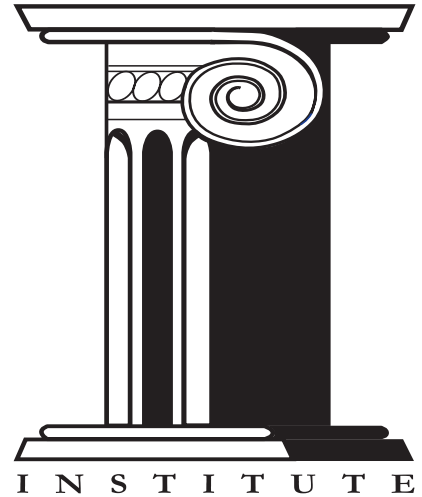


LIMITS



On Power and the Use of Coercion

Should Congress Extend Bush Tax Cuts Beyond 2010? YES: Extending tax-cuts will extend prosperity, growth

by Peter J. Sepp

Who was the first president since Ronald Reagan to deliver tax breaks for investors? None other than Bill Clinton, who signed a 1997 law that included tax-rate reductions on capital gains. By doing so he was not unlike his hero, John F. Kennedy, who urged across-the-board income tax cuts to “reinforce the American principle of additional reward for additional effort.”

Given this history, congressional Democrats should embrace making President Bush’s tax cuts permanent before they expire in 2010.

Condemning these laws to die would make tax filing season terrifying for everyone, not just for some whimsical class of robber barons. Recent IRS data show that more than 30 million

filers, many of them seniors, reported investment dividends.

Democratic leaders are muddling pledges to save the middle-class provisions of the Bush tax cuts with reserve funds that would be filled later from unspecified sources. Setting aside these improbable gimmicks, a middle-class family with two children could face a tax hike of \$2,000 or more in 2011.

History tells us that seeking this short-term revenue windfall is short-sighted policy. George Bush the Elder backed a law that raised the top income tax-rate and put new levies on everything from yachts to beer. The economy sagged, and the budget deficit reached new heights.

Those who credit Bill Clinton’s 1993 tax-hike scheme for taming deficits should remember that budget surpluses only appeared after

1997’s capital gains tax relief. Conversely, Calvin Coolidge’s tax rollback helped the 1920s roar, while Kennedy’s relief package jump-started the nation’s output. And Reagan’s reductions preceded a boost in job creation.

The lesson? Leaving more money in private-sector hands can lead to more employment, business activity, and investment, which lead to more taxable earnings for the Treasury.

It’s happening again. Revenues have zoomed 28 percent over the last six years.

So why hasn’t the red ink dried up? During those same six years, when Republicans controlled both branches of elected government, expenditures rose by an astonishing 49 percent.

Advocates of “tax fairness” ought to back permanent relief,

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What's New at PII?

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www.limitedgovernment.org*

Universal Vouchers in Utah

by Amy K. Frantz

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The Utah State Legislature and Utah Governor Jon Huntsman, Jr. approved a universal education voucher program for the state earlier this year. Opponents of the program have collected enough petition signatures to call for a referendum, asking voters whether or not the voucher program should be implemented.

Utah's universal voucher program, the Parent Choice in Education Act, provides every public school student in the state with a voucher that can be used at a private school. The voucher is worth between \$500 and \$3,000 per year, depending on the income level of the student's family. Low-income students that are currently attending a private school are also eligible for the voucher. The legislation also continues to provide public schools the full funding for every voucher student who leaves public school to attend a private school, for five years. "The maximum value of Utah's school vouchers is only about half of what the state's public schools spend per pupil," writes Andrew

