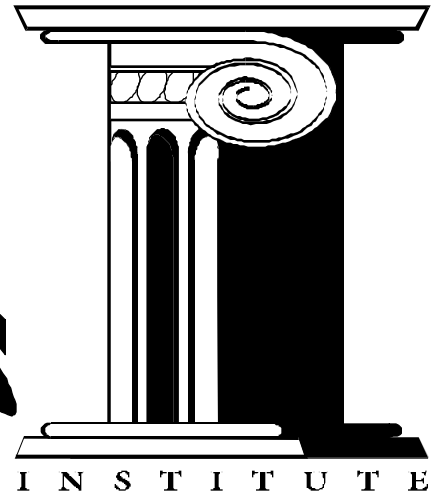


LIMITS



On Power and the Use of Power

Initiative and Referendum in the States

by Amy K. Frantz

One hundred years ago, South Dakota was the first state to allow voters to put measures with popular support on the ballot. Twenty-three states have since joined South Dakota, and voters in those states have placed 1,850 ballot initiatives on their ballots, according to the Initiative and Referendum Institute in Washington D.C.

This year, 61 initiatives and popular referendum were placed on state ballots by the voters by petition, down from the record high of 91 initiatives and referendum in 1996. Ballots around the country offered another 174 Legislative Referendum — Constitutional Amendments or statutes placed on the ballot by the State Legislatures.

Here are the results from some of the initiative and referendum measures on state ballots in November:

ALASKA

Voters in Alaska narrowly approved Ballot Measure 7, a proposed statute to allow candidates to voluntarily pledge to limit the number of terms they serve.

Alaskans approved Ballot Measure 8, a statute to allow the use of marijuana for medical reasons if a patient has a doctor's recommendation and is registered with the Alaska Department of Health and Social Services.

ARIZONA

Voters in Arizona approved Ballot Measure 105, a Constitutional Amendment to limit the power of elected officials to veto or change Initiative and Referendum (I&R) measures. This Amendment prohibits the Governor from vetoing and the State Legislature from repealing I&R measures, and requires

a 3/4 vote by the State Legislature to amend I&R measures.

Fifty-five percent of Arizona voters rejected a largely-symbolic proposed statute opposing the federal income tax. Measure 202 would have allowed a ballot notation for candidates for federal office who sign a pledge to support and vote for the elimination of the federal income tax and the Internal Revenue Service (IRS) through passage of a national consumption tax.

Ballot Measure 200, a campaign finance statute, was approved by the voters. This measure provides for public funding of campaigns that agree to limits on fundraising and spending. To be eligible for public funds, candidates must collect a certain amount of \$5 contributions (known as qualifying contributions) from their district to prove they have a base of support. Candidates for

continued on page 2

LIMITS

December 1998
Volume 3, Number 4

Executive Director
Dr. Don Racheter

LIMITS is one of our quarterly membership newsletters, arriving in March, June, September, and December. It consists of short articles and essays on protection of human rights by limiting the powers of government.

LIMITS 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, companies, 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.

Permission to reprint or copy in whole or part is granted, provided a version of this credit line is used: "Reprinted by permission from LIMITS, a quarterly newsletter of Public Interest Institute."

The views expressed in this publication are those of the authors and not necessarily those of Public Interest Institute.

If you have an article you believe is worth sharing, please send it to us. All or a portion of your article may be used. The articles in this publication are brought to you in the interest of a better-informed citizenry, because **IDEAS DO MATTER.**

We invite you to:
CALL us at 319-385-3462.
FAX to 319-385-3799.
E-MAIL to piiatiwc@se-iowa.net.
VISIT our web site at
www.limitedgovernment.org.
WRITE us at our address on page 8.

Copyright © 1998

continued from page 1

the State Legislature must collect 200 qualifying contributions, candidates for Secretary of State or Attorney General must collect 2,500, and candidates for Governor must collect 4,000. Candidates accepting public funds must also agree to limit their overall spending and the amount of their own money used in a campaign, and agree to refuse outside contributions. A new five-member commission will administer this voluntary campaign finance system and determine which candidates meet the requirements for public funding.

Arizona voters also approved the use of marijuana for medical reasons.

Proposition 101, a Constitutional Amendment placed on the ballot by the State Legislature, was rejected by 64 percent of Arizona voters. This measure would have repealed a current law that requires voter approval for a salary increase for elected officials.

