

FACTS & OPINIONS

On Public Interest Issues

Quotes

The same prudence which in our private life would forbid our paying money for unexplained projects, forbids it in the dispensation of public moneys.

--Thomas Jefferson

What's wrong with education cannot be fixed with technology. No amount of technology will make a dent. The problem is bureaucracy.

--Steve Jobs, Co-Founder,
Apple Computers

If men were angels, no government would be necessary... You must first enable the government to control the governed; and in the next place, oblige it to control itself.

--James Madison

The Truth About Income Inequality

By John H. Hindraker and Scott W. Johnson

Dramatic stories portraying a widening inequality of income and a disappearing middle class in America have permeated the media in recent years. These stories have been based, almost universally, on biased analyses which manipulate and distort the underlying economic facts.

Data generated by the Census Bureau, the Bureau of Labor Statistics, the Federal Reserve and other nonpartisan sources refutes claims commonly made by the left. For example, data from such agencies show that:

(1) Differences in family income largely reflect differences in how many members of a family actually work.

(2) Income is about as widely distributed today as at any time in American history, and income is nowhere nearly as concentrated among top earners as it was in the period before World War II.

(3) Americans in nearly all income groups have prospered, or have failed to prosper, together. Gains by upper-income Americans have not come at the expense of middle- or lower-income Americans. Nor has anyone else gained in those periods when higher-income families have lost ground.

(4) The best era in recent history for middle- and lower-income American families was the Reagan boom, which lasted from 1982 to 1989. During that period, middle-class families saw their real incomes grow by an average of 12.6 percent, while lowest-quintile families saw an average increase in real earnings of 12.9 percent.

(5) There is a remarkable degree of income mobility in the American economy. Today's "poor" are tomorrow's "rich." To a considerable

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The Truth About Income Inequality

(continued)

The data certainly does not suggest that higher taxes, increased government spending or hyper-regulation of the economy will benefit middle-income or lower-income citizens.

John Hinderaker and Scott Johnson are graduates of Harvard Law School and University of Minnesota Law School respectively. They currently practice law in Minneapolis, Minnesota and write frequently for local and national publications.

To obtain the entire study from which this summary has been excerpted, or for more information, contact the Center of the American Experiment at 612-338-3605, or fax 612-338-3621. You may also request the study by mail, by writing the Center at:

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extent, income distribution reflects obvious demographic factors. For example, workers in their prime working years generally make much more money than those who are starting out in life or are retired.

Basic economic data does not support the gloomy picture promoted by the left. Moreover, the data shows that the last 25 years do not represent an undifferentiated upward or downward trend for middle- and lower-income Americans. The Carter years, for example, were an economic disaster; the Reagan years were a bonanza; and the years since then have been characterized by stagnation and downward drift. The data certainly does not suggest that higher taxes, increased government spending, or hyper-regulation of the economy will benefit middle-income or lower-income citizens.

In recent months, the debate has expanded to include the distribution of wealth (as opposed to just income). Liberal claims here, too, are based on manipulated data and faulty reasoning. More fundamentally, the wealth inequality debate should focus on what public policies will aid the accumulation of wealth by more, not fewer, American families.

We may reasonably ask: why now? Why, when by historical standards both income and wealth are broadly

distributed; when the distribution of income mostly reflects the distribution of work; and when economic mobility has never been greater, has income inequality assumed such a central role in our public discourse? The answer, we believe, has more to do with politics than with economics. The issue of income inequality provides an all-purpose justification for the redistributionist impulse that is the core of contemporary liberalism.

The "equality" espoused by the critics of income inequality is equality of outcome or of result. This notion of equality appropriates the language of America's founders, but it nevertheless strikes at the heart of the founders' understanding of equality, which was based on equality of rights. The founders understood that equality of outcome is impossible and undesirable, given the different abilities with which each person is born. Thus James Madison wrote in the most celebrated of the *Federalist Papers* that the "first object of government" is protecting the "different and unequal faculties of acquiring property" which necessarily results in the "possession of different degrees and kinds of property" or inequality of outcome. The liberal critics of income inequality have an argument not just with the facts or with their current political adversaries, but with the authors of the American Constitution. □

How Taxes Corrupt

Representative
Dick Armey (R-Texas)

How Taxes Corrupt

Economists have produced countless studies that show how our uneven, complex tax code costs our economy billions of dollars in higher compliance costs and reduced efficiency. But perhaps worse than the economic costs is the effect our arbitrary tax system has had on Washington's political culture. Because our tax system lacks any coherent principle--such as taxing all income one time at the same rate--tax policy has evolved into a free-for-all for special interests.

Today I am releasing a study that, for the first time ever, quantifies the number of people who work in Washington's lobbying industry and the amount of revenue the lobbying sector generates. Relying primarily on U.S. Census Bureau data, the report shows that the lobbying industry has grown dramatically over the past three decades and that this growth has coincided with increased complexity in the tax code. That's no coincidence. The study also reveals that the tax system is the single greatest source of lobbying activity in Washington.

