



FACTS & OPINIONS

On Public Interest Issues

Quotes

“If broke people are making fun of your financial plan, you’re right on track. Don’t emulate foolishness.”

“Your budget must balance! You are not Congress!”

– Dave Ramsey, Personal Money-Management Expert

“Collecting more taxes than is absolutely necessary is legalized robbery.”

– Calvin Coolidge, 30th President of the United States (1923-1929)

“I cannot undertake to lay my finger on that article of the Constitution which granted a right to Congress of expending, on objects of benevolence, the money of their constituents...”

– James Madison, 4th President of the United States (1809–1817)

“Isn’t it appropriate that the month of the tax begins with April Fool’s Day and ends with cries of ‘May Day!’?”

– Rob Knauerhase, American Citizen

Rural Counties “Dying,” Census Bureau Says, Continuing a Long-Term Trend

By Steve Stanek
The Heartland Institute

The U.S. Census Bureau recently reported one in three counties was “dying” in 2012, a figure that does not surprise Wendell Cox, a consultant to public and private urban planning and transportation organizations.

“While the number is higher than before, it is not at all surprising,” Cox said.

“The smaller, non-metropolitan counties of the nation have had far lower-than-average population growth for decades, as the nation has moved over the last 100 years from largely rural to largely urban.”

Furthermore, the U.S. has been experiencing lower birth rates in recent decades. Lower birth rates are likely to accelerate the trend of county decline in rural areas as people continue to move from smaller-

population to larger-population areas.

Economic Opportunity

“People move to cities and metropolitan areas principally for economic opportunity and have since the era of increasing world urbanization began more than 200 years ago,” Cox said.

The census report shows 1,135 of the nation’s 3,143 counties are experiencing “natural decrease,” where deaths exceed births. In 2009, approximately 880 counties, or one in four, were experiencing natural decrease. In Iowa, 68 of 99 counties saw a decrease in population.

If not for immigration, even some major metropolitan areas would be seeing flat or declining populations, according to the census report,

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including New York, Chicago, Detroit, Pittsburgh, and St. Louis.

Political Disenfranchisement

This decline of population in small towns and rural counties is "disenfranchising" them politically and economically, as big cities and metropolitan areas come to dominate the state and national governments, said James Huffman, dean emeritus at Lewis and Clark Law School in Oregon.

In "The Disenfranchisement of Rural America," a column he wrote for the February 13, 2013, issue of *Defining Ideas*, a publication of the Hoover Institution, Huffman noted President Obama won only 20 percent of the nation's counties in the 2012 election. In Illinois, which is dominated by the Chicago metropolitan area, Gov. Pat Quinn (D) lost 98 of 102 counties. He won overwhelmingly in Cook County, which includes Chicago.

Huffman noted the red state-blue state maps of the nation at election time — red denoting states that vote

Republican, blue Democrat — become almost entirely red when taken to the county level. "The reality of vast expanses of red in some of the bluest of states should concern us if we truly care about self-governance," he wrote.

In a recent Heartland Daily Podcast, Huffman said people in rural counties who view gun control, land use, and other issues far differently from persons in urban areas, are having those urban values imposed on them by the politically dominant city politicians who have little respect for the views of residents outside the urban areas.

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Focus on Iowa Wesleyan College

The presidential search committee is being led by co-chairs Rev. Michael Morgan of Marion and Elizabeth Garrels of Mount Pleasant, with the help of a search firm, R.H. Perry & Associates of Washington D.C., to recruit, evaluate, interview, and select a new president.

"We're interested in a people person who can meet the community and the students, work with the faculty, and travel and meet alumni. Development and enrollment is very important," said Don Wiley, Chairman of the Trustees. The Board hopes to have a new president appointed over the summer.

It has been a busy spring at IWC. The American Shakespeare Center (ASC) presented the comedy *Twelfth Night* on March 12.

A.J. Jacobs was chosen as Iowa Wesleyan's 2013 Manning Speaker and presented lectures titled, *Fake it Till You Make It: The Power of Pretending to be a Better Person* and *The Year of Living Biblically* on March 14.

