



# LIMITS

*On Power and the Use of Coercion*

## Death of the Master

by Bruce Bartlett

“And now this great master has left us. No one who has been close to him both professionally and scientifically would be able to describe the feeling that lies heavy on all of us. No words can express what he has been to us, and few of us if any will have yet resigned ourselves to the realization that from now on there is to be an impenetrable wall separating us from him, from his advice, his encouragement, his critical guidance — and that the road ahead will have to be traveled without him.”

So wrote economist Joseph Schumpeter upon the death of his teacher, Eugen von Bohm-Bawerk in 1914. The words apply equally well to another great master who has left us, Milton Friedman.

Unquestionably the most important and influential economist of the second half of the 20th century, Friedman’s work will live on for as long as

the field of economics continues to be studied.

Friedman was born on July 31, 1912 in Brooklyn, New York. His path toward economics began at Rutgers University, from which he graduated in 1932. There, he came under the influence of Arthur Burns, an important economist who became chairman of the Federal Reserve Board under Richard Nixon. Friedman later called Burns the “guiding influence of my subsequent career.”

Friedman started his graduate work at the University of Chicago, completing it at Columbia University. During World War II, he worked on tax policy at the U.S. Treasury Department in Washington. Following the war, Friedman joined the economics department at the University of Chicago, where he became the dominant expositor of what came to be called the Chicago School of Economics.

The 1950s were the high point of Friedman’s scientific work in economics. His main accomplishment during this period was to resurrect the role of monetary policy in the economy. At that time, economists generally followed the theories of British economist John Maynard Keynes, who believed that fiscal policy (taxing and spending) was government’s most powerful tool for influencing growth, inflation, and business cycles. In the Keynesian model, the Federal Reserve’s monetary policy (credit and interest rates) was essentially passive, with little direct economic impact.

Eventually, Friedman was successful in convincing most economists that Keynes was wrong. The Friedman view became known as monetarism and was instrumental in overturning the Keynesian

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# Dust Regulations Vex Iowa Farmers

by Amy K. Frantz

Should Iowa farmers be concerned that they are creating too much dust while harvesting their crops? New regulations from the Environmental Protection Agency (EPA) are cause for concern, despite assurances to the contrary from EPA officials.

In September the EPA issued its final rule on national ambient air quality standards for particulate matter. In the Fact Sheet that accompanies the final rule, the EPA defines particulate matter as "a complex mixture of extremely small particles and liquid droplets in the air. When breathed in, these particles can reach the deepest regions of the lungs." Of particular concern to Iowa farmers is that the exemption for agriculture that was part of the December 2005 proposed rules is not included in the final rules.

Senator Grassley invited EPA Administrator Stephen Johnson to visit Iowa in October to discuss this matter and observe farmers at work. While it rained on the day of his visit, halting the demonstration, those attending were still able to share their concerns over this rule with the EPA.

In an October 19 *Des Moines Register* article by Perry Beeman, EPA Administrator Johnson indicated that "he doubts the [dust] emissions [from crop fields] pose any significant health threat. However, because scientific studies have been inconclusive on that point, the EPA declined to exempt farms in a recent rewrite of rules limiting dust emissions." Rather than exempt farm dust because it hasn't been proven to be a health threat, the EPA is choosing to include farm dust in its regulations until it can be proven not to be a threat. If the Justice Department followed this logic, we would lock up anyone suspected of committing a crime until the alleged criminals could prove their own innocence.

Administrator Johnson assured those attending the October meeting that that EPA does not intend for the regulations to cover farm dust, and that farmers will not face any additional requirements at this time. However, as times and Administrations change, what was promised by one official

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To learn more about air quality and EPA regulations, visit Public Interest Institute's website, **[www.limitedgovernment.org](http://www.limitedgovernment.org)**, to read the July 2000 *INSTITUTE BRIEF*: "Air Quality — It's Getting Better"

# National Taxpayers Union Foundation Study: UN-Backed Airline Tax Could Mean "Unhappy Landings"

from *Capital Ideas*, a publication of the National Taxpayers Union Foundation

A new United Nations-supported aviation tax scheduled to take effect in France just weeks from now should worry American consumers and taxpayers as much as those boarding French aircraft. That's

*To raise the billions in funds . . . UN leaders . . . are advocating an international airline tax.*

the conclusion of the latest study from the non-partisan National Taxpayers Union Foundation (NTUF), which has tracked a persistent trend among supranational bodies to impose policies on American taxpayers from above — the latest being a wealth-transfer plan funded by air travelers.

