



# FACTS & OPINIONS

*On Public Interest Issues*

## Quotes

The claim that DNA evidence has proved hordes of prisoners “innocent” is just the latest gambit from a ferocious anti-death penalty lobby trying to bamboozle the American people into thinking the administration of capital sentences is a crapshoot.

—Ann Coulter  
Syndicated Columnist

We call too many people sick who are in fact sickening. And we call too many young criminals “troubled youth,” when in fact they are trouble to other people, while enjoying themselves.

— Thomas Sowell  
Hoover Institution

When freedom destroys order, the yearning for order will destroy freedom.

— Eric Hoffer

## For Richer or Poorer

The Federal Government's Expensive Wedding Present

Karla Phillips

On January 22, I married and began the process of combining bills and belongings. Family and friends sent gifts along with wishes for a wonderful life. However, the federal government also sent a gift: a penalty in the form of higher taxes.

Like many other people, I had heard of the “marriage penalty,” but never paid much attention to it. I assumed it was buried deep in the tax code and too complicated for a layman to understand, but I was wrong. It can be clearly seen on the back of Form 1040EZ.

Prior to our marriage, my husband and I could have claimed a standard deduction on our federal income tax return of \$4,300 each. Common sense would dictate that our deduction as a married couple should double to \$8,600, yet it's only \$7,200

or \$1,400 less. Even if you choose a status of “married filing separately,” you can still only claim \$3,600 each; a single taxpayer can claim \$4,300.

A new report by the Heritage Foundation demonstrates that higher tax rates kick in at lower income levels for married couples than for cohabiting singles. For example, in 1988, the 28 percent tax bracket for singles took effect at \$25,350, but instead of doubling that amount (which would equal \$50,700), it began at \$42,350 for married couples. According to the American Institute of Certified Public Accountants, there are 63 provisions in the tax code where liability depends on one's marital status. For example, the child tax credit begins to disappear at \$75,000 for single taxpayers but at only \$110,000 for

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## FACTS & OPINIONS

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**President**  
Dr. Don Racheter

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## What's New at Public Interest Institute?

**David Hogberg**

Public Interest Institute President Dr. Don Racheter and Pat Soldano of the Center for the Study of Taxation headed a July 20, 2000 press conference in Washington, D.C. to announce the release of a Public Interest Institute study on the effects of the death tax. The study, titled "A Declaration of Independence from Taxation: A Bipartisan Appeal," is authored by Edward J. McCaffery of the University of Southern California Law School and Richard E. Wagner of the Department of Economics at George Mason University.

This study is truly bipartisan. Dr. McCaffery is a liberal, while Dr. Wagner is a conservative free marketer. They have reached the same conclusion: the death tax is bad for the economy, and it is bad for Iowa.

The press conference in the United States Capitol began with welcoming remarks by Pat Soldano and an introduction of Congresswoman Jennifer Dunn, the lead sponsor of the bill passed by the House of Representatives to phase out the death tax over ten years. She in turn introduced Congressman Chris Cox, who had introduced legislation that would have immediately ended the death tax.

Next to speak was Senator Charles Grassley who emphasized that the claim by opponents that the death tax only effects the 2% of Americans who end up paying it is a myth. Many more people waste time, emotion, and money arranging their affairs to avoid paying the tax. Cox, who was a tax attorney before becoming a Congressman, supported this point with personal examples.

Grassley also highlighted the points from the study that it does not generate additional charitable giving or much revenue for the national government, and what revenue it raises directly is probably offset by less revenue from other sources such as the

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*The authors of the study,  
Richard E. Wagner and Edward J. McCaffrey*

## For Richer or Poorer

Karla Phillips

*Our tax system is repeatedly used to reward certain behaviors and punish others. In the United States, we punish both success and marriage.*

*Karla Phillips is a Research Associate at the Goldwater Institute. Reprinted with permission from the Goldwater Institute. For more information, contact the Goldwater Institute at 500 East Coronado Road, Phoenix, AZ. 85004, call (602) 462-5000, or visit their website at [www.goldwaterinstitute.org](http://www.goldwaterinstitute.org).*

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married taxpayers. There are also marriage penalties that directly affect lower-income workers.

