

FACTS & OPINIONS

On Public Interest Issues

Quotes

“What the Left calls distortion – the statement that lower-tax states have stronger economies than do higher-tax states, for instance – is in fact observable reality.”

“In most states, conservative think-tanks are at a distinct fundraising disadvantage because most take not even a dime of government money, whereas the leftist groups they battle are generally funded through tax dollars and union dues (which are collected even when the individual taxpayer or union member opposes the aims of the groups).”

This is . . . “Why conservative donors should double down in funding them.”

“We practice what we preach: local control and decentralization.”

— Stephen Moore, (1960 -)
Chief Economist,
The Heritage Foundation

The Surprising States That Have Greater Income Inequality

By Stephen Moore and Richard Vedder
The Heritage Foundation

For those in Washington obsessed with reducing income inequality, the standard prescription involves raising taxes on the well-to-do, increasing the minimum wage, and generally expanding government benefits — the policies characterizing liberal, blue-state governance.

If only America took a more “progressive” approach, the thinking goes, leaving behind conservative, red-state priorities like keeping taxes low and encouraging business, fairness would sprout across the land.

Among the problems with that view, one is particularly surprising: The income gap between rich and poor tends to be wider in blue states than in red states.

Our state-by-state analysis finds that the more liberal states whose policies are supposed to promote fairness have a bigger gap between higher and lower

incomes than do states that have more conservative, pro-growth policies.

The Gini coefficient, a standard measure of income inequality, calculates the ratio of income at the top of the income scale relative to the income of those at the bottom.

The higher the ratio, the more inequality. A Gini coefficient of zero means perfect equality of income and a Gini coefficient of one represents perfect inequality, such as if one person has all the income.



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Dr. Don Racheter, President

Deborah D. Thornton, Editor

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E-Mail: Public.Interest.Institute@LimitedGovernment.org

Phone: 319-385-3462

Fax: 319-385-3799

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The measure has some obvious flaws: If everyone is doing better but some get richer at a faster pace, the Gini coefficient will increase, and so rising prosperity and economic progress will look like retrogression.

Still, we used it in our analysis, since it is the favorite measure among advocates of greater equality and the stick used to beat free markets. Conveniently, the U.S. Census Bureau annually calculates the Gini coefficient.

According to 2012 Census Bureau data (the latest available figures), the District of Columbia, New York, Connecticut, Mississippi, and Louisiana have the highest measure of income inequality of all the states; Wyoming, Alaska, Utah, Hawaii, and New Hampshire have the lowest Gini coefficients.

The three places that are most unequal — Washington, D.C., New York, and Connecticut — are dominated by liberal policies and politicians.

overall state tax burden than that of its much more liberal neighbors Massachusetts (Gini coefficient .48) and Vermont (.44).

Texas is often regarded as an unregulated Wild West of winner-take-all capitalism, while California is held up as the model of progressive government. Yet Texas has a lower Gini coefficient (.477) and a lower poverty rate (20.5 percent) than California (Gini coefficient .482, poverty rate 25.8 percent).

Do the 19 states with minimum wages above the \$7.25 federal minimum have lower income inequality? Sorry, no. States with a super minimum wage like Connecticut (\$8.70), California (\$8), New York (\$8), and Vermont (\$8.73) have significantly wider gaps between rich and poor than those states that don't.

What about welfare benefits? A Cato Institute report, *The Work Versus Welfare Trade-Off: 2013*, measured the value of all welfare benefits by state in 2012.

Income Equality Facts *Go Red Team!*

More Equal	Red States:	Alaska, New Hampshire, Utah, and Wyoming
More UN-Equal	Blue States:	Connecticut, New York, and Washington, D.C.

Source: U.S. Census Bureau, 2012 data

Four of the five states with the lowest Gini coefficients — Wyoming, Alaska, Utah, and New Hampshire — are generally red states.

In the Northeast, the state with the lowest Gini coefficient is New Hampshire (.43), which has no income tax and a lower

In general, the higher the benefit package, the higher the Gini coefficient. States with high income-tax rates aren't any more equal than states with no income tax.