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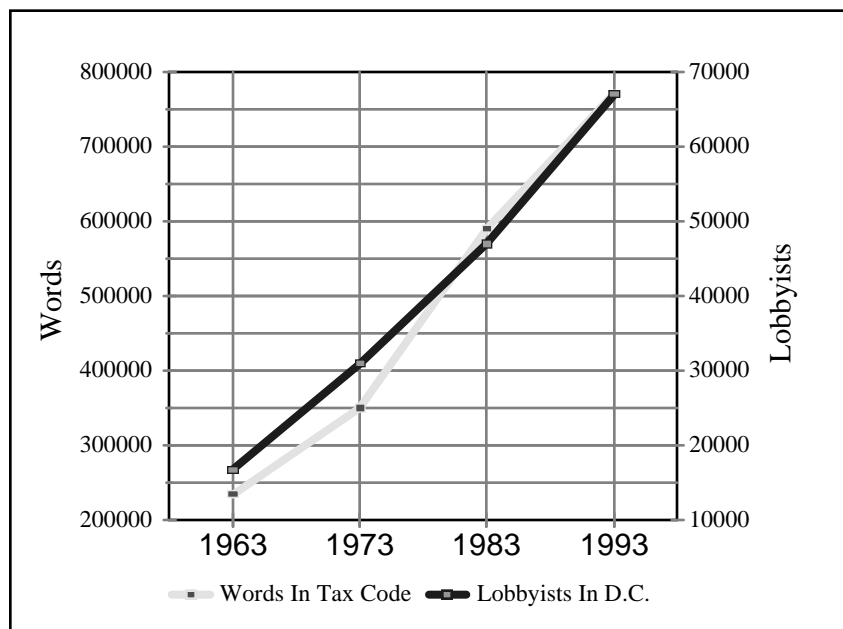
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Words in tax code and lobbyists in D.C., in thousands



How Taxes Corrupt (continued)

Lobbyists and the Tax Law

In the five years following the 1986 Tax Reform Act, Congress made about 5,400 changes in the tax law. Whether these changes were made for the most well-intentioned social goals or for crass political purposes, the result of this incessant tinkering was the same: it spawned an entire industry of lobbyists who are paid to ensure that these often obscure changes benefit their clients.

The lobbying industry is the largest private sector employer in Washington, accounting for fully one-sixth of the private work force--67,062 people. These lobbyists were paid more than \$3.2 billion in 1993, an average of \$47,679 each. By comparison, the typical American worker earned \$19,429 in 1993. In addition, the lobbying sector generates more than \$8.4 billion in revenue every year. If the D.C. lobbying industry were its own economy, it would be larger than the economies of 57 countries.

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The lobbying industry has grown significantly by any measure over the past few decades. The number of people employed in the lobbying sector has grown from 16,721 in 1964 to 67,072. To put it another way, in 1964 there were 31 people working to influence government policy for every member of Congress; today there are 125 lobbyists per congressman.

Not surprisingly, the growth of the lobbying industry has coincided with the tremendous growth in the length of the income tax code. During the past 40 years, the number of sections in the tax code has increased from 103 to 698. And the number of words in the code has more than tripled, rising from 234,746 in 1964 to 771,632 in 1993. As the chart (page 3) shows, the number of words in the tax code has skyrocketed during the same period that the number of lobbyists soared.

Know of an issue that should be covered in the next FACTS AND OPINIONS? Contact us and let us know.

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How Taxes Corrupt (continued)

If we want the number and influence of lobbyists to diminish, the current income tax must be jettisoned, favoritism eliminated, and the principle of uniformity restored.

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This is no coincidence. Disclosures by lobbyists reveal that the tax code is the single greatest source of lobbying activity in Washington. On June 5, 1993, 3,106 firms were registered with the Clerk of the House to lobby on behalf of 9,074 clients. The data show that more special interests retained lobbyists to work on taxes than any other issue. Even in the current budget-balancing environment, the hundreds of billions of dollars Congress appropriates annually doesn't attract as much interest as the tax code.

What's the Problem?

All this isn't to say that lobbyists are bad people. Most are honest, hard-working citizens representing legitimate economic interests. But it is not healthy for our economy or our democracy that so much latent talent, energy, and resources are diverted toward securing special consideration under the tax system.

"The moment you abandon the cardinal principle of exacting from all individuals the same proportion of their income or their profits," J.R. McCulloch wrote in "Taxation and the Funding System" in 1885, "you are at sea without a rudder or compass, and there is no amount of injustice or folly you may not commit." Disregarding McCulloch's warning, during the past 40 years Congress has used the tax code to pick winners and losers and hand out special favors. As a result, the public interest has been shortchanged while the lobbying industry has flourished. Steve Forbes is right when he charges that the current income tax code is the chief source of political corruption in the nation's capital.

What to Do?

If we want the number and influence of lobbyists to diminish, the current income tax must be jettisoned, favoritism eliminated, and the principle of uniformity restored. While there will always be lobbyists in Washington, there would be far fewer if Congress used the tax code to raise revenue efficiently for the federal government, and if, rather than try to pick winners and losers, it treated every American the same.