The rationale behind the marriage penalty is that two people can live cheaper than one. Because of economies of scale, two individuals with incomes of \$35,000 each per year living together have a net effective income greater than \$70,000 per year. Under our current income tax code based on the principle of progressive taxation, the more money one earns, the more one has to pay proportionally in taxes. Thus married couples, enjoying a higher effective income, pay more.

While it is true that married couples benefit from economies of scale, so do single roommates. However, only roommates who decide to marry each other are penalized. Our tax system is repeatedly used to reward certain behaviors and punish others. In the United States, we punish both success and marriage.

A report by the Congressional Budget Office showed that the goals of “marriage neutrality” and progressive taxation are incompatible. Hence, it seems that proponents of progressive taxation who are opposed to marriage penalties are faced with a choice.

Meanwhile, there has also been concern over the high rate of divorce in the United

States. The divorce rate rose from a little over 25% in 1960 to almost 50% in 1985 and continues to hover around that mark. It is considered common knowledge that money is one of the most frequent causes of strife in a marriage. If this is true, the tax code burdens marriages even more. Many states have implemented policies to strengthen marriages, and the tax code seems an easy place to start. A good example of a more equitable system is right here in Arizona. Not only are the state standard deductions for married couples double those for single taxpayers, but so are the income levels for all tax brackets.

Ideas on how to fix the marriage penalty tend to get caught up in politics as other tax and spending proposals successfully compete for favor. In the past, attempts to remedy this inequality have been buried within large omnibus bills and were lost in the ensuing debates. Moreover, because marriage penalties are intertwined in a variety of different policies throughout the tax code, eliminating them is even more difficult. It seems to me that the easiest place to start would be in the most obvious place: the standard deduction.

*For more on the marriage penalty, read “Divorcing the Marriage Penalty” in Public Interest Institute's March 1999 issue of LIMITS.*

## Counting the Cost of Prescription Drug Price Controls

Lawrence W. Reed

*Anyone interested in access to life-saving medicines should also understand that price controls boost demand and stifle supply, which always lead to rationing. Do we really want bureaucrats deciding who gets what drug?*

*Lawrence W. Reed is President of the Mackinac Center for Public Policy. Reprinted with permission from the Mackinac Center. For more information, contact the Mackinac Center at 140 West Main St., P.O. Box 568, Midland, MI. 48640, call (517) 631-0900, or visit their website at [www.mackinac.org](http://www.mackinac.org).*

To hear the talk from Washington, the country faces a “crisis” of some kind about once a month and the “answer” is almost always more government, even when government is the source of the problem. The latest concerns the cost of prescription drugs for senior citizens, an issue that shows every sign of becoming a major election-year battle. But if proposals to impose price controls prevail, this “crisis” will surely become a disaster.

There's one proposition with which everyone can agree: the elderly need coverage for prescription drugs. Dr. John Goodman of the Dallas-based National Center for Policy Analysis reveals that “Medicare violates almost all principles of sound insurance. It pays too many small bills the elderly could easily afford on their own, while leaving them exposed to thousands of dollars of potential out-of-pocket expenses, including the cost of their drugs.”

Goodman and many other health policy analysts recommend that we solve this problem by dramatically expanding “Medical Savings Accounts,” or MSAs. Those accounts, now severely limited by law, would allow all citizens to set aside savings tax-free for the purpose of paying their smaller medical bills. As those savings grow, individuals could purchase health insurance with ever higher deductibles (which makes those policies ever less expensive). Senior citizens could also be permitted to tap into their Individual Retirement Accounts (IRAs) to help cover medical expenses that are not

now paid for by either Medicare or the “Medigap” policies many seniors buy to supplement Medicare.

In addition to MSAs, it's likely that other reforms, including changes in Medicare, would be required to give the elderly the peace of mind they need, but under no circumstances are price controls a solution.

