



# FACTS & OPINIONS

*On Public Interest Issues*

## Quotes

The era of big government is over.

--President Bill Clinton, 1996  
State of the Union Address--

We don't like limits much. The 'we' I have in mind is late modern human beings in general, and Americans in particular.

--Dr. Jean Bethke Elshtain,  
Professor of Political and  
Social Ethics, University of  
Chicago--

We learn to build houses by  
building houses, play the harp,  
by playing the harp, to be just,  
by doing just acts.

--Aristotle--

The art of taxation consists in  
so plucking the goose as to  
obtain the largest possible  
amount of feathers with the  
smallest possible amount of  
hissing.

--Jean Baptiste Colbert,  
Minister of Economic Affairs to  
Louis XIV--

## Welfare Pays Better Than Work, Study Finds

### Cato Policy Report

Welfare benefits are far more generous than commonly thought and substantially exceed the amount a recipient could earn in an entry-level job. As a result, recipients are likely to choose welfare over work, increasing long-term dependence. Those are the principal findings in "The Work vs. Welfare Trade-off" (Policy Analysis No.240) by Michael Tanner, Director of Health and Welfare Studies; Stephen Moore, Director of Fiscal Policy Studies; and David

Hartman, CEO of Hartland Bank in Austin, Texas. The paper was released at the height of the welfare debate in Congress.

The study examines the combined value of benefits -- including Aid to Families with Dependent Children, food stamps, Medicaid, and others -- for a typical welfare recipient in each of the 50 states. The value of those tax-free benefits is then compared with the amount of take-home income a worker would have left after paying taxes on an equivalent pretax

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All or a portion of your article may be used.

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**IDEAS DO MATTER.**

# Welfare

(continued)

"In 9 states welfare pays more than the average first-year salary for a teacher."

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*Cato Policy Report*  
 is published by  
 Cato Institute  
 1000 Massachusetts Ave NW  
 Washington, D.C. 20001

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income. The following are among the study's findings:

- To match the value of welfare benefits, a mother with two children would have to earn as much as \$36,400 in Hawaii or as little as \$11,500 in Mississippi.
- In New York, Massachusetts, Connecticut, the District of Columbia, Hawaii, Alaska, and Rhode Island, welfare pays more than a \$12.00-an-hour job -- or more than two and a half times the minimum wage.
- In 40 states welfare pays more than an \$8.00-an-hour job. In 17 states the welfare package is more generous than a \$10.00-an-hour job.
- Welfare benefits are especially generous in large cities. Welfare provides the equivalent of an hourly pretax wage of \$14.75 in New York City, \$12.45 in Philadelphia, \$11.35 in Baltimore, and \$10.90 in Detroit.
- In 9 states welfare pays more than the average first-year salary for a teacher. In 29 states it pays more than the average starting salary for a

secretary. In 47 states welfare pays more than a janitor earns. Indeed, in the 6 most generous states, benefits exceed the entry-level salary for a computer programmer.

The authors conclude that if Congress or state governments are serious about reducing welfare dependence and rewarding work, the most promising reform is to cut benefit levels substantially.

The study has been the subject of major news coverage. In a September 28 [1995] *Wall Street Journal* guest column, Tanner and Moore wrote, "The welfare reform proposals just passed by the Senate, and the earlier House version, are designed to reduce 'hard-core' welfare dependency and reward work. But we believe the most critical public-policy implication of our findings is that ultimately these goals can be accomplished only by cutting benefit levels substantially. Unless and until this is done, Congress will have failed to end welfare as we know it." □