The Gini coefficient measures pretax, not after-tax income, and it does not count

most sources of noncash welfare benefits. Still, there is little evidence over time that progressive policies reduce income inequality.

To be clear, our findings do not show that state redistributionist policies *cause* more income inequality. But they do suggest that raising tax rates or the minimum wage fail to achieve greater equality and may make income gaps wider.

Here is why we believe these income redistribution policies fail. The two of us have spent more than 25 years examining why some states grow much faster than others. The conclusion is nearly inescapable that liberal policy prescriptions — especially high income-tax rates and the lack of a right-to-work law — make states less prosperous because they chase away workers, businesses, and capital.

Island, and New Jersey.

When politicians get fixated on closing income gaps rather than creating an overall climate conducive to prosperity, middle- and lower-income groups suffer most and income inequality rises. The past five years are a case in point.

Though a raft of President Obama’s policies — such as expanding the earned-income tax credit and food stamps, and extending unemployment benefits — have been designed to more fairly distribute wealth, inequality has unambiguously risen on his watch.

Those at the top have seen gains, especially from the booming stock market, while middle-class real incomes have fallen by about \$1,800 since the recovery started in June 2009.

This is a reversal from the 1980s and ’90s when almost all income groups enjoyed gains.

would be better for low- and middle-income Americans if growth and not equality became the driving policy goal in the states and in Washington, D.C.



“A rising tide lifts all the boats and as Arkansas becomes more prosperous so does the United States and as this section declines so does the United States.”

— President John F. Kennedy, Remarks in Heber Springs, Arkansas, at the Dedication of Greers Ferry Dam, October 3, 1963.

State	Gini Co-efficient	Poverty Rate	What's the Color?	Income Equality Status?
Texas	0.477	20.5 percent	Red	More Equal
California	0.482	25.8 percent	Blue	Less Equal

Northeastern states and now California are being economically bled to death by their pro-growth rivals, especially in the South. Toyota didn’t leave California for Texas for the weather. The latest IRS report on interstate migration provides further confirmation: The states that lost the most taxpayers (as a percent of their population) were Illinois, New York, Rhode

The Gini coefficient for the United States has risen in each of the last three years and was higher in 2012 (.476) than when George W. Bush left office (.469 in 2008), though Mr. Bush was denounced for economic policies, especially on taxes, that allegedly favored “the rich.”

Our view is that John F. Kennedy had it right that “a rising tide lifts all boats.” It

Reprinted with permission, originally published June 8, 2014, The Heritage Foundation, The Daily Signal, <http://dailysignal.com/2014/06/08/blue-state-path-inequality/?utm_source=heritagefoundation&utm_medium=email&utm_content=DD140606&utm_campaign=dailydigest>.

Stephen Moore is the Chief Economist at The Heritage Foundation. Richard Vedder is a member of the Academic Board of Advisors for the Public Interest Institute, Distinguished Professor of Economics Emeritus at Ohio University, and Adjunct Scholar at the American Enterprise Institute.

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Obama Announces Economically Devastating CO₂ Restrictions

By James M. Taylor, J.D., Managing Editor

Environment & Climate News, The Heartland Institute

“Greater use of natural gas and stronger efficiency measures adopted by the industry have already helped us reduce carbon emissions to their lowest levels in 20 years, and this should continue.”

— Mary Landrieu,
U. S. Senator, Louisiana,
up for re-election in 2014
(Democrat)

The Obama administration announced proposed power plant restrictions (on June 2, 2014) requiring a 30 percent cut in carbon dioxide emissions from 2005 levels. The regulations allow states some latitude in formulating plans to meet their mandated emissions cuts, but states will almost certainly shut down most or all of their coal power plants to meet the mandates.

Coal is the least expensive widely available source of electricity, but it also emits the most carbon dioxide.

The U.S. Chamber of Commerce published a report finding EPA’s carbon dioxide restrictions will kill 224,000 jobs and reduce the nation’s economic output by \$51 billion per year. The carbon dioxide restrictions will cost the average U.S. household nearly \$500 per year.

