



FACTS & OPINIONS

On Public Interest Issues

Quotes

Life, liberty, and property do not exist because men have made laws. On the contrary, it was the fact that life, liberty, and property existed beforehand that caused men to make laws in the first place.

—Frederic Bastiat

The most important thing in communication is to hear what isn't being said.

—Peter Drucker

The hardest thing in the world to understand is the income tax.

—Albert Einstein

Ideas have legs.

—Albert Wolters

Man's technical knowledge and capacity has outstripped his moral capacity.

—John Hallowell

* * *

Budgetary Balance: At What Price?

John Berthoud, National Taxpayers Union

The projections in the President's new budget indicate that for the first time since 1969, balance is in sight. It took us thirty years, but we're back where we started. Well, not quite.

The books may be getting close to balance, but the federal budget and the role of the federal government are fundamentally different than what they were three decades ago.

While defense spending has fallen in relative terms, spending on everything else has risen by a greater amount. In 1969, out of every \$100 in Gross Domestic Product, the nation spent \$8.70 on national defense. In 1998, after the defeat of Soviet communism, that figure has dropped to about \$3.20. On the other hand, for the non-defense

functions of government, we spent \$10.70 in 1969. This year, we'll spend \$17.30. So much for the era of big government being over.

This huge rise in domestic spending has been paid for by repeated tax hikes during the 1980s, in 1990, and again in 1993. The budget deal of 1997 repealed only a tiny fraction of those previous increases — about one penny on every tax dollar that we send to Washington.

Given this huge increase in the tax bite, it is no wonder that individuals and families are begging for relief. Bill Clinton's strategy to "solve" the problem is targeted tax cuts. Washington politicians keep aggregate taxation high, but then with great fanfare announce politically appealing targeted

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John Berthoud

John Berthoud is President of the National Taxpayers Union (www.ntu.org). Reprinted by permission of the author.

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tax tidbits. Washington retains the bulk of the money (and also control over our lives), but provides the illusion of trimming its sails and addressing a social need. This is the essence of Dick Morris's "triangulation." But taxpayers are shortchanged on all three sides.

The targeted tax cut approach is a trap for America's families. Washington stays strong, while families stay weak. As Morris candidly admits, "The across-the-board tax cuts Republicans favor weaken the public sector, but targeted tax cuts strengthen it."

What should we be doing? Taking serious whacks out of government. Shutting down at least two, preferably more, cabinet departments. Regaining control over our massive benefit programs — particularly when the benefits go towards wealthy Americans. Reconstructing entitlement programs with private market mechanisms and incentives to save and invest.

Putting our bloated government on a diet would bring real tax relief. Instead of small credits for child care or education, imagine the tax cut we could afford if we rolled back the growth in non-defense federal spending since 1969. Every family — not a select few —

would reap huge benefits.

Under this scenario, a family of four could keep almost \$9,000 more of what it earns — this year and every year to come. We wouldn't be worrying then about how parents can possibly pay for child care.

Such a rollback will not happen overnight. It will take a lot of political courage. But one easy first step would be a rescission to the current 1998 budget. This has been proposed by Senators Brownback, Ashcroft, Grams, and Inhofe, and Representative DeLay.

According to the most recent Congressional Budget Office projections, by just cutting out \$5 billion in spending, Congress and the President can reach balance this year. And they can take a small first step towards knocking down the Washington monster that has grown up since 1969.

The good news is that the federal budget is at or near balance. The bad news is the rest of the story. The era of big government is still very much upon us.

Washington controls a record share of the nation's resources. It is time to turn these resources — and the freedom they provide — back to America's families. Even in this era of apparent budgetary balance, we must remember that taxpayers are still facing some very big challenges.○

Free Money

R.C. Sproul, Jr.

R.C. Sproul, Jr. is a Senior Fellow of Kuyper Institute in Oak Ridge, Tennessee. Reprinted by permission of Covenant Syndicate (www.CAPO.org).

We will never get anywhere in shrinking the government down to size until we realize that it lives by our money.

Isn't technology grand? Alvin Toffler's third wave is carrying us all farther than even he imagined. Who would have guessed when computers first came into our homes that one day we would be using them for filing our income tax returns? Electronic filing is growing by leaps and bounds, and changing the way some taxpayers do business. The phenomenon has put refunds into the hands of hundreds of thousands of folks even before most of us have filed. And the mega-retailers have noticed. It seems that many of us are taking our refunds down to the mall and buying like it's Christmas.

Many retailers are jumping on the bandwagon, creating marketing schemes that encourage us to consider our refunds "found money," and therefore money that burns a hole in our pocket that much more swiftly. And they're succeeding. Whether you have already spent your return, or won't file until April 15, please, please don't forget the true nature of that check you'll be getting.

