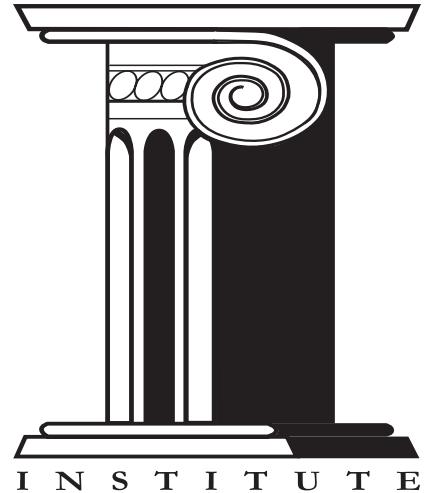


LIMITS



On Power and the Use of Coercion

Voters Send Strong Anti-Tax Message in November Elections

by Kristina Rasmussen

The November 6 election results show a clear tilt toward limited government, according to an analysis by the National Taxpayers Union (NTU).

Tax increases failed in all of the states where fiscal policy issues were considered, while proposals to limit taxes scored victories in places as diverse as Texas and Washington.

"Whether they were asked to pay higher cigarette taxes for children's health programs or higher sales taxes for mass transit, the resounding answer from voters this fall was 'no,'" said Pete Sepp, NTU's Vice President for Policy and Communications.

"Tax hikes are rarely popular at the polls, but the electorate

often went one step further by telling politicians to put government on a stricter tax-diet in years to come."

Off year elections tend to have fewer ballot proposals as well as fewer candidates, but NTU researchers identified 29 measures in seven states that could have an impact on taxpayers, including Louisiana's October 20 election. With one exception (a defeated transit measure in Seattle), localities were not examined.

Among the findings:

- Washingtonians opted to strengthen the state's requirement of a two-thirds legislative "supermajority" or voter approval of higher taxes and called for the creation of a constitutional rainy day fund.
- Texans approved four separate measures affecting property taxes, including a limit

on homestead assessments and an exemption for vehicles used partly for business purposes.

•As is often the case, bond issues largely succeeded. Nine of ten debt-related measures in three states passed. A stem-cell research plan in New Jersey was the lone failure.

•The high-profile loss in Utah of school vouchers, which could have generated education budget savings, stands in contrast to the loss for a measure in Washington State that would have made it easier to raise taxes for schools.

•Tobacco tax increases continue to have less appeal than pundits claim. This year's defeat of a proposal to put a cigarette hike into the Oregon Constitution marks the third instance in two years that citizens rejected higher tobacco levies. In 2006 increases failed

continued on page 8

What's New at PII?

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Excess Federal Spending and the Potential for a Real Mess

by Paul M. Weyrich

Congressional Democrats came to power in the 2006 election through their ability to exploit the general frustration in the country with President George W. Bush and the Congressional Republicans. The latter group had controlled the Legislature for twelve years, and the public's frustration with its failure to enact meaningful financial and social reforms led in part to the Republican loss. Democrats promised serious changes to combat the country's general pessimism about Washington.

In January, Nancy Pelosi (D-CA), newly-elected Speaker of the House of Representatives, pledged a "100-Hour Plan" for reform. One of the reforms scheduled for the first legislative day of the plan was to institute a "pay-as-you-go" policy on the annual budget to reduce the deficit. According to a press release issued by Speaker Pelosi on January 5, 2007, House Democrats "got straight to work [that] week by passing the toughest Congressional ethics reform in history. [They broke]

the link between lobbyists and legislation: banning gifts and travel from lobbyists and organizations that retain or employ them, banning travel on corporate jets, shutting down the K Street project, subjecting all earmarks to the full light of day, and reinstating the strict rules of pay-as-you-go budgeting."

In recent months the President and Congress have been at odds over Congressional spending and the budget. On October 30, President Bush urged Congress to pass the Fiscal Year 2008 appropriations bills. Bush criticized House and Senate leadership for wasting time on a constant stream of investigations and on an endless series of failed votes to pull American troops out of Iraq. They had not been able to send a single appropriations bill to the President's desk, the worst record for a Congress in 20 years. The President stated in his speech that Congress also had "passed an endless series of tax increases. They proposed tax increases in the farm bill, the

continued on page 4

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Civic Education: Essential to the Preservation of Tradition and American Identity

by John Hendrickson

The conservative movement in the 21st century must face the challenge of improving civic education. Overall civic education is in decline. The most recent study, issued by the Intercollegiate Studies Institute, indicates that higher education is producing civic ignorance rather than literacy. Although many disagree on what conservatism means, the movement at large has always respected tradition and history. Conservatives only need to rediscover the many works of Russell Kirk or Richard Weaver to remind them of this tradition.