ARKANSAS

Arkansas voters had anticipated considering a proposed Constitutional Amendment to abolish the state's property tax, increase the state sales tax, and require voter approval of all new taxes. However, after certification of the Amendment by the Secretary of State, an opposition group filed a lawsuit asking the court to remove the Amendment from the ballot.

On October 15 the Arkansas Supreme Court ruled that some signatures on the initiative petition were not valid, and removed the Amendment from the ballot.

Oscar Stilley, head of the petition effort, was unable to reinstate the Amendment before the election, but said supporters of the Amendment achieved some victory because the State Legislature has now recognized the need for property tax reform in Arkansas.

The Arkansas State Legislature placed Amendment 2 on the ballot for voter approval, a Constitutional Amendment to make changes in the state's tax structure, but the Amendment was rejected by the voters.

Amendment 2 would have made ALL changes in tax rates subject to the 3/5 (60 percent) supermajority vote by the Legislature. Currently, a 3/4 vote (75 percent) is required to increase most taxes, while only a simple majority is required to increase the state sales tax.

Opponents of the measure were concerned that the Constitutional Amendment would make it harder for the Legislature to cut taxes, which it currently can do by a simple majority vote.

CALIFORNIA

Initiatives on the November ballot did not generate interest equal to that for the June ballot initiatives on bilingual education and paycheck protection,

continued on page 4

Lessons From Down Under

by Lawrence W. Reed

For producing both material goods and personal fulfillment, economic freedom makes all the difference in the world. No country proves that more convincingly than New Zealand.

Situated in the South Pacific midway between the equator and the South Pole, New Zealand is just two-thirds the size of California. Its 3.5 million inhabitants live on two main islands and a scattering of tiny ones. New Zealanders — known as “Kiwis” — are proud of a long heritage as a British outpost that ended with full autonomy in 1931.

In 1950, New Zealand ranked as one of the ten wealthiest countries on the planet, with a relatively free economy and strong protections for enterprise and property. Then, under the growing influence of welfare state ideas that were blossoming in Britain, the United States, and most of the Western world as well, the country took a hard turn toward statism — the notion that government should be at the center of economic and social life.

The next twenty years produced “Kiwi socialism” — a harvest of big government and economic malaise. Increasingly, New Zealanders found themselves victims of exorbitant tariffs, massive farm subsidies, a huge public debt,

chronic budget deficits, rising inflation, a top marginal income tax rate of 66 percent, and a gold-plated welfare system.

The central government in those years became involved in virtually every aspect of economic life. It established its own monopolies in the rail, telecommunications, and electric power businesses. About the only things that grew during the period from 1975 to 1983 were unemployment, taxes, and government spending.

With an endless roster of failed state programs and economic ruin staring them in the face, New Zealand’s leaders in 1984 embarked upon what the Organization for Economic Cooperation termed “the most comprehensive economic liberalization program ever undertaken in a developed country.”

All farm subsidies were ended in less than two years. Tariffs were cut by two-thirds almost immediately and have continued to decline; today, the average New Zealand tariff rate is a mere 3.2 percent — virtually unilateral free trade. In fact, over 90 percent of all imports now enter the country completely free of any quota, duty, or other restriction.

Taxes were slashed. The top rate is now 33 percent, half of what it was when the big government crowd was in

charge. The average income tax level is just 21.5 percent. There are absolutely no capital gains or real estate taxes at all.

Since 1984, the New Zealand government has conducted a massive privatization effort, selling off at least 22 state enterprises. Its most dramatic success was the sale of Telecom NZ.

Pre-privatization, this state communications firm boasted 26,500 employees, many of them in unproductive or do-nothing jobs. Lean, modernized, and in private hands, it now has 9,300 workers and it faces competition for the first time from such companies as MCI in long distance and Bell South in cellular.

Meanwhile, the country has not suffered some privately engineered communications nightmare; rather, it has gone from antiquated technology to a 97 percent digital system rated second on the planet by the World Competitiveness Report. Telecom NZ is no longer a drain on the public treasury. It actually pays taxes.