J. Coulson, Director of the Cato Institute's Center for Educational Freedom.¹

The universal voucher program would have gone into effect starting with the new school year this fall. However, a challenge to the law will likely delay its implementation. Utah citizens have the right to referendum, which gives them the power to attempt to overturn certain laws passed by the Legislature and signed by the Governor. A petition must be presented to the Lt. Governor's office for verification, with signatures from ten percent of registered voters from at least 15 of Utah's 29 counties requesting a referendum election, about 92,000 signatures in this case. A group of opponents of the voucher program, "made up of Utah branches of the nation's largest teachers' unions, employee and administrator associations, the PTA, and the NAACP,"² reports Glen Warchol of *The Salt Lake Tribune*, collected enough signatures to place a referendum on the

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Federalism: The Constitutional Route Back to Responsible Policy and Government

by John Hendrickson

“Too much emphasis has been put on the desire to rule and too little on the obligation to obey,” stated Calvin Coolidge.¹ Coolidge’s words can be used today to describe the current state of government; that is, government has too strong a desire to rule and not enough discipline and obedience to obey taxpayers and the Constitution. President Ronald Reagan once said that “when silent Cal had something to say, it was usually worth hearing.”² The President was quite correct on his advice to take Silent Cal seriously, because Coolidge understood the concept of limited government and the rule of law. It is only through returning to the policies of limited government and federalism that we will be able to achieve a higher quality of virtue and economic liberty.

In *Federalist #51* James Madison wrote, “But what is government itself but the greatest of all reflections on human nature? If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary.”³ Men are not angels and the Founders,

such as the case with Madison, understood human nature. A balance was struck between liberty and the rule of law, and that balance was the Constitution — a Constitution that was strong enough to govern, but limited to protect fundamental liberties.

The national government was never meant to become the leviathan it is today. Congressman Ron Paul notes that the Congress in 2008 “proposes spending roughly \$3 trillion in 2008.”⁴ “When I first came to Congress in 1976, the federal government spent only about \$300 billion. So spending has increased tenfold in thirty years, and tripled just since 1990,” wrote Rep. Paul.⁵ “In 2006, Washington spent \$2,655 billion, raised \$2,407 billion, and ran a \$248 billion budget deficit,” wrote Brian M. Riedl, who is the Grover Hermann Fellow in Federal Budgetary Affairs at The Heritage Foundation.⁶

The national government is limited to its enumerated powers that are listed specifically in Article I, Section VIII of the Constitution. The Tenth Amendment states: “The powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people.”⁷ This concept is federalism,

which means that states have a sovereign role in the political process rather than being a mere administrative district for the national government.

Fred Thompson, former United States Senator from Tennessee, has recently written on the topic of federalism. “Our government, under our Constitution, was established upon the principles of federalism — that the federal government would have limited enumerated powers and the rest would be left to the states,” wrote Thompson.⁸ In addition, Thompson described federalism as making “states become laboratories for democracy and experiment,” and he cited welfare reform as an example.⁹

Education is another good example. Education is not listed as an enumerated power for Congress to intervene with, but education policy is still being dictated from Washington, D.C., the current example being the No Child Left Behind Act. “For more than 40 years. Washington, D.C., has been sending money to the states through hundreds of Washington-based education programs. In the past five years alone, spending in K-12 out of Washington has risen an unprecedented 25 percent,” stated Texas Senator John Cornyn.¹⁰

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**Federalism:
The Constitutional
Route Back to
Responsible Policy
and Government**

by John Hendrickson

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Federal spending and bureaucracy in education have both increased over time. In fact, No Child Left Behind is “responsible for much of the 129 percent inflation-adjusted increase in education spending from 2001 through 2006.”¹¹ Overall, “since 1965, American taxpayers have invested more than \$778 billion on federal programs for elementary and secondary education.”¹² “According to the Department of Education, the Bush Administration’s budget request of \$24.4 billion for No Child Left behind in 2008 would be a 41 percent increase over 2001 spending.”¹³

Heritage Foundation scholars Dan Lips and Evan Feinberg described some of the outrageous bureaucratic consequences of No Child Left Behind; “The General Accounting Office reported in 1994 that 13,400 federally-funded full-time employees in state education agencies worked to implement federal education programs, and according to

the Office of Management and Budget, No Child Left Behind increased state and local government’s annual paperwork burden by 6,680,334 hours, at an estimated cost of \$141 million dollars.”¹⁴ Is this worth the cost, and has education improved with this massive increase in spending and bureaucracy?