Progressivism and modern liberalism, on the other hand, focus on progress, that is, progress defined as advancing toward a goal even at the expense of the Constitution and tradition. This article is both a warning and a call to arms, because the honest truth is that conservatives are the last line of defense in protecting our constitutional Republic.

If Americans want to return the nation back to the original principles of constitutionalism and economic liberty-then we need to focus on restoring civic literacy. Civic literacy is defined as the understanding of the

formation of the American Republic, the principles contained in the Declaration of Independence and the Constitution, and the overall basics of history, government, and economics. For example, how do we protect and defend the Electoral College when so many Americans do not understand why it exists and its purpose?

The current national debate over immigration is an opening for this discussion to take place. Not only do immigrants need to assimilate, but many Americans need to rediscover their heritage. In his *Farewell Address*, President Ronald Reagan warned of the erosion of civic education and patriotism. In fact, one of President Reagan's greatest achievements was a restoration, what he termed the "new patriotism," of pride in America.

Reagan argued for an informed patriotism, drafting us a citizens to protect, defend, and advance civic education. President Reagan communicated great things - he was The Great Communicator-but he did not just use patriotic rhetoric. Reagan reminded us of our constitutional heritage, that the government was subserviant to the people, and that federalism was a truth, not just an odd term found in political science textbooks. To put it plainly, Ronald Reagan understood American history and the principles

and truths upon which our Republic was founded. He never apologized for them, and he knew that America was and is a great nation based on concrete values and ideas.

The question of American identity and "who are we" is a growing debate, and as a nation we should welcome this debate. It does not just apply to the immigration question, but to all of our society, culture, and future. For example, the principle of limited government is often misunderstood. Limited government is not cold and callous as many argue, but as the late Senator Barry Goldwater argued, limited government deals with both the economic and spiritual nature of man.

How can students be expected to understand the principle of limited government when the Founding Fathers are subject to politically correct revisionism and the Constitution is treated as a relic that is not only obsolete, but flawed by a compromise with slavery?

History, government, and economics are all being replaced by "social studies." Political, diplomatic, and military history are seen as "old school," and the current atmosphere fosters history that smacks of Marxism. It appears to be more popular to study the "American women of the Revolution" rather than the

continued on page 5

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Excess Federal Spending

by Paul M. Weyrich

(continued from page 2)

the small business bill, and of course, the SCHIP bill. They haven't seen a bill they could not solve without shoving a tax hike into it. In other words, they believe in raising taxes."

One can hardly laud Bush as a champion of fiscal discipline and restraint, although his insistence on cutting taxes has been consistent. But he had a key point in his speech. According to Brian M. Riedl in "The Democratic Congress's 2008 Budget: A Tax and Spending Spree," Congress has passed legislation this year that would increase federal spending by a combined \$454 billion over 10 years and raise taxes and fees by \$98 billion over 10 years. It also has passed a budget resolution that would bring the tax increase to a projected \$2.7 trillion. The \$454 billion spending increase, it should be noted, contains "\$275 billion in discretionary spending above the President's request and \$179 billion in new entitlements over the baseline."

The "pay-as-you-go" scheme has failed to control spending because the House has already waived the rules. Nor have promises to end pork-barrel

spending been fulfilled. Legislation enacted to date has increased spending much faster than tax revenue, resulting in an additional \$356 billion in deficit spending. To lower the deficit the Democratic Majority intends to allow most of Bush's tax cuts to expire, thus attempting to avoid the unpopularity of legislating new tax increases.

According to the Congressional Budget Office's Monthly Budget Review released December 6, 2007, the increase in the deficit for the first two months of FY 2008 is about \$16 billion (after adjusting for all factors). "Increases in receipts from individual income taxes (up by \$11 billion, or 8 percent) and payroll taxes (up by \$6 billion, or 5 percent) accounted for most of the increase in revenues. Amounts withheld from employees' paychecks increased by \$19 billion (or 7 percent) in October and November relative to withholding in those months last year," the report states.

Another government agency, the Government Accountability Office (GAO), is worried about the projected increase in deficit spending. GAO released a report on October 31, 2007 entitled "Long-Term Fiscal Challenge: Comments on the Bipartisan Task Force for Responsible Fiscal Action Act." In it, GAO states that America faces large and growing structural deficits driven primarily by rising health care costs and known demographic trends. The nation's long-term fiscal outlook is

daunting, threatening our economy, our standard of living, and ultimately our national security. It urges Congress to have "the courage to make tough choices."