IWC was named to the 2013 President's Higher Education Community Service Honor Roll, the highest honor a college can receive for commitment to volunteering, service learning, and civic engagement. This is the fourth consecutive year that

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Iowa Wesleyan has been on the Honor Roll. The service learning program began in 1968 and is one of the oldest programs in the country.

Spring visit day was April 12, the Seniors' Art Show runs from April 8 – May 6, and the Spring Choral Concert with the IWC Choir and Mt. Pleasant Chorale was held April 14. College Awards Day will be April 25, with the All-Alumni Banquet, nurse pinning ceremony, Class of 1963 50-year reception, and Baccalaureate on May 3, followed by the alumni breakfast and commencement on May 4.

Events over the summer include alumni gatherings in Des Moines, Muscatine, and Quad Cities.

What's New at Public Interest Institute?

The Iowa Association of Political Scientists met at St. Ambrose University in Davenport, Iowa, on March 1 and 2, 2013. PII President Dr. Don Racheter, Research Vice President Amy Frantz, IT Specialist Jennifer Crull, and Research Analyst John Hendrickson all attended. Dr. Racheter served as a panel chairman.

The meeting included a speaker and panel discussion on judicial retention and impact of the separation of powers in Iowa. The panel included Justice Thomas Waterman of the Iowa Supreme Court and Chief Justice Thomas Kilbride

from the Illinois Supreme Court.

Racheter was also elected Secretary for a three-year term and Frantz continues as Treasurer. Next year's meeting will be March 2014, hosted by Central College in Pella.

We have published two POLICY STUDIES since the first of the year. They include: #13-1: "School Choice: Not if the Unions Have any Say" by Deborah Thornton, and #13-2: "Creating A Fair Property Tax System: Is it Possible?" by Jennifer Crull.

The January issue of FACTS AND OPINIONS included the lead article, "Cancer Treatment Nothing Short of Grueling: Cancer Research Needs Tissue," featuring the John Paul II Medical Research Institute.

The February IOWA ECONOMIC SCORECARD led with an article by Analyst and Editor Thornton, "Mirror, Mirror On the Wall; Who's the 'Fairest' of Them All?" reviewing issues of both tax and free speech fairness. Economics Professor Patrick Barron of Iowa City wrote on the euro debt situation.

In February the IOWA TRANSPARENCY NEWSLETTER featured an article by IT Specialist Crull on the new Iowa state government transparency Website. Located at <http://data.iowa.gov>, the site provides much useful data concerning state government spending. It is well worth an hour of your time.

We move forward into spring with much work to do. Follow us on Facebook at Public Interest Institute.

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Singular Cal

By Ryan L. Cole
The Manhattan Institute

Amity Shlaes provides a long-overdue assessment of an underrated and misunderstood president in Coolidge (Harper).

Occasionally, what goes around does come around. Eighty years after Calvin Coolidge and his reputation were laid to rest, the 30th President is enjoying a renaissance. New Deal historians unfairly blame Coolidge for the Great Depression and consign him to the dustbin, but modern conservatives, inspired by his frugality, see him as a muse.

“Governor Romney, please meet Gov. Coolidge,” pleaded the *American Thinker* last year; “It’s time for a little Calvin Coolidge in our Economic Approach,” demanded the *American Spectator*.

Economists, searching for ways out of the country’s economic doldrums, gathered at Dartmouth to contemplate what advice he would give — while Republicans searched for a reincarnation.

Coolidge admiration is not entirely novel — Ronald Reagan hung Silent Cal’s portrait in the Cabinet Room. Many fans celebrate less the man than the silhouette: a taciturn New Englander who cut taxes and spending and presided over the booming

twenties. But a serious discussion of Coolidge’s ideas and the importance of his presidency has been lacking.

Amity Shlaes’s *Coolidge* is a definitive biography that should move appreciation beyond conservatives and into the mainstream. Hers is not the only recent Coolidge study, but is in a league of its own. *Coolidge* is masterfully researched and lyrically written, balancing detailed economic history with a fascinating and moving human story.

