One for All,” *The Wall Street Journal*, April 1, 1998, p. A16.

<sup>2</sup>“Just let's get stuck in,” *The Economist*, November 11, 1998, p. 62.

<sup>3</sup>“UK: Medium Term Political Outlook,” Pelham Research, September 3, 1998.

<sup>4</sup>David Smith, “Britain's Troubled Flightpath to Emu,” *Management Today*, September 1998, p. 29.

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## What's New at Public Interest Institute?

(continued)

Amy K. Frantz &  
Michel Prince

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Dr. Don Racheter, President and Chief Operating Officer of Public Interest Institute, received the first annual Vernon Van Dyke Award at the Iowa Conference of Political Scientists' Annual Conference. The Conference was held at Iowa State University on November 14, 1998.

The Vernon Van Dyke Award was named for a longtime member of the University of Iowa political science faculty who recently passed away. The award is presented to a political scientist who has demonstrated continued excellence in serving the political science community in Iowa and beyond.

Dr. Racheter is currently Executive Secretary of the Iowa Conference of Political Scientists (ICPS). He has served as ICPS President four times and Secretary-Treasurer three times.

In addition to his work on behalf of the ICPS, Dr. Racheter has served the Mid-

west Political Science Association as a member of its Nominating Committee and the American Political Science Association as a member of the Editorial Board for *PS: Political Science and Politics*, one of the association's two main publications, and as Secretary-Treasurer of the APSA Organized Section on Undergraduate Education.

In addition to Dr. Racheter, Jennifer Crull, Arlan DeBlieck, Amy Frantz, and Michel Prince of Public Interest Institute attended the ICPS Conference. Institute staff attended sessions on the Iowa Caucuses in 2000, the 1998 Iowa Elections, Public Policy and Comparative Politics research panels, and Teaching Political Science. Harvard Professor Robert Putnam discussed the decline of civic culture in America at the conference luncheon, and the conference closed with an address by New York Mayor Rudolph Giuliani on civic culture in urban America.

*Amy K. Frantz is a Research Analyst and Michel Prince is an Editorial Assistant at Public Interest Institute.*

*Dr. Racheter (center) receives the Vernon Van Dyke Award from the Iowa Conference of Political Scientists. Also pictured are Dr. Paul Gardner (left) of Luther College and President of ICPS, and Dr. Tom Rice (right) of Iowa State University and ICPS Program Chair.*

## Focus on Iowa Wesleyan College

Michel Prince

### Dr. Prins to Retire from Iowa Wesleyan College

*Dr. Robert Prins*

*Michel Prince is an Editorial Assistant at Public Interest Institute.*

In 1986 the Iowa Wesleyan College campus welcomed a new President, Dr. Robert Prins, D.B.A. Dr. Prins, a Public Interest Institute Board member, has been the longest-serving President in Iowa Wesleyan College's history. In October he decided to set the time for his retirement.

Iowa Wesleyan now has the task of trying to find a President to replace Dr. Prins by no later than May of 2000, although Dr. Prins hopes that his successor will be chosen by the fall of 1999.

During the past twelve years Dr. Prins has raised over 25 million dollars for Iowa Wesleyan College, although he says the money was "...just enough to cover the institution's bills, and more money will be needed to make improvements on campus." Recent fund-raising has been for a much-needed athletics building that will cost nearly 4 million dollars. The fund has reached \$1.6 million, which allows for a ground-breaking in May. This building will include a walking and jogging track. With on-campus accessibility, Dr. Prins is hoping it will lead to a surge in student fitness.

When I asked what his greatest experience was at Wesleyan, he asked me to change it to his greatest kick, to which he responded, "seeing young people grow and graduate, especially those that people didn't think would make it." Many students come to

Wesleyan as athletes, then realize there is more to life than just sports. Realizing they can receive an education to help them with life after sports can be the turning point for many students.

Many students come from rural areas and haven't really experienced "the big city." Although Mt. Pleasant is a town of only 8,000, opportunities abound to travel to Chicago, St. Louis, Minneapolis, and other large cities around the country. Whether it is with a sports team, an organization, or club, many opportunities are available, as are opportunities to relate to international students and those of different races and economic and cultural backgrounds.

The future for Iowa Wesleyan College still looks bright. Continuing education classes have grown and now offer training for employees of many southeast Iowa businesses. Dr. Prins' goal of 600 full-time day students is shared by the faculty and staff of the college.

Dr. Prins' future also looks good. He will continue working with Dr. Wang of Potomac International, giving summer leadership lectures. His work in education will not stop either; he wants to continue placing international students from Asia in U.S. colleges and universities. But he does expect to finally have enough free time to learn how to play golf. Unfortunately, because he plans to move to Colorado to live closer

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<sup>5</sup>“The Ostrich and the EMU,”  
Centre for Economic Policy  
Research, Exeter: Short Run  
Press, 1997, p. ix.

<sup>6</sup>Stephen F. Overture, *Money and  
European Union*, New York: St.  
Martin’s Press, 1997, p. 132.

<sup>7</sup>Peter Brimelow, “Counterrevolu-  
tion,” *Forbes*, November 2, 1998,  
p. 116.

<sup>8</sup>*Ibid*, p. 117.

<sup>9</sup>Robert Mundell, “The Case for  
the Euro — II,” *The Wall Street  
Journal*, May 25, 1998, p. A22.

<sup>10</sup>“Implementing the Euro,”  
InfoZone Web-zine, WWW,  
November 8, 1998.

**Focus on Iowa  
Wesleyan:  
Dr. Prins to Retire**  
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to his children, he does not  
anticipate continuing as a  
Board member of Public  
Interest Institute.

President Prins’ departure  
from Iowa Wesleyan College  
will be a loss on many levels.  
We can only hope that his  
replacement will be able to fill  
his shoes as an educator,  
leader, fund-raiser, listener, and  
doer to whom students and  
faculty can bring problems,  
knowing he will find a solu-  
tion.

Public Interest Institute staff  
wishes a happy retirement to Dr.  
Prins. You will be missed!

**If you would like more  
information on  
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