In 2009, President Obama urged Congress to pass legislation severely restricting carbon dioxide emissions. Congress rejected the Waxman-Markey cap and trade bill despite Democrats holding large majorities in both chambers of Congress.

Democrats and Republicans alike criticized the Obama administration’s newly proposed restrictions and the Obama administration’s decision to circumvent Congress through EPA.

U.S. Senators Mark Pryor (R-AR), Mark Begich (R-AK), and

Mary Landrieu (D-LA) spoke out against the restrictions, as did U.S. Senate candidates Alison Lundergan Grimes (D-KY) and Natalie Tennant (D-WV).

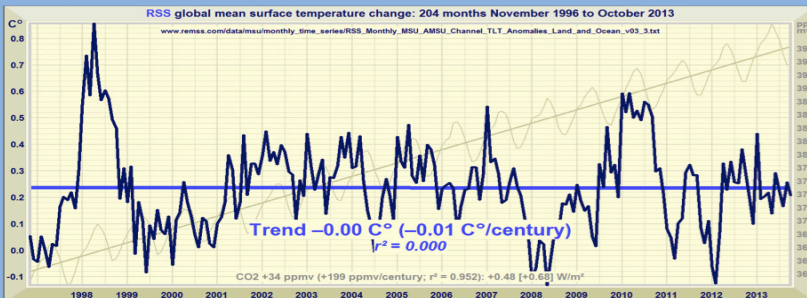
“While it is important to reduce carbon in the atmosphere, this should not be achieved by EPA regulations,” said Landrieu. “Congress should set the terms, goals and timeframe. Greater use of natural gas and stronger efficiency measures adopted by the industry have already helped us reduce carbon emissions to their lowest levels in 20 years, and this should continue.”

“This proposed regulation is all pain and no gain. This is supposed to be about climate, but even if you trust the United Nations climate models, this regulation would result in no climatically relevant decrease in warming,” said Daniel Simmons, Director of State Affairs at the Institute for Energy Research.

“In fact, EPA didn’t even bother to run a climate model to show how this would affect climate because they knew the results were too small.”

Reprinted with permission of the Heartland Institute, Climate Change Weekly #129, June 10, 2014, <<http://news.heartland.org/newspaper-article/2014/06/10/obama-announces-economically-devastating-co2-restrictions>>.

No global warming at all for 17 years 3 months



Remote Sensing Systems’ monthly satellite global mean surface temperature anomalies over the 17 years 3 months September 1996 to November 2013 show a zero trend, though CO₂ concentration measured at Mauna Loa, Hawaii, rose by 34 ppmv over the period, giving a radiative forcing of almost 0.5 Watts per square meter (0.7 including other greenhouse gases) that should have caused a third of a Celsius degree of global warming.

Part of individuals like you who believe in individual liberty and free-market postage-paid envelope to make your tax-deductible contribution today!

E Pluribus Unum

By Roger Clegg, President and General Counsel
The Center for Equal Opportunity

My top-ten list of rules for a multicultural America to live by.

America has always been a multiracial and multiethnic country. But saying that it should be multicultural is very different. The ideal was, and still should be, that you can come to America from any country and become an American – but that means accepting some degree of assimilation. It is not diversity that we celebrate most, but what we hold in common.

The same is also true for native-born Americans. All of us can claim equally to be Americans, but all must acknowledge a shared set of beliefs and mores.

Accordingly, it makes sense to set out rules essential for a multiracial, multiethnic America that all Americans should follow – wherever they or their ancestors came from, whatever their skin color, whatever their favorite food or dance.

Here are my ten, aimed as much at the native-born as the newly arrived.

1. Don't disparage anyone else's race or ethnicity. On the list of things we don't tolerate, intolerance deserves a prominent position. If we are to be one nation, we cannot criticize

one another's skin color and ancestors.

2. Respect women. Just as we do not tolerate a lack of respect based on race or ancestry, we also demand respect regardless of sex. Some subcultures – foreign and domestic – put down women. That is not acceptable.