The President realizes the error of uncontrolled spending and is trying to hold Congress accountable. The American people must do so as well. Otherwise we will have a real fiscal mess on our hands.

Paul M. Weyrich is Chairman and CEO of the Free Congress Foundation.

This article appeared on December 10, 2007 on the Free Congress website, www.freecongress.org, and is reprinted with permission.

For more information on Pay-As-You-Go Budgeting,

Please read our April 2007 INSTITUTE BRIEF:

Pay-As-You-Go Budgeting: False Assurance of Fiscal Responsibility

For more information on America's fiscal crisis Please read our May 2007 INSTITUTE BRIEF

Fiscal Wake-Up Tour Visits Iowa: A True Reality Based Discussion

www.limitedgovernment.org

Civic Education

by John Hendrickson

(Continued from page 3)

great debates surrounding the formation of our Republic, to engage in peace studies rather than military history.

The object of renewing civic education is not to create more Republicans or Democrats, but to turn out better informed citizens who have an appreciation and respect for our heritage.

In *The Death of the West*, Patrick J. Buchanan wrote: "How does one sever a people's roots? Answer: Destroy its memory. Deny a people the knowledge of who they are and where they came from."

John Hendrickson is a Research Analyst with Public Interest Institute.

For more information
on Civic Education

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Facts & Opinions:

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A Prescription for Economic Health

by John Hendrickson

The economy has recently jumped front and center as a main concern for Americans. The United States is at a turning point. David Walker, Comptroller General of the United States, has been a voice crying in the wilderness, alerting the population to the looming entitlement crisis over Social Security and Medicare. The troubles in housing, credit, gasoline prices, a falling dollar, and general anxiety over the economy at large have sent a clear message to political leaders and the various candidates seeking their respective parties presidential nominations that Americans, especially middle-class Americans, want change. The Nation needs a new prescription for economic renewal and the good news is that policy makers already have the remedy. The remedy exists not in a new deal, but in returning back to limited constitutional government.

Michael Barone, in *Our Country: The Shaping of America from Roosevelt to Reagan*, wrote that the “New Deal changed American life by changing the relationship between Americans and their government.”¹ In 1932, Franklin D. Roosevelt offered Americans a New Deal from government, which would address the fears stemming from the Great Depression. Roosevelt did not explain the New Deal,

but it resulted in changing not only political history, but also transforming political culture. In order to confront the major economic challenges of the 21st Century a change in political culture must be made, not by government, but by American citizens. It will also demand bold leadership from principled politicians at all levels of government. The United States must return to the principles of limited government in order to solve these economic problems.

Senator Barry Goldwater in his renowned book *The Conscience of a Conservative*, provided a simple commandment for policy leaders to follow. Goldwater’s commandment for public policy was “to apply the wisdom and experience and revealed truths of the past to the problems of today.”² “The challenge is not to find new or different truths, but to learn how to apply established truths to the problems of the contemporary world,” wrote Goldwater.³ Although Goldwater is correct, change to restore a limited constitutional government will not occur overnight.

In the short term policy leaders should consider several short and long term measures to address the national economy. Toward the end of January Congress and President George W. Bush acted in a bipartisan manner in creating an economic stimulus package to rejuvenate

the economy. The plan is targeted to place “\$150 billion into the hands of consumers and businesses while seeking to revive the market for large mortgages.”⁴

The *Wall Street Journal* reported that the “centerpiece of the package is \$100 billion in tax credits for an estimated 117 million families this spring.”⁵ The *Journal* also reported that most taxpayers would receive some form of rebate check from Uncle Sam as a result of the stimulus package. In addition, some Democrats are calling for the package to include more funding for food stamps, transportation repair, and unemployment benefits, while some Governors are calling for increased funding for Medicaid.⁶

The compromised stimulus bill may provide some short-term relief, but resident scholars from the CATO Institute have questioned the economics and the seriousness behind the proposal. Chris Edwards, Director of Tax Policy Studies at CATO, wrote that “the ideas on the table may be good politics — but rotten economics.”⁷ Edwards noted that the economy might show an “upward blip” as a result of the stimulus, but the effects would be temporary.⁸

Edwards also notes that the \$150 billion from Uncle Sam just does not appear, “it has to borrow it — ironically, much of it probably from countries like

China.”⁹ “Washington is already running large budget deficits; a stimulus plan would impose another \$150 billion in debt on the next generation,” noted Edwards.¹⁰