"The taxation scheme is clearly another effort on behalf of Western Europe to build a global welfare-state and pass the burden of a guilty conscience onto taxpayers around the world," said Katelyn Finley, who served as an NTUF Associate Policy Analyst. Finley, who authored the study, traced the impetus behind the proposal to the United Nations' Millennium Development Goals, a set of eight objectives to halve world poverty by 2015. To raise the

billions in funds to begin this undertaking, UN leaders as well as European officials are advocating an international airline tax.

However, Finley's in-depth analysis noted that the implementation of additional taxes on airline tickets could significantly decrease travel demand and place an added burden on an often-beleaguered industry. In the United States, for example, passengers on round-trip international flights pay nearly \$50 in various fees and charges plus a 7.5 percent excise on the ticket price (Passenger facility charges and flight segment taxes only add to the load.)

Citizens of other nations aren't likely to fare well either.

The French government will be the first to implement the "development tax" on air travel next month, at a charge of up to \$47.66 per ticket (rates are based on distance and class of service). Yet, between 1998 and 2003, aviation tax revenues in France had already increased 14 percent, while user charge collections jumped almost twice as high (27 percent).

The report also found that subsidies from wealthy countries would do little to improve the economic health of struggling countries. "[T]he World Bank's Development Reports have consistently shown that free markets, not constant supplies of aid, are the fastest and most

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### Question of the Quarter:

If the United Nations-backed aviation tax were implemented in the United States, would that make you less likely to travel by air?

Send your thoughts on this issue to us at [public.interest.institute@limitedgovernment.org](mailto:public.interest.institute@limitedgovernment.org). We may publish some of your ideas in the March 2007 issue of *LIMITS*.

## Initiative and Referendum in the States

by Amy K. Frantz

In addition to electing our state and national leaders on November 7th, voters in many states also considered measures placed on the ballots through the Initiative and Referendum (I&R) process. Iowa does not have the power of I&R. However many of the issues before voters in other states, such as the minimum wage, cigarette tax, and eminent domain have been or may emerge as significant issues in Iowa.

Voters in six states – Arizona, Colorado, Missouri, Montana, Nevada, and Ohio – considered measures to increase the minimum wage, with the increase being approved in all six states. In five of those states, the minimum wage was equal to the current federal minimum wage of \$5.15, as is Iowa's current minimum wage. (Arizona did not previously have a state minimum wage.) The new minimum wage in these five states now ranges from \$6.15 to \$6.85 per hour, and all are indexed for inflation. It is likely that both the Iowa Legislature and the U.S. Congress will consider an increase in the state

and federal minimum wages, respectively, next year.

Four states offered voters the opportunity to increase the state's cigarette and tobacco taxes, with mixed results. In Arizona, voters approved a ban on smoking in most public places and places of employment, as well as a 2-cent per pack increase in the cigarette tax to go toward education and enforcement of the new smoking ban. South Dakota voters approved an increase in the cigarette tax of 5 cents per cigarette (or \$1 per pack of 20 cigarettes), and an increase in the tax on all other tobacco products from 10% to 35% of the wholesale price. Voters in California and Missouri rejected measures to increase the cigarette tax in those states. Newly-elected Governor Culver proposed an increase in Iowa's cigarette tax to fund many of his campaign promises, so Legislators will probably be voting on this issue next spring.

Eminent domain was another prominent issue on ballots in November. Following the U.S. Supreme Court's decision last year in the *Kelo v. New London* case, ruling that eminent domain can be used to take property from citizens in the name of economic development, many states adopted laws placing

restrictions on eminent domain. Iowa was one of those states, with the State Legislature overriding Governor Vilsack's veto of the eminent domain law.

Voters in twelve states were able to weigh in on measures to curb eminent domain or give additional property rights to private citizens. These measures were approved in nine states: Arizona, Florida, Georgia, Michigan, New Hampshire, Nevada, North Dakota, Oregon, and South Carolina. In addition, September primary-election voters in Louisiana approved a Constitutional Amendment to place restrictions on the state's ability to take property from citizens for the use or transfer to a private person or entity. Three states — California, Idaho, and Washington — rejected property rights measures on the November 7<sup>th</sup> ballot.

Because Iowa does not have the right to the Initiative and Referendum, citizens cannot place measure on the ballot and vote directly on them. We can, however, make our feelings on the minimum wage, cigarette tax, eminent domain, and other issues known to our elected officials, who may be voting on these issues in the future.