Education should be returned to the state and local level. In fact many states are moving in this direction. Utah, for example, passed historic legislation becoming the first state in the nation to have universal school choice, a plan modeled after Milton Friedman’s ideas. Education does need to be held accountable, but accountability should come from a local basis and not Washington, D.C.

The late Senator Barry Goldwater described “federal intervention” in education as “unconstitutional.”¹⁵ Goldwater also believed that education was best handled at the local level, and he believed that liberty was advanced through a limited government.

Ronald Reagan in his first Inaugural Address stated that government is not the solution to our problems, government is the problem. The federal government does have its proper role in the policy sphere, but the states have just as important a role. As Goldwater noted: “Nothing could so far advance the cause of freedom as for

state officials throughout the land to assert their rightful claims to lost state power; and for the federal government to withdraw promptly and totally from every jurisdiction which the Constitution reserved to the states.”¹⁶

Rep. Ron Paul wrote that spending could be cut “by two-thirds and still have a federal government as large as it was in 1990.”¹⁷ In addition, he offered a challenge to his colleagues: “If you claim to support smaller government, don’t introduce budgets that increase spending over the previous year. Can any fiscal conservative in Congress honestly believe that overall federal spending cannot be cut 25%?”¹⁸ Limiting government will not happen overnight. It will take patience, persistence, faith, courage, and a good place to start is cutting federal spending by 25 percent.

(Endnotes)

¹ Calvin Coolidge, “The Meaning of Democracy,” in *The Price of Freedom*, Charles Scribner’s & Sons, New York, 1924, p. 190.

² Ronald Reagan, *The President’s Point of View: Ronald Reagan Speaks*, ed. By Clark Cassell, Braddock Publication, Washington, D.C., 1984, p. 116.

³ James Madison, *Federalist #51*, in *James Madison: Writings*, The Library of America, New York, 1999, p. 295.

⁴ Rep. Ron Paul, "The 2008 Federal Budget," Ron Paul's Texas Straight Talk: A Weekly Column, April 2, 2007, <<http://www.house.gov/paul/tst/tst2007/tst040207.htm>> (April 23, 2007).

⁵ Ibid.

⁶ Brian M. Riedl, "Federal Spending—By the Numbers," The Heritage Foundation, March 8, 2007.

⁷ The Constitution of the United States of America: Amendment X.

⁸ Fred Thompson, "Talking about Federalism," Townhall.com, April 23, 2007 <http://www.townhall.com/columnists/FredThompson/2007/04/23/talking_about_federalism> (April 24, 2007).

⁹ Ibid.

¹⁰ Sen. John Cornyn and Sen. Jim DeMint, "A Better Answer for Education: Reviving State and Local Policymaking Authority," The Heritage Foundation, February 20, 2007, Heritage Lecture #994.

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¹⁵ Barry Goldwater, *The Conscience of a Conservative*, Victor Publishing Company, Shepherdsville, Kentucky, 1960, p. 77.

¹⁶ Goldwater, p. 30.

¹⁷ Paul.

John Hendrickson is a Research Analyst with Public Interest Institute.

**Should Congress
Extend Bush Tax Cuts
Beyond 2010?
YES: Extending tax-cuts
will extend prosperity,
growth**

by Peter J. Sepp

(continued from page 1)

too. Tax returns filed in 2005 indicate that on the same dollar, the wealthiest 1 percent of Americans paid an effective income tax rate nearly eight times higher than those in the bottom 50 percent. By this measure, taxes have remained steeply "progressive" under Bush.