The stimulus package is only a short-term solution at best, but Congress and the President can move toward long-term economic health by instituting traditional limited government policies that work. In order to stimulate businesses and industry to create more jobs, government must reduce taxes and regulations. A more conservative and business-friendly stimulus bill (H.R. 5109) has been introduced in the House of Representatives. The Economic Growth Act proposes to reduce corporate income taxes from 35% to 25% and eliminate the capital gains tax on inflation, among other proposals to eliminate regulation and the tax burden on businesses.¹¹

Lowering taxes and regulations on businesses is a move in the right direction, but Congress needs to act on serious tax reform, such as implementing a national sales tax, the FairTax or a Flat tax. The current tax code is simply too burdensome and punishes both individuals and businesses. In fact, political leaders should follow the tax and budget recommendations of President Calvin Coolidge and Secretary of the Treasury Andrew Mellon, who not only cut taxes, but also cut government spending. The President and Congress should also consider

the actions taken by President Reagan, who implemented supply-side economic theory to raise a faltering economy. Congressman Ron Paul (R-TX) has noted that Congress “could cut spending by two-thirds and still have a federal government as large as it was in 1990.”¹² Only returning to constitutional limited government will result in fundamental economic health, but in order to make that return, Americans will have to surrender their “New Deal” mentality and place their trust in the genuine American System.

“We review the past not in order that we may return to it but that we find in what direction, straight and clear, it points to the future,” stated Calvin Coolidge.¹³

(Endnotes)

¹Michael Barone, *Our Country: The Shaping of America from Roosevelt to Reagan*, Free Press, New York, p. 95.

²Barry M. Goldwater, *The Conscience of a Conservative*, Regnery, Washington, D.C., 1990, xxv.

³Ibid.

⁴Sarah Lueck, Timothy Aepfel and Michael M. Phillips, “Washington Sets \$150 Billion Plan to Jolt Economy,” *The Wall Street Journal*, January 25, 2008, <http://online.wsj.com/article_print/SB120118687430813489.html> (January 25, 2008).

⁵Ibid.

⁶Ibid.

⁷Chris Edwards, “Stimulus Stupidity”, CATO Institute, January 22, 2008 <http://www.cato.org/pub_display.php?pub_id=9110> (January 26, 2008).

> (January 26, 2008).

⁸Ibid.

⁹Ibid.

¹⁰Ibid.

¹¹Tom Finnigan, “RSC Stimulus Proposal Would Be a Move in the Right Direction”, The Heritage Foundation, *Web Memo #1779*, January 25, 2008.

¹²Ron Paul, “The 2008 Federal Budget,” *Texas Straight Talk: A Weekly Column*, April 2, 2007, <<http://www.house.gov/paul/tst/tst2007/tst040207.htm>> (26, January, 2008).

¹³Peter Hannaford (ed.), *The Quotable Calvin Coolidge: Sensible Words for a New Century*, Images from the Past, Bennington, Vermont, 2001, p. 74.

John Hendrickson is a Research Analyst with Public Interest Institute.

For more information
on tax cuts
and supply-side economics

Please read:

*The Historical Success
of tax cuts.*

In the October 2006
edition of
Iowa Economic Scorecard

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**Voters Send Strong
Anti-Tax Message
by Kristina Rasmussen
(continued from page 1)**

in California, Arizona and South Dakota.

Government accountability issues fared well at the polls. Maine residents turned back a scheme to weaken term limits on legislators, while Texans passed a reform requiring many legislative votes to be recorded and posted on the Internet.

"Excluding bond issues, when given the chance to decide state-wide fiscal measures, Americans approved tax limitations or controls on government 75 percent of the time," Sepp said. "Although the 2006 election had a much higher quantity of ballot

proposals, the pro-taxpayer tilt among the results was stronger in 2007."

"Those who are focused only on 2008's presidential and congressional races ought to keep an eye on tax and spending ballot measures next year, too," Sepp noted.

Kristina Rasmussen is Director of Government Affairs for the National Taxpayers Union, a non-partisan citizen group working for lower taxes and smaller government at all levels.

This article originally appeared in the January 2008 issue of Budget & Tax News, a monthly newspaper published by the Heartland Institute and is reprinted with permission.

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Question of the Quarter:

Do you think Iowa should have a Taxpayer Bill of Rights measure?

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

We may publish some of your ideas in the June 2008 issue of LIMITS.

Remember to look for other "Questions of the Quarter" in both *Facts & Opinions & Iowa Economic Scorecard*