Refunds on income taxes are refunds on tax returns. That is, it's your money, the money you work so hard for all year long that you'll be getting back. It is not a gift from your Uncle Sam.

The confusion is understandable. One of the

advantages to the state of the withholding concept is that we never see the money the feds take from us. It's gone before our paychecks arrive. Long before the mortgage company, or the grocery store, or the local convenience store get in line to take a bite out of your paycheck, the government has already slobbered all over it. And then, months later, they send back that part they didn't find sufficiently appetizing. And then we thank them for it. We're like the baby who eagerly licks the stick after the bully stole our lollipop.

We will never get anywhere in shrinking the government down to size until we realize that it lives by our money. We won't howl loud enough about waste and corruption until we focus on the fact that the same money they waste is the money we earn by our hard work. And we won't do that until we recognize that our tax returns are the return of money stolen from us. If one had one's car stolen and then returned, one wouldn't celebrate by running it into a tree. And we certainly wouldn't spend the time thinking warm thoughts about the thief that returned it to us.

The thing to do with money returned is not to waste it, but to invest it. Invest in something that will

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Listening to Thomas Jefferson on the National Debt

Dennis Clayson

Dennis Clayson is a Professor of Marketing at University of Northern Iowa. Reprinted by permission of the author.

The national debt currently stands at about \$5.4 trillion. The government projects the debt to be \$6.5 to \$7 trillion by 2002.

The national debt has increased 45 percent faster during the Clinton administration than it did during Ronald Reagan's administration. How can this be when the President himself announced with great pride that the national debt is being brought under control and is less each year than anyone had ever anticipated?

I am constantly amazed by the Clinton paradox. The majority of Americans believe that Clinton lies regularly, but then the majority turn around and say that they like Clinton because of what he says.

Smoke and mirrors . . . the Clinton administration has done several things to hide the magnitude of government spending. It has borrowed short term at currently low interest rates. This is a smart political policy if nothing goes wrong, but it is very risky and it will be disastrous if interest rates go up.

Second, it has taken more and more government spending "off line." If you check the yearly debt figures given by the administration with the actual debt figures given by the government offices in charge of such things, you find that the figures don't match — and by a wide margin. The difference is "off line" spending.

Of course the Clinton administration, as did other administrations, also continues to use Social Security revenue to offset the debt figures. So what? The deception is bad enough, but what about the raw economic issues?

Some say that it doesn't really matter, as long as the debt is a small part of our national wealth. Wrong. There are moral, financial, and historical reasons about which we should be concerned.

The national debt currently stands at about \$5.4 trillion. The government projects the debt to be \$6.5 to \$7 trillion by 2002.

This means that on average, the government will spend over \$600 million more each DAY than it will bring in. Every new dollar you or anyone else wants from the government will be borrowed. Yet our government has had a hard time just paying the interest on this debt, let alone doing anything about the principal, except leaving it to our children to worry about.

The situation is very much like that of a person who can only afford a compact car but insists on driving a Cadillac. He borrows the difference from the bank, promising only to pay the interest, but also promising that his children and grandchildren will take up

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Jefferson believed that no generation by natural right can obligate the next generation to pay its debts.

not only the interest payments, but also the principal after he is dead. Lenders may find this arrangement attractive, but that person's children will have a different view paying for a car they did not order and that no longer exists.

William J. Quirk, a professor at the University of South Carolina School of Law, in an article in the April 1997 issue of *Chronicles*, gave an interesting historical perspective to the debt. Thomas Jefferson wrote to Thomas Earle in 1823 stating, ". . . our Creator made the earth for the use of the living and not of the dead; that those who exist not can have no use nor right in it, no authority or power over it; that one generation of men cannot foreclose or burden its use to another, which comes to it in its own right and by the same divine beneficence; that a preceding generation cannot bind a succeeding one by its laws or contracts. Each generation, during its lifetime, holds stewardship over the earth for the next."

Jefferson believed that no generation by natural right can obligate the next generation to pay its debts. Otherwise, Jefferson continues, a generation could, ". . . eat up usufruct [trust] of the land for several generations to come, and then the land would belong to the dead,

and not the living."

Jefferson wished that government would not have the right to borrow. He recognized that borrowing was sometimes necessary, but he wanted to impose a mandatory time limit of about 18 years when the debt would have to be paid, so that each generation would have to pay its own debts.

Jefferson believed, according to Quirk, that borrowing leads to wasteful spending. A country that runs on a pay-as-you-go system never requires another generation to pay for its mistakes.

Jefferson said in 1816 that the people, ". . . not the rich, are our dependence for continued freedom. And to preserve their independence, we must not let our leaders load us with perpetual debt."