Price controls would inevitably stifle innovation in the pharmaceutical industry, just as they have done every time they have been applied to any business. When bringing a new drug to market, manufacturers encounter countless failures, an essential part of the process that ensures the quality of the final product. Frequently, the profit gained on a particular drug is used to finance the research and development of another. One prominent bill in Congress (HR 664), introduced by Tom Allen of Maine and supported by many members of Michigan's congressional delegation, would effectively fix prescription drug prices by federal decree. It would cripple the industry's ability to attract capital and cover the costs of innovation and meeting the government's new drug approval requirements.

Anyone interested in access to life-saving medicines should also understand that price controls boost demand and stifle supply, which always lead to rationing. Do we really want bureaucrats deciding who gets what drug?

The push for price controls comes from a misreading of the marketplace. Critics rarely cite the fact that more than 70 percent

## Counting the Cost of Prescription Drug Price Controls

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of Medicare beneficiaries spent less than \$500 from their own pockets for prescriptions last year. Instead, those critics point to the fact that the total of money spent on drugs last year rose by roughly 18 percent. But that's not the same as saying the cost of any one drug rose by 18 percent. In fact, most of the increase in money spent on drugs came from a big increase in demand as people utilized new drugs in place of more expensive and traditional medical procedures.

For example, surgery for ulcers was once commonplace but now because of new and better drugs it has almost disappeared. A recent study found that every dollar spent on medical drugs translates into a *decline* of four dollars in spending on care in hospitals.

Price control advocates point out that people can buy certain drugs for less in Canada, where the government fixes prices, than they can get the same drugs for in America. They fail to notice that Canadians are routinely denied access to newer and better medicines, and often travel to America to purchase them. Canadians are often forced to wait up to a year longer than Americans for more advanced medicines, as these drugs move through the price-controlled system of Canadian bureaucracy. The fact is that Canada produces far fewer new drugs than does the United States — in large part because Canada has price controls and America does not.

Whether we have a crisis or not, senior citizens won't get more

or better or cheaper prescription drugs if Washington waves its wand and fixes prices. Members of Congress who say otherwise are either ignorant of history and economics, or simply making foolish promises to score political points.

*For alternatives to government regulation of health care, read Public Interest Institute's September 1998 INSTITUTE BRIEF, "Medical Savings Accounts: A not-to-be-missed opportunity," or October 1996 INSTITUTE BRIEF, "Medical Savings Accounts Help Consumers And Economy."*

*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.*

*Visit Public Interest Institute's web page at [www.limitedgovernment.org](http://www.limitedgovernment.org)*

## FAA's Rule Doesn't Compute

Gene J. Koprowski

*There's been no in-flight evidence ever compiled by the Federal Aviation Administration that computers or cell phones interfere with the on-board navigation and communications systems of airplanes*

*Gene J. Koprowski is a writer and law student based in Chicago. He's written for Forbes, The Washington Times, Insight Magazine, and other leading national publications.*

If you've flown for business lately, you've probably heard the flight attendant make an announcement sometime during the flight that all passengers should "turn-off, and stow, all portable electronic devices."

That's a pretty broad, and pretty vague phrase. But, like most other passengers, you probably complied with the request by turning off your cellular phone, laptop computer, or Palm Pilot.

Most business travelers assume that there's something substantive to this rule, like air safety. But, actually, there's been no in-flight evidence ever compiled by the Federal Aviation Administration that computers or cell phones interfere with the on-board navigation and communications systems of airplanes. In fact, the FAA first promulgated this rule concerning "Portable Electronic Devices," or PEDs, back in 1989, according to my research, before notebook computers were as widely used as they are today.

Then, as if to justify the rule, the Clinton Administration commissioned a study in 1996 to look into whether the gadgets interfered with an aircraft's electronic systems. The study, done by an outside contractor, is not even scientific. According to the study obtained through a Freedom of Information Act (FOIA) request, the study consisted of the FAA's own records on reported "incidents" when air crew members voluntarily told the FAA that they "believed" that a computer or

another electronic gadget had caused some kind of temporary interference with the plane's computer systems.

In other words, the FAA has, by sleight of hand, turned a correlation into a viable connection. Then they've enforced this faulty reasoning, developed without scientific evidence, through a regulation. This misguided rule inhibits the Property Rights and Free Speech rights of every business passenger on every flight that passes over the U.S.