Hawaii	\$17.50	Washington	\$9.95	Georgia	\$8.37
Alaska	\$15.48	Nevada	\$9.71	Ohio	\$8.37
Massachusetts	\$14.66	Utah	\$9.57	South Dakota	\$8.32
Connecticut	\$14.23	Michigan	\$9.47	Louisiana	\$8.17
Washington, D.C.	\$13.99	Pennsylvania	\$9.47	Kentucky	\$8.08
New York	\$13.13	Illinois	\$9.33	North Carolina	\$8.08
New Jersey	\$12.74	Wisconsin	\$9.33	Montana	\$7.84
Rhode Island	\$12.55	Oregon	\$9.23	South Carolina	\$7.79
California	\$11.59	Wyoming	\$9.18	Nebraska	\$7.64
Virginia	\$11.11	Indiana	\$9.13	Texas	\$7.31
Maryland	\$10.96	Iowa	\$9.13	West Virginia	\$7.31
New Hampshire	\$10.96	New Mexico	\$8.94	Missouri	\$7.16
Maine	\$10.38	Florida	\$8.75	Arizona	\$6.78
Delaware	\$10.34	Idaho	\$8.65	Tennessee	\$6.59
Colorado	\$10.05	Oklahoma	\$8.51	Arkansas	\$6.35
Vermont	\$10.05	Kansas	\$8.46	Alabama	\$6.25
Minnesota	\$10.00	North Dakota	\$8.46	Mississippi	\$5.53

# Think tanks

by John W Cooper

## FIFTY LABORATORIES OF DEMOCRACY: CHANGING PUBLIC POLICY IN THE STATES WILL CHANGE EVERYTHING

Dr. John W. Cooper is a former President of the James Madison Institute for Public Policy Studies, a Florida-based research organization.

How fortunate America will be if, when the history of the 1990s is written, it is said that the present generation rediscovered the wisdom of the Founders in making the *states* the incubators of change, the vibrant laboratories of democracy.

### What State-Based Think Tanks Do

Today, there are approximately 40 state-based think tanks and at least 40 more organizations that boast a conscious strategy to "win the issues" at the state and local level.

Dr. James D. Gwartney, a James Madison Institute Research Associate and Professor of Economics at Florida State University, notes that four things distinguish a state think tank's role in the formation of public policy. "First a think tank focuses its energy on innovative ideas, *not* partisan politics. Second, although we pride ourselves on accepting no government funding, we are *not* anti-government -- we want better government, limited government. Third, our activities are always aimed at education, *never* at lobbying. And fourth, our purpose is to promote independent research for the common good of society, *not* to serve special interests." These features may also apply to other think tanks, but they are crucial to the success of state-based think tanks.

State-based think tanks have been active intellectual

centers in many key policy debates: promoting term limits and opposing state personal income taxes; promoting tougher sentences for violent criminals and opposing minimum wage laws; promoting private property rights and opposing environmental extremism; promoting educational choice and opposing unfunded federal mandates; promoting caps on state spending and opposing political correctness on college campuses; promoting welfare reform; and opposing public financing of political campaigns.

State-based think tanks have had significant influence on governors in Michigan, Massachusetts, Wisconsin, and elsewhere. Once firmly established, these organizations have forged strong working relationships with hundreds of legislators and their staffs, often serving as mentors to policymakers.

### The Next Stage: A New Domestic Policy

What might one expect in the coming decade from what is now a firmly established state-based think tank "movement"? The answer may be: "Nothing short of a revolution in American politics!" If free-market think tanks in the states can effectively change public policy in their own locales, they can also impact Washington and beyond. A domestic public-policy agenda based on limited government, free-market economics, and

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by John W Cooper

"Nothing short of a revolution in American politics!"

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traditional values will change Washington's domestic policy presuppositions and even go a long way toward restoring sound foreign policy as well.

The agenda, then, of the state-based think tanks is quite similar to that of responsible conservatives and others who would restore common sense to the political culture. It begins with bringing runaway government spending under control, lowering taxes to spur economic growth, and deregulating and privatizing everything from schools to street cleaning. Here is a brief tour through the domestic-policy agenda that is capturing the states.

**Spending Restraint.** The tendency in Congress and the state legislatures is to give in constantly to special-interest demands for more taxpayer dollars. The big spenders can be stopped by electing genuine statesmen, by limiting their terms in office, and by enacting constitutional limits on growth in government spending. When shaping state and local government budgets, policymakers should allow inflation-adjusted spending to grow no more than the growth of the population plus the average growth in the citizen's personal income.