If it is allowed, then we will be taxed, ". . . in our meat and in our drink" until we, like other countries before us, live on "oatmeal and potatoes; have not time to think, no means of calling the mismanagers to account; but be glad to obtain subsistence by hiring ourselves to rivet their chains on the necks of our fellow-sufferers."

We will then, he concluded, ". . . have no sensibilities left but for sinning and suffering. Then begins, indeed, the war of all against all."○

Academic Advisory Board Spotlight

Aimee Howd

Aimee Howd is a student at Iowa Wesleyan College and a work-study student at Public Interest Institute.

The Institute welcomes Dr. William Mitchell, Professor Emeritus, University of Oregon (photo not available) and Dr. Randy Simmons (below), Utah State University, to our National Academic Advisory Board.

**Dr. Randy Simmons,
Utah State University**

Public Interest Institute is pleased to welcome to our National Academic Advisory Board Dr. William C. Mitchell. Dr. Mitchell is Professor Emeritus of Political Science at the University of Oregon.

Since beginning his teaching career forty-four years ago, he has served on the faculty of public universities and Ivy League colleges, and on many editorial, academic, and political advisory boards. His scores of published works on political and economic issues have earned him honors from organizations such as Stanford, George Mason University, and the Public Choice Institute and have made him a lecturer of enduring popularity.

Dr. Mitchell's most recent book, coauthored with fellow Advisory Board Member Dr. Randy T. Simmons, is an analysis of how a true free market system efficiently allocates goods without the crippling after-effects of an over-protective, over-powerful bureaucracy (*Beyond Politics: Markets, Welfare, and the Failure of Bureaucracy*, The Independent Institute, 1994). It packs the intellectual punch behind the current grassroots movement to reduce the size and scope of government.

The Institute welcomes this noteworthy scholar to our Advisory Board.

The Institute also welcomes Dr. Mitchell's colleague, Dr. Randy T. Simmons, to the Advisory Board. Dr. Simmons is in his twelfth year as Professor of Political Science at Utah State University where he specializes in political economy, public policy, and environmental and natural resource management.

Among Dr. Simmons' current undertakings is a new book, *Political Ecology: Revising the Endangered Species Act*, which he is researching with wildlife ecologist Charles Kay. It considers the politics, economics, and ecology of endangered species policy and proposes market-based policies to replace current regulations.

The project will add to the ever-growing list of Dr. Simmons' published works which includes more than ten books and numerous articles. We are pleased to count Dr. Simmons among the members of our Advisory Board. We believe his insightful application of free market theory to environmental issues will prove a valuable asset to Institute staff and members.

For more information about the research of any of the scholars on the Institute's National Academic Advisory Board, or for a complete list of Members, contact Public Interest Institute at 319-385-3462. ◊

Focus on Iowa Wesleyan College

Stephen Lazarus

Stephen Lazarus is a Research Analyst at Public Interest Institute.

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.

Iowa Wesleyan College Spring term Work-Study students help catalogue material for the Institute's research library.

Public Interest Institute makes its home in the Hershey Hall Annex on the campus of Iowa Wesleyan College (IWC) in Mt. Pleasant, Iowa. This allows the Institute to act as a support institution for the College. Institute staff teach courses in politics and economics. Students use our research library to supplement their research and projects for courses at IWC.

This spring, eleven students are participating in the Institute's Work-Study Program. Students gain valuable "real-world" experience working for a public policy organization, while they complete their studies in business, economics, history, political science, and other fields.

Currently, students are busily involved cataloguing public policy articles for the Institute's library automation project. They are also building a collection of articles to include in the Institute's vertical file on current events in Iowa. On occasion, students also assist Research Analysts Amy Frantz and Stephen Lazarus with research projects and the preparation of Institute publications.

Michel Hack, a senior from Liberty, Missouri explained, "Participating in the program has exposed me to ideas and useful information which will help me in my future career."

First-year student Aimee Howd from Bloomfield, Iowa remarked, "The Institute offers Iowa Wesleyan students the opportunity to discover what think tanks do and to be involved in some very interesting and needed work."

We are pleased to work with such motivated students and are proud of our association with Iowa Wesleyan College. Best wishes to our 1998 graduates on their future!o

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Free Money (*continued
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give a return. Why not take your return and give it to some organization that is hard at work to help you keep more of your money next year?

Find a political action committee or think tank or educational organization that knows that you earned the money, and that you know better than Washington how to spend it. If you shop carefully you may just find one that will enable you to write off the donation next year.○

*The American people
want smaller government,
and they want smaller
government to spend our
hard-earned tax dollars
more wisely.*

*—Rep. Jim Saxton
R-New Jersey*

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