As Shlaes explains, Coolidge’s austere character was forged in and forever linked with Vermont. He was, from childhood on, an outsider. Unlike generations of Coolidges who farmed the Green Mountain State’s flinty soil, Calvin left Plymouth Notch, the family homestead, for Amherst, Massachusetts. There, he grew from an awkward adolescent to a self-assured and determined young man whose career in law led, quickly, to politics.

From the city council to the statehouse, from the mayor’s office to the governor’s office, Coolidge’s career was a frenzy of realized ambition. But he was not always the tax-cutter and small-government champion of conservative lore.

Originally a mild supporter of Theodore Roosevelt’s progressivism, and an advocate of unity at all costs, Coolidge often made it a priority to hold the middle ground. He didn’t hesitate to support his party, even if it meant more spending. “There should be no parsimony in the care of our unfortunates,” he declared in 1916.

But Coolidge began to see the destructive power of overzealous regulation and legislation, careless budgeting, and stifling taxation, both on businesses and individuals. He fought off demands to build new city halls, consolidated 100 state departments, and, most famously, as Massachusetts Governor, dismissed over 1,100 striking Boston policemen in 1919. The decision was difficult: the picketing police had legitimate grievances, but waves of violence and looting forced his hand.

The incident launched his national star, landing him a spot on the 1920 presidential ticket with Warren G. Harding. The duo pledged to return the nation to “normalcy” — a phrase Shlaes rescues from historical ridicule and translates as a promise to restore the order lost, and peel back the excessive layers of government. Harding pursued

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these goals with vigor, holding the line on spending and cutting government.

Miserable in the vice presidency, Coolidge provided little assistance. But then Harding suddenly died in 1923, and the task of normalizing the country fell to his deputy. In perhaps the most humble passage of power in American history, Coolidge was sworn into the presidency by his father, a notary public, near the flickering light of a kerosene lamp at Plymouth Notch.

Shlaes focuses on two key components of Coolidge's presidency: spending and taxes. The new President relentlessly cut government and searched for savings. Government employees were issued one pencil at a time, and the government purchased lighter, less expensive paper. The Weather Bureau stopped sending out postcard forecasts, the post office made bags with new, cheaper material, and government-wide red tape was replaced with white string.

Coolidge, a master of the art of rebuffing congressional spending requests (he vetoed 50 bills), even in the executive mansion, where he chastised his housekeeper for excessive ham procurement. Collaborating with Treasury Secretary Andrew Mellon, the President lowered the top income-tax rate to 25 percent on the theory that the reductions, paired with budget cuts, would bring more

money into government coffers. It worked: revenues surged, wartime debt declined, and the President both balanced and decreased the federal budget.

Shlaes's book is valuable for its insight into his life and character. The retiring Vermonter was actually an ambitious, shrewd politician; capable of great warmth and striking eloquence; and his domestic life was mostly tranquil. But Coolidge knew tragedy — the death of his mother and sister colored his youth, while the death of his teenage son, Calvin Jr., darkened his presidency and the rest of his life.

Shlaes discredits the image of Coolidge as incurious. He was a complex thinker who possessed a New Englander's knack for expressing intricate ideas in common language. Nor was Coolidge a Luddite. He embraced technology, particularly aviation, and saw clearly that it was key to prosperity. He rebuffed the Ku Klux Klan and called for tolerance toward immigrants.

Coolidge refreshingly viewed power, and especially the presidency, coolly. When faced with the possibility of running, and likely winning, his own second term in 1928, which would have made him the longest-serving U.S. President at that time, Coolidge declined. "It is a great advantage to a President, and a major source of safety to

the country, for him to know that he is not a great man," he wrote.

This reticent legacy offers contemporary America, deep in debt, spending wildly while growing anemically, and obsessed with presidential celebrity, an alternative path — or, in Shlaes's phrasing, a useful "gift."

At the end of his term, Coolidge was besieged with requests for federal assistance after destructive floods hit the South. A committed federalist, the President refused, pointing out that the states, rather than Washington, were best situated to provide relief. When flooding next devastated Vermont, Coolidge stood firm, while the nation grew restive and called for action.