One benefit of cementing the current tax rates is hard to deny: stability. Every year since 2001 has spawned significant changes to the tax code.

But these headaches won't match the migraines from soaring tax rates lying ahead. Ordinary folks who are trying to pay for college or plan for retirement will have to guess about which college-finance plans or IRAs will provide the best after-tax returns. Small

business owners will have to downsize operations or scuttle expansion plans.

Until lawmakers take on comprehensive tax reform, the least they can do is make permanent the reductions that have allowed our entire nation to prosper.

Peter J. Sepp is Vice President for Communications with the National Taxpayers Union.

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National Taxpayers Union was founded in 1969 to fight for the American taxpayer. NTU is the nation's largest grassroots taxpayer organization, with 350,000 members across fifty states. NTU lobbies Congress and State Legislatures, educates politicians and the media on important taxpayer issues, and teaches its members how to become effective, united citizen lobbyists.

For more information visit the National Taxpayers Union's website at www.ntu.org, contact NTU at 108 N. Alfred Street, Alexandria, VA 22314, or call 703-683-5700.

For more on the Bush tax cuts, read
"Make the Tax Cuts Permanent" by Jonathan Miltimore
March 2006 *INSTITUTE BRIEF*
at PII's website, www.limitedgovernment.org

Public Bans on Private Actions

by Lawrence W. Reed

I walked into a restaurant in Florida recently and said, “Nonsmoking table for two, please.” The greeter replied, “All restaurants in Florida are nonsmoking by law.”

I thought, “Good! Not a whiff of a cigarette. I like that!” Briefly, I took pleasure in government trampling on the liberties of consenting adults in a private setting.

Perhaps, I thought, it wasn’t wrong for government to prevent one person from imposing a harmful externality on an unwilling other. But then I realized no one compelled me to enter the place and the restaurant belonged neither to me nor to the government. In a free society, a private owner who wants to allow some people in his establishment to smoke has as much right to permit it as you or I have to go elsewhere. Moreover, no one has a right to compel another citizen to provide him with a smoke-free restaurant.

This statist impulse is a knee-jerk preference for deploying the force of the state (government) to achieve some benefit — real or imagined, for one’s self or others — in place of voluntary alternatives such as persuasion, education, or free choice. If people saw the options in such stark terms, or if they realized the slippery slope they’re on when they endorse such interventions, support for

resolving matters through force would likely diminish. The problem is, they frequently fail to equate intervention with force. But that is precisely what’s involved. The state government in Florida did not request that restaurants forbid smoking; it ordered them to.

I tried this reasoning on some friends. Here’s how some typical attitudes were expressed:

Delusion: “It’s not really ‘force’ if a majority of citizens support it.”

Paternalism: “Force was a positive thing because it was for your own good.”

Dependency: “If government won’t do it, who will?”

Myopia: “You’re making a mountain out of a molehill. How can banning smoking in restaurants possibly be a threat to liberty? If it is, it’s so minor that it doesn’t matter.”

Impatience: “I don’t want to wait until my favorite restaurant gets around to banning it on its own.”

Power lust: “Restaurants that won’t keep smoke out have to be told to do it.”

Self-absorption: “I just don’t care. I hate smoke and I don’t want to chance smelling it even if a restaurant owner puts the smokers in their own section.”

If there’s one thing we must learn from the history of regimes, it is that if you give

them an inch they eventually will take a mile. Liberty is more often eaten away one small bite at a time than by one big gulp. It’s wiser to resist its erosion in small things than to concede and hope that bigger battles can be avoided later.

Briefly, I took pleasure in government trampling on the liberties of consenting adults in a private setting.

Delusion, paternalism, dependency, myopia, impatience, power lust, and self-absorption: All are vestiges of infantile thinking. As babies, our understanding of how the world works is half-baked at best. We expect others to provide for us and don’t much care how they get what they give us. And we want it now.