**Tax Reform.** The overall burden of taxation on the American economy must be reduced in order for the nation to compete effectively in the global marketplace. By current

estimates, federal, state, and local governments now consume 40-50 percent of the income of Americans. Yet so much of the media discussion today is about how to raise, not how to cut, taxes. This must stop. Further, the type of tax levied has a significant impact on the efficiency and productivity of an economy. Sales taxes are better than income taxes. Highly visible taxes -- such as taxes on gas, goods, and retail services -- are better than complex, "hidden" taxes, such as value-added taxes. Many states are learning this lesson. Washington should, too.

**Educational Choice.** Breaking the bureaucratic monopoly of the public schools has become a chief goal of many innovative reformers on the Right and the Left. The key "players" in this movement in the states are the state-based think tanks. Contrary to the claims of the bureaucrats, educational choice will improve rather than harm the public schools. By giving each parent a scholarship certificate or voucher, and allowing parents to choose the schools their children attend, educational choice will lead to greater diversity, competition, and innovation in all schools.

**Health Care Reform.** While liberals call for Canadian-style socialized medicine or the "managed competition" approach that will lead to the

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by John W Cooper

"The key 'players' in this movement in the states are the state-based think tanks."

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same outcome, conservatives have a better idea: medical savings accounts. Operating like Individual Retirement Accounts, MSAs would allow families to save pretax income for ordinary medical expenses and to purchase low-cost insurance coverage for catastrophic illnesses. The medical savings account could be combined with a requirement that every citizen either purchase health insurance through an employer, group, or individual plan, or come under a government-contracted, "no frills" plan. If most people are directly involved in choosing and paying for their own health insurance, market forces will begin operating to keep costs in line.

**Crime and Drugs.** Conservatives and liberals seem to have an emerging consensus: (1) lock up violent offenders and use creative alternative punishments for non-violent criminals, and (2) intervene earlier with at-risk youth, using proven bootcamp-style programs.

**Environment.** Conservatives are pioneering a new idea in natural-resource conservation: "free-market environmentalism." By combining market incentives and private property rights with legitimate government regulations, the new conservationists are discovering that the profit motive can lead to a cleaner world. State-based

think tanks are providing the intellectual underpinnings for the hundreds of small property rights organizations that are springing up in the states. Likewise, the effort to eliminate regulatory excess must continue in the interests of furthering economic growth and job creation.

**Welfare Reform.** The problems of the "inner city" will take decades to solve, but the conservative path of "empowerment" is promising. Eliminate minimum wage laws that keep poor people out of the job market, sell public-housing apartments to the tenants in order to give people a stake in their community and its economy, establish "workfare" requirements and other incentives so that able-bodied welfare recipients are required to make an effort to become self-reliant or risk losing their benefits, and begin privatizing the welfare delivery system.

What, then, are the most promising ideas on the domestic-policy agenda? Streamline government, limit terms of elected officials, lower taxes, privatize government services, give parents educational vouchers, reintroduce market forces to health care, get tough on violent crime, balance environmental goals with economic progress, and provide incentives for people to get off welfare. □

# Crime

by Tom Miller

## NEW GENERATION OF PROGRAMS FIGHT JUVENILE CRIME

Tom Miller is  
Iowa's Attorney General

Iowans' concern about increasing violence by juveniles is supported by predictions that violent juvenile crime in the United States may double by the year 2010. Iowa is in a better position than most states with our relatively low adult and juvenile crime rates, but we need to take action now to ensure that we are protected from this anticipated national increase in violent juvenile crime.

It used to be judges had few options for juvenile offenders. Most were placed on probation -- sending the message there was no real consequence for breaking the law. In the absence of strong, immediate consequences, many youth continued offending until drastic action finally was needed. That cycle has been described to me as, "Probation ... probation... probation... adult court."

We need to keep using the adult court and the State Training School at Eldora for serious youthful offenders. In particular, there is a small group of extremely violent youth. These predatory youth must continue to be waived to adult court and confined in adult institutions -- some for the rest of their lives.

A new generation of local programs is beginning to ensure that consequences come sooner for youth in all stages of delinquency. These programs defy the tired, narrow restraints of the old liberal-conservative crime debate by finding a third way -- they focus on what works.

This pragmatic approach borrows elements from both liberals and conservatives. Prevention is an important part of these programs, but so is punishment and the imposition of consequences.