Could an equally restrained President find favor today? Whatever the answer may be, Shlaes offers a long-overdue, three-dimensional version of Calvin Coolidge. Her book is not unlike its namesake: thoughtful, modestly eloquent, dryly humorous, and above all, relevant.

Ryan L. Cole, a former advisor to Governor Mitch Daniels, writes from Indiana.

The Mahattan Institute, City Journal, Vol 23, No. 1, March 15, 2013, reprinted with permission, <<http://www.city-journal.org/2013/bc0315rc.html>>.

Pell-Running: Taxpayers Lose \$1 Billion or More a Year to Fraudulent Use of Pell Grants

By Duke Cheston

The John W. Pope Center for Higher Education Policy

Not long ago at a North Carolina community college, there always seemed to be fewer cars in the parking lot the week after Pell grant checks were sent out. And one instructor noticed that some students weren't taking the final in her class. Why? They hadn't studied and knew they were going to fail — but they had received their checks.

Such “students” are called “Pell runners.” They have figured out how to profit from a federal program meant to make higher education more affordable, and their fraud actually drives up tuition for honest students. While times have changed at the school mentioned above, fraud continues at many.

The Pell Grant Program, intended to help lower-income students afford college, began in 1972. In 2003, the U.S. General Accounting Office (GAO) estimated that Pell grant fraud accounted for about \$300 million in grants per year — about 3 percent of total money handed out.

A decade later, the program has more than tripled in scope (roughly doubling between 2008 and 2010), and fraud seems to be as bad as ever. One expert, Mark Kantrowitz of FinAid.org, believes that Pell-grant fraud still runs at about 3.6 percent or more than \$1 billion a year. The Obama

administration reported that “improper payments” — money distributed erroneously due either to fraud or mistakes — totaled 2.7 percent in 2011. Kantrowitz's higher number is based on the number of students who receive grants but never obtain degrees.

There are two primary ways federal student aid is abused. One is the Pell runner. Students obtain grants — up to \$5,500, receiving directly whatever money is left over after tuition. Then they drop out without finishing any courses.

Federal law makes this scam possible. Grantees are allowed to attend school for 12 semesters (six years) before they lose eligibility. There are no academic requirements; the only requirements are based on income and the cost of college. And there is no graduation requirement.

The other form of abuse is more complex. It is designed to make off with Pell grants

and federal student loans as well. Criminals form rings, in which the leader recruits “straw students” who apply for the grants and loans, then shares the haul with them.

Such fraud has become easier to commit due to the rise of online education, since students don't have to appear in person. In 2011, the Education Department reported a “dramatic” increase in financial aid scams involving online education, opening 100 investigations in the first 8 months, compared to 16 in 2005. The report found that “straw students drop or withdraw from programs after they receive their credit balance payments and then kick back a portion of the funds to the ringleader and, if applicable, a recruiter.”

In one case, the Office of the Inspector General (OIG) prosecuted 64 individuals in a fraud ring that targeted Rio Salado College in Arizona.

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The OIG normally only prosecutes the ringleaders, because it lacks the manpower to pursue all of the fraudsters. “Prosecuting all the participants placed a significant burden on the criminal justice system,” wrote William Hamel of the OIG, in the 2011 report.

The Apollo Group, the for-profit company that owns the University of Phoenix, has found over 21,500 fraudulent students since 2008. James Berg, Apollo’s vice president for ethics and compliance, told the Pope Center that about 0.4 percent of students were caught trying to commit fraud in the fourth quarter of 2012. Apollo has referred over 700 fraud rings to the Inspector General, with the average involving 19 students.

Pell-grant running tends to occur at community colleges and technical colleges, because tuition is low. For example, to carry a full load (15 credit hours per semester for two semesters) at Wake Technical Community College in Raleigh, North Carolina, costs \$2,240. The maximum Pell grant is \$5,500. Thus a Pell grant — the excess over tuition going to the student — can provide a lot of spending money.