*Amy K. Frantz is Senior Research Analyst with Public Interest Institute.*

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## Death of the Master

by Bruce Bartlett

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orthodoxy in the 1970s. But Friedman's other scientific work also contributed to this development. This would include the "permanent income hypothesis," which says that temporary changes in incomes do not affect consumer spending, only permanent changes do. Friedman also was instrumental in debunking the idea that higher inflation would lower unemployment, as the Keynesians believed. Any such effect was temporary at best, Friedman argued. In the long run, inflation raises unemployment, he said, a view proven correct in the 1970s.

In the 1960s, Friedman became more active in politics and public policy. He was an adviser to Republican presidential candidates Barry Goldwater in 1964 and Nixon in 1968. In 1966, Friedman began a regular column for Newsweek that became must-reading for free-market economists until he gave it up in the early 1980s.

Friedman's most influential publication was the slender volume, "Capitalism and Freedom," based on lectures given in 1956 but not published until 1962. In that book, he put

forward one of the most powerful cases for the free market ever written. Its greatest virtues were the clarity and vigor of Friedman's exposition. It had enormous impact in making free market economics respectable once again, after being falsely blamed for the Great Depression. In his Monetary History of the United States, Friedman put principal blame for that disaster on the Federal Reserve, which allowed the money stock to shrink by one third, bringing on a massive deflation.

In 1976, Friedman was awarded the Nobel Prize in economics. The Royal Swedish Academy of Sciences cited his achievements in the fields of consumption analysis, monetary history and theory, and stabilization policy. The following year, Friedman retired from active teaching and took up residence at Stanford's Hoover Institution. Although retired, he continued working until the very end. In 1980, Friedman probably achieved his greatest renown with the best-selling book and PBS television series, "Free To Choose," which explained to average people why free markets work best.

A key reason for Friedman's enormous output and influence is that he was blessed with a gifted partner, his wife Rose. A distinguished economist in her own right, she contributed heavily to her husband's thinking, most evident in their

co-written memoir, "Two Lucky People," published in 1998.

We mourn the death of Milton Friedman, who died in San Francisco on Nov. 16 at age 94. But we also celebrate his life and accomplishments, which will continue to provide guidance and inspiration. The master may be gone, but his work lives on.

*Bruce Bartlett is a former senior fellow with National Center for Policy Analysis of Dallas, Texas. Bartlett is a prolific author, having published over 900 articles in national publications and prominent magazines, and published four books, including Reaganomics: Supply-Side Economics in Action.*

*This article first appeared in Townhall.com. Townhall.com was launched in 1995 as the first conservative web community. Townhall.com's mission is to inform, empower, and mobilize citizens for political change. Today, Townhall.com is a web site that pulls together news and information from its 120 different "partner organizations," political commentary and analysis from over 100 different columnists, and activism tools developed to empower an active citizenry.*

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# The People's Voice: Colorado's Initiative and Referendum Process

by Dennis Polhill

Does the Initiative process enhance or diminish representative government?

In Colorado, citizens have the power to bring their idea before voters by using a petition. If a number of citizens agree by signing the petition, the idea goes to the ballot. Legislators dislike the Initiative process because they see it as infringing on their monopoly authority to legislate.

Opponents of citizen participation masterfully exaggerate difficulties with the Initiative process in order to compound false perceptions about the extent of the problems. Some problems are even caused by or augmented by their actions or inactions.

They claim petitions have caused “clutter” in the Colorado Constitution. But only 42 Initiated Amendments have been approved in the 94 year history of the process. Over the same period legislators have amended the Constitution 69 times (62 percent).

Next they claim “many” statutory measures end up in the Colorado Constitution. Some measures must be constitutional. Therefore, “many” being a portion of 42, probably means about a dozen. Distributed over 94 years, a dozen is not very “many.”

Because initiated statutes are approved by voters 41 percent of

the time (versus 33 percent for initiated constitutional amendments), ample incentive exists for issue advocates to go statutory. The counterbalancing disincentive is the risk of legislative tampering. That is, when there is a risk that legislators will tamper, initiative proponents are forced to go constitutional as a protection. Many of these “few” issues would have gone the statutory route, if a reasonable protection against tampering existed.