3. Learn to speak English. This doesn't mean that you can't learn other languages, or keep up a native language. But you and your children must learn English – standard English – as quickly as you can.

4. Don't be rude. Some people view it as unmanly or uncool to be polite. Not every culture is a stickler for taking turns, queuing up, and following the rules (see next item), but Americans follow the British here.

5. Don't break the law. If you want to participate in this republic – if you want a say in making the rules and electing those who make them – you have to follow the laws yourself.

6. Don't have children out of wedlock. Illegitimacy is a social disaster for women and children alike. In the United States it takes two parents.

7. Don't demand anything because of your race, ethnicity, or sex. You have the

right not to be discriminated against, and it follows that you also cannot demand discrimination in your favor.

8. Working hard in school and on the job – and saving money are not “acting white.” America owes her success to a strong work ethic and to parents instilling that ethic in their children.

9. Don't hold historical grudges. There is not a single group in the United States that has not been discriminated against at one time or another. We are a forward-looking country and so we cannot afford to dwell on the past.

10. Be proud of being an American. You can hardly expect to be accepted by other Americans if you don't love America. This is not a perfect country, and it does not have a perfect history. **But there is no country better than the United States. If you disagree, then why are you here?**

Roger Clegg is President and General Counsel of the Center for Equal Opportunity and a graduate of Yale University Law School.

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Opportunity for All How Freedom of Choice Improves Education

By Guy Sorman, *City Journal*

Opportunity and Hope: Transforming Children's Lives through Scholarships,
by Naomi Schaefer Riley

Anthony Samuels grew up surrounded by crime in the Bronx. Without the support he received from the Children's Scholarship Fund — launched in 1998 through the efforts of philanthropists Ted Forstmann and John Walton — he never would have been able to attend Abington Friends School. Instead, he tells Naomi Schaefer Riley in her new book, he surely would have ended up in a gang.

In *Opportunity and Hope*, Riley demonstrates how school choice can change a child's life for the better. The stories she tells so vividly, based on extensive interviews with students who have benefited from being able to choose their schools, are more convincing than any political argument.

They remind us that American families are divided between those who can afford to pay for private school — or move to neighborhoods where good public schools can be found — and those stuck with their local public schools, which may or may not be good.

It's a tragic fact that in poor Hispanic and African-American communities a child's education and future prospects often depend on pure chance.

Riley's subjects are among the tens of thousands of low-income children who have

benefited from philanthropic scholarships to attend private schools, courtesy of a group of foundations led by CSF. During the application period for its initial set of grants in 1998, CSF received applications from 1.25 million children from 20,000 communities in all 50 states.

The numbers confirm what choice advocates have said for years: low-income parents see education as the route to a better life, they understand that the school they choose makes a difference, and they want to invest in their children's education.

In all these stories, a strong liberal arts education proves to be a game changer. A young man avoids a fight by asking himself, "What would Socrates do in a similar situation?"

Riley's subjects repeatedly emphasize the contrast between the chaos and violence in their neighborhoods and the peaceful and friendly environments of their private schools.

Another recurring theme: the difference made by talented, engaged, and sympathetic teachers. Cathiana attended a Christian school in East Orange, New Jersey. She remembers that she "suddenly loved and understood math because of the way her teacher taught it, with passion and spirituality."

Haitian-born Danielle, now graduated from Notre Dame high school in Miami, says she intends to "repay the kindness

that she has received" by raising awareness in her community about the transformational possibilities of a good education.

We cannot extrapolate too much from Riley's inspirational stories. Those families who received scholarships did so only after taking the steps necessary to apply for them — they were chosen, then, partly as the result of a self-selecting process. Not all who received scholarships made it to college and beyond — school choice might yet transform the American public education system, but it can't guarantee success for everyone. It can, however, increase opportunities and level the playing field for low-income children.

In their book and television series, *Free to Choose*, Milton and Rose Friedman argued that, while economists, experts, and elected officials couldn't deliver happiness for all, they did have the power to expand freedom of choice — a freedom, they believed, that lay at the heart of American democracy. I suspect that Riley agrees.