Louisiana’s technical colleges, until recently, charged less than \$1,000 per year to attend. But they found a couple years ago that as much as 12 percent of grant money went to Pell runners. The Legislature is raising tuition to reduce the incentive to steal the difference between tuition and the grant, but it makes education more

expensive for honest students.

Henry Ford Community College in Dearborn, Michigan, is also raising tuition to repair the damage from Pell grant fraud. It has to pay back \$9.5 million in grant money because a large number of students lost eligibility for the grants — either because they were fraudsters or because they dropped out of class before 60 percent of the semester was completed.

Part of the difficulty in determining fraud is the line between what’s fraud and what is poor performance. Many students drop out shortly after enrolling even with honest intentions — acting like Pell runners, but without intending to defraud. The six-year graduation rate of all Pell grantees is about 50 percent, and those of community college students, often well below that.

Some colleges seem to have found effective ways to fight Pell abuse. Central Piedmont Community College (CPCC) in Charlotte, NC, distributed nearly \$16 million in Pell Grants to over 8,000 students in academic year 2012-13. Some of the measures CPCC takes to avoid fraud include not disbursing grant money until after 10 percent of the semester has been completed; not disbursing money if students haven’t attended during the first 10 percent of the semester; disbursing money in two parts to make sure that the students stay around; limitations on what can be purchased in the bookstore; and an advising department that tracks

academic progress. This does require taking attendance and costly red tape.

Other efforts are targeted at preventing fraud through distance education. For example, scanned and emailed photo IDs, rather than faxes, since faxes produce poor quality images, making verification difficult.

The Apollo Group developed a four-person “fraud squad” in 2008. It has made significant advances since then, enabling the company to prevent over \$110 million in financial aid from going to fraudsters, according to James Berg. “Very few people slip past the web we’ve created,” he said. “Word is getting around to not attempt fraud at the University of Phoenix.”

In sum, it’s unclear exactly how widespread Pell-grant fraud is, but it does seem that taxpayers are losing \$1 billion a year to fraudsters. And in addition to the \$1 billion in wasted tax dollars, fraud is driving up costs for both colleges, who have to pay back money to the federal government, and students, since it forces colleges to raise prices.

“I think we all have a responsibility to drive fraud out of the system,” Berg said.

Duke Cheston is a writer for The John W. Pope Center for Higher Education. Reprinted with permission, originally published February 26, 2013, <<http://www.popecenter.org/commentaries/article.html?id=2811>>.

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The Truth About Trade and Technology

By Deborah Thornton

Based in Des Moines, the non-profit advocacy group Truth about Trade and Technology (TATT) is led by real American farmers, supporting free trade and agricultural biotechnology. The Chairman is William Horan of Rockwell City, Iowa, who grows corn, seed corn, and soybeans, and raises pork.

The purposes of TATT are to “distribute accurate information [that] challenges our opponents,” work to promote international trade by educating the public and informing influential business and government officials, and disseminating information about the newest developments in agricultural biotechnology.

TATT is committed to promoting free trade and agricultural biotechnology through farmer-led educational initiatives. They recruit credible voices to speak on “behalf of farmers who have firsthand knowledge of how much expanded trade and innovations in biotechnology mean to rural America.”

The general idea of TATT is that “free trade is good for farmers because it helps them sell what they grow to people all around the world,” keeping food prices low and increasing the availability of food. This increases economic prosperity and spreads freedom and democracy to other countries.

Biotechnology in agriculture is highly beneficial, helping farmers increase productivity by “boosting crop yield and providing protection from pests, viruses, and poor weather.” Advances help Iowa

and American farmers feed a growing world, responding to their need for better diets. It is inappropriate for biotechnology propaganda about agriculture to be used to justify government protectionism and raise trade barriers, while protecting special interests.

Among other activities, TATT hosts the Global Farmer Roundtable, held each October as an invitation-only event of the World Food Prize Symposium in Des Moines – gathering farmers from around the world to discuss food production issues.

Additionally, they offer the Kleckner Scholarship, to assist farmers around the world in talking about their efforts to ensure the world’s food and nutritional security.

Mary Boote is the Executive Director of TATT and their Website is <http://www.truthabouttrade.org>.