Like a magician, they distract Coloradans from the truth by comparing the Colorado with the U.S. Constitution. This is a ruse; the two documents are not comparable. The Federal government does not manage elections, local governments (which Colorado has 2710 of 61 different types), private corporations, and much more. State constitutions typically restate the Bill of Rights and sometimes enlarge the list. Colorado's Bill of Rights has 30 Articles. Colorado is comfortably in the midrange of state constitutions. The longest by word-count is Alabama (6 times Colorado's) and the shortest is Vermont (1/6th of Colorado's). Colorado is also near the center in number of amendments.

Colorado ballot titles are the longest and most difficult to read of any state. In addition, titles on

referred measures are much shorter than initiated measures. Legislators could easily require shorter or more readable titles; or even offer two titles (short and long) to help voters.

Only 10 percent of Colorado governments (272 out of 2710) now have petitions. In 1910 the Initiative was reserved to every unit of government. Counties and districts did not exercise legislative authority in 1910, so it did not matter much either way then. When the legislature delegated legislative authority to these governments, they failed to account for the fact that the Initiative was a power citizens “reserved themselves” in the Colorado Constitution. Thus, they delegated more than the constitution allowed them to delegate.

The last Referendum Petition to appear before Colorado voters was in 1932. A tax had been imposed on margarine to protect the dairy industry from competition. It was challenged by Referendum Petition and defeated by voters. Referendum Petitions can challenge a legislated law with two exceptions. Appropriations bills and threats to public health and safety are exempt from a Referendum Petition challenge. After 1932 the Safety Clause was contrived to disenfranchise citizens from their Referendum power and was attached to

virtually every bill, declaring the bill essential for the immediate protection of the public health and safety.

The Colorado Supreme Court has intentionally misinterpreted the 1994 Single Subject rule in order to insert itself as another stumbling block in the Initiative process.

The Colorado Legislature has the power (but not the will) to correct any or all of the above difficulties. That they do not illustrates hostility toward the Initiative process, an unwillingness to uphold the Colorado Constitution or to abide by their oath of office, and a disrespect for the people who elect them to office. However, Amendment 38, which will appear on the November ballot, seeks to correct several of these problems that the legislature won't address.

The Initiative process gives the people a voice when legislators fail to hear their constituents. It helps representative government do a better job.

*Learn more about this subject in the newly released Issue Paper "Protecting the People's Voice: Identifying the Obstacles to Colorado's Initiative and Referendum Process," available online at [www.i2i.org](http://www.i2i.org).*

*Dennis Polhill is Senior Fellow in Public Infrastructure at the Independence Institute. In addition to infrastructure and transportation, Dennis also*

*writes about economic, role-of-government, and democracy issues. This op-ed is reprinted with permission from the author.*

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may not be followed through on by future officials.

An example of this is pollution standards for lawn mowers. As Michael Fumento writes in his October 19 Townhall.com column, "nine years ago, I predicted that lawn mowers would one day fall victim to onerous and unnecessary EPA air pollution standards, despite Clinton EPA administrator Carol Browner having stated in sworn testimony to Congress in 1997 that such regulations are 'not about outdoor barbecues and lawn mowers.'" Fumento's prediction is apparently coming true, as "today, however, EPA openly seeks implementation of pollution standards for lawn mowers that would supposedly cut smog-causing emissions by 35 percent."

Iowa farmers have ample cause to worry about the EPA's final regulations on particulate matter. The EPA should base its regulations on sound science, rather than possibilities, before asking farmers to make potentially costly changes that will impact their operations and their livelihood.

*Amy K. Frantz is Senior Research Analyst with Public Interest Institute.*

**Public Interest Institute  
at Iowa Wesleyan College  
600 North Jackson Street  
Mt. Pleasant, IA 52641**

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## **UN-Backed Airline Tax Could Mean "Unhappy Landings"**

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reliable means of placing developing nations on the track toward economic growth," Finley added. "To give one example, improving developing nations' open access to agricultural imports may prove more beneficial over time than simply providing them with food shipments."

So far the U.S. has resisted these types of global taxes, a stance Finley hopes will continue. "Ameliorating third-world poverty is clearly more complex than anything an airline

tax can accomplish," she concluded. "While additional food and vaccines could deliver a small dose of relief to impoverished individuals, material contributions will only perpetuate developing nations' dependency on foreign aid."

*NTUF Issue Brief 155, "Unhappy Landings: The Latest UN-Backed Push for Global Taxes," by Katelyn Finley is available online at [www.ntu.org](http://www.ntu.org).*

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