Guy Sorman, a City Journal contributing editor and French public intellectual, is the author of many books, including Economics Does Not Lie. Reprinted with Permission, City Journal, June 20, 2014, <<http://www.city-journal.org/2014/bc0620gs.html>>.

Legislating Morality?

By Brad Sherman, Libations for Liberty #188, Purpose Ministries

“The Bible carries with it the history of the creation, the fall and redemption of man, and discloses to him, in the infant born at Bethlehem, the Legislator and Saviour of the world.”

— John Quincy Adams
6th President of the United States, 1767 – 1848

True or False?

You cannot legislate morality.

Though it is true that laws cannot make people good or change the human heart, the statement above is false. Those who say, “You cannot legislate morality,” are usually expressing a concern that religion in government will become coercive, ultimately forcing religion upon the citizens.

But by its very nature, true Christianity does not and cannot coerce or force people to become Christians. True Christianity is a matter of the heart, between Christ and the individual.

Maintaining order in society requires certain laws to be written and enforced that are moral in nature. Laws against murder that protect life are moral laws. Laws against theft that protect personal property are moral laws. Laws that prohibit adults from having sex with minors are moral laws.

The concern that religion could become corrupt and



dominate government is why the founders put the establishment of religion clause in the First Amendment. Whether in church or state, centralized power has a tendency to grow corrupt.

Just as they separated the powers of government into three branches, they also wanted to spread the Christian influence upon government among the many denominations of the Church. They accomplished this by restricting congress from respecting any one establishment of religion above another, and by providing that the free exercise of religion would not be restricted.

When it comes to religious values in civil government, neutrality is a myth.

There is no vacuum; someone's values will influence the laws made. The religion where man is god (secular humanism or atheism) has given us the cruel dictatorships of communism.

Islam has also given us brutally oppressive forms of civil government under sharia law.

And under the banner of Christianity, corrupt centralized

religion has reared its ugly head at times through history, producing severe persecution for any who dared to disagree with the state church.

But government influenced by the values and principles taught by Jesus Christ, guarded by the decentralizing wisdom in the First Amendment, produced the freest nation the world has ever known.

So we are left with the question:

“If Christian values do not influence our laws, then whose values will?”

Reprint permission granted by Pastor Brad Sherman, Purpose Ministries, Coralville, Iowa. Originally published as Libations for Liberty, #188, June 19, 2014, <<http://www.getpurpose.org/ArchivePage.html>>.

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**Public Interest Institute
at Iowa Wesleyan College
600 North Jackson Street
Mount Pleasant, IA 52641-1328**

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What's New at PII?

By Deborah D. Thornton, Editor, *FACTS & OPINIONS*

Racheter Attends World Taxpayers Association International Conference

“Working together for lower taxes, less waste, limited and accountable government, and taxpayer rights all over the world.”

PII President, Dr. Donald Racheter attended the World Taxpayers Association (WTA) bi-annual International Conference, held in Vancouver, British Columbia, Canada, May 29-31, in his capacity as the assigned member of the WTA Advisory Board from Iowans For Tax Relief.

WTA is an umbrella organization of taxpayer advocacy associations working

for taxpayer rights, flatter and simpler taxes, tax competition, government transparency, and reasonable limits on government spending, taxes, and debt.

WTA facilitates and supports the effectiveness and expansion of taxpayer advocacy around the world — especially in countries where the state carries a heavy hand. WTA provides information and recommendations on pro-taxpayer principles and policies to lawmakers and media, providing resources and opportunities to advance the work of member associations.

There were over 200 people in attendance at the conference, from as far away as Australia and Tanzania.

“The taxpayers’ movement has grown out of the desire of citizens to protect themselves from the increasing tax claims of the state. It works toward a society with lower taxes and more individual freedom. It wishes to stimulate efficiency and economy in the public sector. It supports legislation to limit tax burdens, prevent unjust harassment by tax collectors, and provide clear information about government taxation and expenditure.”

– World Taxpayers Association Statutes, adopted 1988

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