New Zealand’s public sector work force in 1984 stood at 88,000. In 1996, after the most radical downsizing of any government anywhere, its public sector work force stood at less than 36,000 — a reduction of 59 percent.

continued on page 8

continued from page 2

but a narrow margin of voters approved Proposition 10, a Constitutional Amendment to increase the tax on cigarettes by 50 cents per pack in California. The Amendment creates state and county commissions, to establish and fund childhood development programs for children up to age five.

COLORADO

Coloradans voted to reject more government spending and return more of the surplus tax revenue to the taxpayers. The Colorado State Legislature placed a measure on the ballot asking voter approval to exceed the spending limits established in Amendment 1 to the State Constitution, known as the Taxpayer Bill of Rights (TABOR). The measure would have allowed the state to spend \$200 million of the surplus tax revenue rather than return it to the taxpayers. According to Steven K. Paulson, an Associated Press writer, "Taxpayers will now get an average projected refund of \$1,038 over the next five years, compared to \$654 if Referendum B had passed."

Colorado voters narrowly approved a Constitutional Amendment to establish a term limits pledge. Amendment 18 requires candidates for U.S. Congress to either sign a term limits pledge or sign a written statement that they choose not to take the pledge. Candidates

will have a phrase next to their name on future ballots indicating whether they signed or chose not to sign that pledge.

Coloradans rejected a proposed Constitution Amendment to establish a refundable income tax credit worth up to \$2,500 to offset education expenses for students who attend a non-government school. While defeated, Amendment 17 received 41 percent of the vote.

Voters also approved a statute to regulate hog farms capable of producing 800,000 or more pounds of swine. Amendment 14 requires those farms to monitor to ensure odor control and prevent hog waste from contaminating the soil or groundwater.

IDAHO

Idaho voters approved a statute establishing a term limits pledge for candidates for U.S. Congress. Proposition 1 allows, but does not require, candidates to sign a term limits pledge. Those candidates who take the pledge will have that fact noted next to their name on future ballots. If the pledge-taker exceeds the self-imposed limit, the phrase "broke term limits pledge" will be noted on subsequent ballots. This "informed voter" law does not require term limits, but allows the voters to know who has voluntarily limited the number of terms they will serve.

MASSACHUSETTS

Voters approved two statutes on the ballot in Massachusetts. Question 2 provides public financing for candidates who agree to spending and fundraising limits. Funds for candidates who accept the limits will come from a voluntary income tax check-off and funds appropriated by the State Legislature.

Question 3 caps the personal income tax rate on earnings from savings at the lowest personal income tax rate for wages and salaries. Eighty-three percent of those voting approved this cut in state income taxes.

MICHIGAN

Seventy percent of the voters in Michigan rejected Proposal B, the proposed statute to allow physician-assisted suicide for terminally ill adults. Many supporters of physician-assisted suicide indicated they voted against this proposal because they believed the law was too restrictive and regulatory. "Surely the vote on Proposal B does not signal the end of the debate on assisted suicide," said Dr. Cathy Blight, President of the Michigan State Medical Society, in an article from the Associated Press.

MONTANA

Voters approved a Constitutional Amendment, sponsored

continued on page 6

Cut Income Taxes

by Val Lambson

“Taxation without representation is tyranny,” thundered the American revolutionaries.

Their modern heirs are learning that taxation with representation isn’t so great either, as governments at all levels grow ever larger and more powerful while trampling on citizens’ liberties. Proponents of our founders’ vision of limited government agree that government spending and taxation should be slashed.

Income taxes deserve to be the priority for at least two reasons: they strike at the heart of productivity and they grant power to government far beyond that wielded by King George. Consider each reason in turn.

Income taxes are direct levies on productivity, and thus reduce prosperity more than other taxes do. First, people have incentives to avoid income taxes by producing less income, that is, by working less and by being less productive; this reduces prosperity directly.

Second, people have incentives to avoid income taxes by reporting less income, thus relegating much economic activity to black markets for otherwise legal goods and services. One problem with black market transactions is that they occur outside of the framework of legal and enforceable contracts and thus are riskier and less likely to take place. Another problem is that

participants in black markets become accustomed to disregarding laws, making good laws more difficult to enforce.

Third, in the modern world people can avoid income taxes by moving their operations away from the taxing authority. On the national level this is reflected in companies and individuals moving offshore; on the state level they need only move to another state with lower income tax rates. Providing incentives for people to take their wealth-producing activities elsewhere is bad policy.