Two years ago I introduced legislation that would scrap the current income tax and replace it with a flat tax on all income. By eliminating itemized deductions and special breaks, the flat tax removes the entire playing field on which lobbyists operate. That's why a simple, neutral law like the flat tax would have a chilling effect on the lobbying industry and transform the entire political culture in Washington. □

Reprinted with permission of Congressman Dick Armey. Mr. Armey (R-Texas) is the U.S. House Majority Leader.

Focus on Culture and Society

David Popenoe

The crisis of fatherhood, then, is ultimately a cultural crisis, a sharp decline in the traditional sense of communal responsibility.

The Crisis of Fatherlessness

David Popenoe, Professor of Sociology at Rutgers University, writes: "If present trends continue, the percentage of American children living apart from their biological fathers will reach 50 percent early in the next century." This "massive erosion of fatherhood contributes mightily to many of the social problems of our time...Fatherless children have a risk factor of two to three times that of fathered children for a wide range of negative outcomes, including dropping out of high school, giving birth as a teenager, and becoming a juvenile delinquent."

In his new book, *Life Without Father*, Popenoe attributes the erosion of fatherhood to two causes: the "divorce revolution" and the sharp increase in nonmarital births. These two trends, in turn, reflect a dramatic change in American culture over the past 30 years--a shift away from any sense of communal responsibility towards a radical individualism.

Until quite recently, Popenoe argues, American individualism was "...tempered by a strong belief in the sanctity and importance of social units such as families, neighborhoods, schools, religious organizations, and the nation as a whole."

But today's "...radical, expressive, or unencumbered individualism is devoted much more to self-aggrandizement at the expense of the group. In place of group purposes serving as personal goals, self-expression, sexual freedom, and even impulsiveness have been substituted...No longer having a strong institutional repository, moral authority has become increasingly centered within the psyche of each individual. At the extreme we are becoming a nation of asocial hedonists and narcissists."

The crisis of fatherhood, then, is ultimately a cultural crisis, a sharp decline in the traditional sense of communal responsibility. It therefore follows that to rescue the endangered institution of fatherhood, we must regain our sense of community.

Popenoe offers several "...community-building guidelines designed to promote marriage and family life." These include the fostering of "residential stability," the revitalization of "community moral standards," the "development of smaller cities and towns," and the protection and promotion of "family-oriented neighborhoods."

"Without violating the Bill of Rights," Popenoe concludes, "local communities should have more autonomy in establishing and enforcing their own values and moral standards..."

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Focus on Citizenship

Stephen Lazarus

Indeed, there are good reasons to be concerned about the disinterest of many Americans in the public affairs of their country.

The abdication of self-government and the erosion of civic responsibility has fueled the unprecedented growth of the state in the twentieth century.

Stephen Lazarus is a Research Analyst with Public Interest Institute

Election '96 Statistics courtesy of Committee for Study of the American Electorate

Democracy and Self-Government

The horserace has now ended and another election has come and gone. Political commentators again predicted low voter turnout, and they were right. More than half of America's eligible voters, 51.2 percent, stayed at home on Election Day--the lowest voter turnout since 1924.

Dr. Corwin Smidt, professor of political science at Calvin College and a noted authority on American presidential elections, explained in a recent phone conversation that voter turnout has declined steadily since the 1960s. A 60 percent turnout rate by eligible voters, common three decades ago, has "diminished consistently" to just under 51 percent in 1992, he noted. According to Census Bureau data, nearly one-third of Americans eligible to vote in 1992 had not even registered as of election day.

Indeed, there are good reasons to be concerned about the disinterest of many Americans in the public affairs of their country. Most Americans appear to pay little attention to the latest events in Washington and their state capitols.

An ironic twist has occurred. Even as millions of citizens formerly under communist rule begin the hard work of building new democracies, our own democracy has

seen better days.

Citizens are deciding not to vote on election day, citing "no real choice" among any of the candidates. In universities and on television, a "culture war" rages. Competing interest groups confront one another not as responsible citizens pursuing a shared goal of finding democratic solutions to problems plaguing the body politic, but as "victims" and "oppressors," trendy labels too easily deployed to discredit one's opponent. Meanwhile, individual, family, and community responsibility is often dismissed quietly as old-fashioned or a burden. These trends should concern us, because they provide a "barometric reading" about the health of American democracy.

When citizens withdraw from involvement in public affairs into their own private worlds, the state steps in to fill the void. Thus, people neglect both civic virtue and responsibility for their own lives. The abdication of self-government and the erosion of civic responsibility has fueled the unprecedented growth of the state in the twentieth century. The growth of the state's power beyond the limits of its authority further compounds this crisis of responsibility.

For this reason, Americans must make involvement in public affairs and politics a priority on par with their other aims and purposes in life. Spread the word!q

FACTS & OPINIONS is our quarterly membership newsletter arriving in February, May, August, and November.

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All or a portion of your article may be used.

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IDEAS DO MATTER.

The Crisis of Fatherlessness (continued from page 6)

"...Homogenous neighborhoods made up of families with children, possibly up to the size necessary to support neighborhood schools, should be protected and encouraged." ¶

From *Life Without Father* by David Popenoe,
(The Free Press)

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