This new generation of programs provides a continuum of responses depending upon the severity of the offense. Responses include intensive day treatment programs, tracking and monitoring, after-school programs, school-based programs, victim-offender mediation, and restitution.

I've seen impressive examples of this new generation of programs at work:

- Woodrow Wilson Junior High in Sioux City is located in a tough neighborhood, but it has adopted a variety of programs to create a safe environment for learning. Trackers meet students after school and escort them past gang recruiters who congregate around the building. As a result of impressive and comprehensive in-school programs, delinquency adjudications from the school dropped from 37 to 11 last school year. And learning has improved. Test scores for both sixth and seventh grades increased more than two grade levels last year.
- In Sioux City, Cedar Rapids, Davenport, Des Moines, and Waterloo, I visited day treatment programs where youth sleep at home but are controlled by the program the rest of the day. The programs are closely supervised,

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by Tom Miller

"These programs show young people that there are consequences for their decisions in life."

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intensively structured, and highly disciplined. In these programs, youth are learning there are consequences for their decisions in life. At the Waterloo program, one parent proudly introduced me to his son as "the son I always wanted."

- At the school-based program in Knoxville, officials identified the fourteen most at-risk youth and assigned a full-time school liaison worker to intensively monitor and counsel them. Delinquency referrals from the school dropped 43%. Truancy among the youth in the program dropped 97%.

The programs can be cost-effective. They provide alternatives to more expensive residential treatment which costs about \$105 per day -- or more than \$38,000 per year. For example, the use of alternative programs in Sioux City has resulted in a 60% reduction in out-of-home placements.

I have submitted a series of proposals to the Legislature to support and strengthen this new generation of programs. The proposals include expanding the State Training School and increasing state funding for the new generation of local programs such as day treatment, tracking and monitoring, and school-based programs.

I am convinced of three things: (1) Iowa needs a full continuum of programs to deal with youthful offenders; (2) Those programs must teach young people there are consequences for their actions; and (3) Iowa needs increased capacity in its juvenile justice system to protect the public from juvenile crime. By providing the continuum, consequences, and capacity, I believe we can make a real difference in protecting Iowans from the predicted national increase in violent juvenile crime. ☐

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## "Al Capone of Apple Juice"

"He could be sent to prison for up to 24 years, longer than most convicted murderers..."

On November 17, the new *CBS Evening News* feature, "Bernard Goldberg's America", showed a country whose government has lost all sense of proportion. Goldberg focused on Ben Lacey, 73, a Virginia business owner who makes sparkling apple cider. He is also a convicted felon. He could be sent to prison for up to 24 years, longer than most

convicted murderers, and fined up to \$2 million. Goldberg noted, "He's even been called 'the Al Capone of apple juice.'"

What could he possibly have done to face such prison time? Goldberg explained: "Ben Lacey is in big trouble, not because he killed anyone or robbed a bank. No, it's a lot worse than that: Ben Lacey has been convicted of falsifying

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**FACTS & OPINIONS**

May 1996

Volume 2, Number 2

**Executive Director**

Dr. Don Racheter

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, and foundations. The Institute does **not** accept government grants.

Contributions are tax-deductible under sections 501(c)(3) and 170 of the Internal Revenue Code.

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**"Al Capone of Apple Juice"**

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environmental reports. Each month he had to fill in numbers, numbers about how much oxygen and nitrogen and ammonia was in the apple juice run-off and the bathroom waste water that was being discharged into this tiny stream behind the plant. The government found seven wrong entries that it said Lacey intentionally falsified. Seven out of thousands."

Lacey says the incorrect entries were mistakes, not intentional. Goldberg found that even a local environmental group agreed the stream was

not polluted. But the bureaucrats won't bend: "The government says Lacey's no victim, he's a big time polluter who years ago was fined for violating labor laws involving his apple pickers...So whether he's the monster the government says he is, or whether he's the victim of a bureaucracy run amok, Ben Lacey could face 24 years in prison, and while no one really thinks the judge will give him the maximum, at 73 he faces the possibility of some time behind bars and a stiff fine." □

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