Fourth, the current federal and state income tax codes are extremely complex. Thus people have incentives to hire lawyers and accountants to help them avoid income taxes. The increased demand for lawyers and accountants in turn induces many of the brightest young people to embark on unproductive careers filling out tax forms instead of becoming productive scientists, engineers or entrepreneurs.

Far more important than these disincentives, however, is the tremendous power that income taxes vest in governments. People shouldn’t be surprised by the recent allegations of IRS abuse; history suggests that such abuses of concentrated power are common. Unfortunately, given an income tax, such concentration of power is inevitable. First, to levy an income tax requires the

authority to demand answers to questions on all aspects of citizens’ lives: their professions, their incomes, their activities, their charitable giving, their medical expenses, etc. More importantly, to enforce an income tax requires the power to access individuals’ bank accounts, observe their lifestyles to ensure they are consistent with reported income, etc. Would Thomas Jefferson have willingly provided such information to King George?

Should income taxes be cut even if spending cuts cannot be engineered immediately? Absolutely. Government spending almost always increases with tax revenues: a promise to raise taxes or postpone tax cuts “just this once” before getting government spending under control is not credible, even if it can be read on a politician’s lips. Cutting off tax revenues puts pressure on government to forego spending increases and ultimately to actually make spending cuts.

Nathan Hale, the American patriot who was hanged by the British for spying, was unrepentant. “I only regret,” he is quoted as saying, “that I have but one life to give for my country.” So great was his love for a nation founded on principles of liberty that he was willing to make the ultimate

continued on page 7

continued from page 4

by Montanans for Better Government, to require voter approval of taxes. The Amendment requires the voters to approve any new or increased tax imposed by state and local governments, school districts, or any other taxing authority. The State Legislature may increase taxes temporarily in an emergency with a 3/4 supermajority vote.

NEBRASKA

Voters rejected a proposed Constitutional Amendment to limit taxes and government spending on the Nebraska ballot. Measure 413 would have slowed the growth of state and local spending by limiting government revenue to the prior year's revenue plus inflation, population growth, amounts spent for unfunded mandates, and temporary emergencies. Any tax revenue collected above the limit would be returned to the taxpayers. Many voters interviewed at the polls said they voted against the 3,500-word Amendment because it was too long or confusing.

NEVADA

Voters in Nevada approved a Constitutional Amendment instructing its Congressional Delegation to propose a term limit amendment to the U.S. Constitution. Candidates who do not follow the wishes of the

voters on this matter will be identified as such on future ballots. This Amendment was also approved by the voters in 1996. Nevada's State Constitution requires proposed Constitutional Amendments to be approved by the voters in two consecutive elections.

Nevada also approved a Constitutional Amendment to allow the use of marijuana for medical reasons. This Amendment must be approved again in 2000 before it can take effect.

OREGON

Fifty-one percent of Oregon voters rejected Measure 59, a Constitutional Amendment prohibiting the use of public funds to collect union dues from government employees to be used for political purposes. Supporters had emphasized that Measure 59 was a taxpayer issue, because tax dollars are being used to collect union dues from government employees.

Other ballot measures were approved in Oregon, including a statute to require voting by mail in biennial primary and general elections, a statute to allow the medical use of marijuana, and a Constitutional Amendment to require a supermajority vote in order to approve a supermajority voting requirement.

WASHINGTON

Voters in Washington approved three statutes pro-

posed by initiative petition. Washington State voters can only propose statutory changes; the citizens' initiative cannot be used to change the State Constitution.

Initiative 200, the Washington Civil Rights Initiative, was approved by 58 percent of the voters. It prohibits the government from discriminating against or granting preferential treatment to individuals or groups based on race, sex, color, ethnicity, or national origin with regard to contracting, employment, or education. Initiative 200 is similar to California's Proposition 209, approved by California voters in 1996.

Washington voters also approved measures to increase the state's minimum wage and link future increases in the minimum wage to the Consumer Price Index; and to permit the use of marijuana for medical reasons. ○

* Election results in a few states were not yet official at the time LIMITS was published.

Amy K. Frantz is a Research Analyst with Public Interest Institute.