We consider ourselves “adults” when we learn there are boundaries beyond which our behavior should not tread; when we think of the long-run and all people instead of just ourselves and the here-and-now; when we leave others alone unless they threaten us; and when we embrace personal responsibility.

Yet, demands to utilize government to “do something” are everywhere. Tax the other guy because he has more than me. Give me a tariff so I can be relieved of foreign competition. Subsidize my college education. Swipe that property so I can put a hotel on it. Fix this or that problem for me, and fix it pronto. Tell that guy who owns a restaurant that he can’t serve smokers.

Has America become a giant nursery, full of screaming babies who see the state as their loving nanny? It makes me want to say, “Grow up!”

Societies rise or fall depending on how civil its citizens are. The more they associate voluntarily, the safer and more prosperous they are. The more they rely on force — legal or not — the more pliant they are in the hands of

demagogues and tyrants. So resisting the statist impulse is no trivial issue. It is nothing less than the adult thing to do.

Lawrence W. Reed is President of the Mackinac Center for Public Policy, a research and educational organization headquartered in Midland, Michigan.

For more information, visit the Mackinac Center for Public Policy's web site at www.mackinac.org.

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Universal Vouchers in Utah

by Amy K. Frantz

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voucher law on an upcoming ballot.

Governor Huntsman initially announced that the referendum vote would take place as soon as possible, perhaps in a special election in June of this year, to enable the program to move forward this fall, if approved by the voters. However, a special referendum election, if held in June, would cost \$3.5 million. As a result, the referendum election will most likely take place in February 2008 at the earliest, the same day as the Presidential primary. If the referendum is not held in February, it could be placed on the ballot during statewide elections to be held in June and November of 2008.

In an unusual twist, a dispute has erupted between supporters and opponents of the voucher program over whether the referendum can actually stop the voucher program. The Utah Legislature approved a bill (HB 148) in February to enact the voucher program, which was signed by the Governor. Later in the legislative session, another bill was passed and signed (HB 174) that amended the voucher program to add items such as

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LIMITS

Question of the Quarter:

Should the State of Iowa enact a ban on smoking in public places such as restaurants, bars, and casinos, even if those establishments are privately-owned businesses?

Send your thoughts on this issue to us at public.interest.institute@limitedgovernment.org.

We may publish some of your ideas in the September 2007 issue of *LIMITS*.

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Universal Vouchers in Utah

by Amy K. Frantz

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additional oversight for schools and continuing full funding for public schools for five years. The second bill is not open to a referendum challenge because it was approved by more than two-thirds of the Legislators. Voucher opponents have challenged HB 148, and believe that the voucher program cannot be implemented if the voters do not approve the referendum, regardless of the Legislature's

approval of a second voucher bill. Voucher supporters believe that the program can and should be implemented, because HB 174 is immune from a referendum challenge. Utah Attorney General Mark Shurtleff issued an opinion stating that the second law can stand on its own, reported Nicole Stricker in *The Salt Lake Tribune*.³

Whether the program is implemented for the upcoming school year or not, the losing side will almost certainly file a court challenge to the decision. The voters will have the opportunity to make their views on the universal voucher program known sometime next year. However, with a likely court challenge ahead, the outcome of the universal

voucher program may not be settled in the state of Utah for years to come.

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¹ Andrew J. Coulson, "A Voucher Victory," Cato Institute's Center for Educational Freedom, February 14, 2007, <http://www.cato.org/pub_display.php?pub_id=7871> (April 30, 2007).

² Glen Warchol, "If petition succeeds, gov wants fast vote," *The Salt Lake Tribune*, March 23, 2007, <http://www.sltrib.com/news/ci_5502300> (March 27, 2007).

³ Nicole Stricker, "Lt. Gov declares school voucher petition successful," *The Salt Lake Tribune*, April 30, 2007, <http://www.sltrib.com/news/ci_5785364> (April 30, 2007).

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