To further demonstrate how absurd this FAA rule is, note that the European air traffic authorities do not have a similar regulation, and The European Union is not known for being a de-regulatory regime. Additionally, the airplane manufacturers install shields on the aircraft to prevent their navigation and communication systems from being disrupted. They're being pinged with radar all the time from flight control towers all over the country, without incident.

California Supreme Court Justice Janice Brown speaking at a Constitutional Law seminar sponsored by the Institute for Justice, discussed how, slowly but surely, freedoms that we once took for granted are being eroded by silly rules and regulations. Dr. Roger Pilon, of Cato Institute, and Professor Douglas Kmiec, of Pepperdine Law School, also provided exceptional insights into natural rights philosophy and how the Founders viewed Property Rights as one of our essential freedoms. The FAA case cited above is an example of what Justice Brown discussed. The

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*Clearly, this FAA rule infringes on our rights to use our property as we see fit, as there is no reasonable, rational reason for the imposition of the regulation.*

Founding Fathers, Justice Brown recalled, created the protections of the Constitution to put property rights and free speech rights beyond the reach of the government. Clearly, this FAA rule infringes on our rights to use our property as we see fit, as there is no reasonable, rational reason for the imposition of the regulation. Moreover, the rule violates our free speech rights every time we fly.

The FAA was created to regulate air traffic and air safety **C** not computers. They've gone beyond their role, a clear violation of the rule of law, which states that there can be no arbitrary uses of government power.

This incident has inspired a lawsuit through The Citizens=Committee for Natural Rights against the FAA for violating the Fifth Amendment property rights of passengers, as well as First Amendment Rights. They've also violated the Administrative Procedure Act, which states that federal regulations cannot be implemented arbitrarily and capriciously. Having no scientific basis for the regulation makes it arbitrary. If you have been burdened by these FAA regulations in the past, and want to join the suit as a Plaintiff, or if you'd like to participate as a pro-bono attorney, or provide any other support, please feel free to e-mail at: [gkoprowski@compuserve.com](mailto:gkoprowski@compuserve.com), or telephone at 312-951-7340. The case will be filed in federal court in the Midwest.

## Focus on Iowa Wesleyan College

Shelley Doak

The mud-slinging at Iowa Wesleyan has no relationship to politics in this election year. Mud and dirt have literally been flying on campus this summer and fall in preparation for the construction of a new student activity center.

BSW, Inc., a Mt. Pleasant Joint Venture for Community projects, which heads up the construction, consists of local construction companies. "Those who wish to follow the project's progress are encouraged to log on to the Iowa Wesleyan web site at [www.iwc.edu](http://www.iwc.edu) to view video footage of the on-going construction," said Carol Nemitz, Vice President for Student Affairs at IWC.

The new Student Activity Center will be an approximately 35,000 sq. ft., two-story structure. The facility will connect to the current Student Union and will feature basketball/volley courts, a walking/jogging track, fitness/wellness center, a "smart classroom," and conference rooms. The expected date of completion is August of 2001. Contributions to the new facility continue to be accepted and can be made by calling the Development Office at 319-385-6214.

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## **What's New at PII**

**David Hogberg**

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income tax. Studies cited by the authors demonstrate that the greater generator of charitable giving is increases in wealth creation, not tax preferences.

Dr. Racheter then introduced study authors Ed McCaffrey and Dick Wagner in turn. They each made brief remarks about why it was good that both houses of Congress had passed death tax repeal, and why it would be in the nation's interest if the President would not veto the legislation. The authors pointed out facts from their study which demonstrate the positive impact repeal

of the death tax would have on the American economy, and how it would help farmers and other small business owners avoid having to sell to pay the confiscatory 55% tax .

*David Hogberg is a Research Analyst at Public Interest Institute.*

*Iowa Senator Charles Grassley speaking against the death tax.*

**If you would like more information on the death tax, a copy of the policy study, "A Declaration of Independence from Death Taxation: A Bipartisan Appeal" can be downloaded from Public Interests Institute's website at [www.limitedgovernment.org](http://www.limitedgovernment.org)**

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