**Read about local
initiative and
referendum in
Iowa in our next
issue of LIMITS**

Legislatures Attempt to Limit Initiative and Referendum Process

by Amy K. Frantz

“Since the success of term limits and tax limit initiatives, elected officials across the country have been restricting initiative campaigns,” said Barnaby Zall, Legal Advisory Board Member of the Initiative and Referendum Institute.

In four states this November, State Legislatures placed measures on the ballot to try to limit the Initiative and Referendum process.

Voters approved a proposed Constitutional Amendment in Mississippi to require persons who gather signatures on initiative petitions to be residents of the state.

In Wyoming, voters approved Amendment B, to amend the State Constitution to change the minimum requirement for signatures on Initiative and Referendum petitions. The total number of signatures needed on a petition is currently based on the number of persons who voted in the previous election, which will not change. However, currently, petitions must have at least one signature from a registered voter from two-thirds of the counties in Wyoming. Amendment B requires signatures from 15 percent of the qualified voters in each of at least two-thirds of the counties. In a large state with sparse population in many counties, this makes it nearly

impossible to gather enough valid signatures to meet the requirements.

Utah voters approved a Constitutional Amendment to make it more difficult to adopt certain initiatives. Proposition 5 amends the State Constitution to require two-thirds of the voters to approve any initiative to allow, limit, or prohibit the taking of wildlife or making changes in the season for or method of taking wildlife. Fifty-six percent of Utah’s voters approved the change in the Constitution (ironically, Proposition 5 did not receive a two-thirds vote of approval itself).

Missouri voters approved a Constitutional Amendment proposed by the State Legislature to shorten the time initiative sponsors are able to circulate petitions for signatures. Amendment 1 requires petitions to be submitted six months prior to the election, rather than the current requirement of four months prior.

Finally, the U.S. Supreme Court heard arguments on October 14, 1998 in a case to determine whether the state of Colorado can place certain requirements on signature gatherers (or “circulators”) to regulate the initiative process. The case is challenging Colorado’s requirement that

persons gathering signatures must be registered electors; that circulators must wear name badges with their name, address, whether they are paid or a volunteer, and if paid, the person or entity paying them; and that initiative sponsors must file reports disclosing the names of circulators and the amounts the circulators are paid. The Supreme Court may rule on this case as early as January, 1999. ○

Amy K. Frantz is a Research Analyst with Public Interest Institute.

Cut Income Taxes

Continued from page 5

sacrifice. If he could see the affronts to liberty in our current state of affairs, he would probably want his life back. Dismantling the IRS and the analogous state agencies would be a major step in the direction of establishing the kind of government that was his dream. ○

Val Lambson is a Professor of Economics at Brigham Young University and a member of Sutherland Institute’s Board of Scholars. Reprinted with permission from Sutherland Institute, a public policy research organization in Murray, Utah.

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

NONPROFIT ORGANIZATION
U.S. POSTAGE PAID
MAILED FROM ZIP CODE 52761
PERMIT NO. 338

**Lessons From Down
Under
Continued from page 3**

The country's banking system is thoroughly deregulated. Even foreign banks are now welcome. Americans who have grown accustomed to the thought that government should guarantee their bank deposits might be shocked to learn that in New Zealand, the central government imposes no deposit insurance on financial institutions. Instead, banks provide full public disclosure of their financial conditions and secure whatever insurance they need in the open market.

Establishing a new business

in New Zealand is easy, largely because the few regulations imposed are applied evenly and consistently. Environmental and safety regulations are sometimes burdensome, but are largely offset by low taxes and a business-friendly policy climate.

Compulsory union membership was abolished, as were union monopolies over various labor markets. Stripped of special privilege that once allowed them to hold the economy hostage, unions now enjoy a legal status no different from that of any other private, voluntary association.

These dramatic changes have paid off handsomely in economic dividends. The national budget is balanced,

inflation is negligible, and economic growth is surging ahead at between 4 percent and 6 percent per year.

There's a powerful lesson here: Big Government sucks the life out of an economy. Free markets can undo the damage. Statists of every persuasion, whether they be in Auckland or Washington, would do well to take a close look at the New Zealand model. ○

Lawrence W. Reed is President of the Mackinac Center for Public Policy, a Midland, Michigan-based research and educational organization. Reprinted with permission from Mackinac Center for Public Policy.