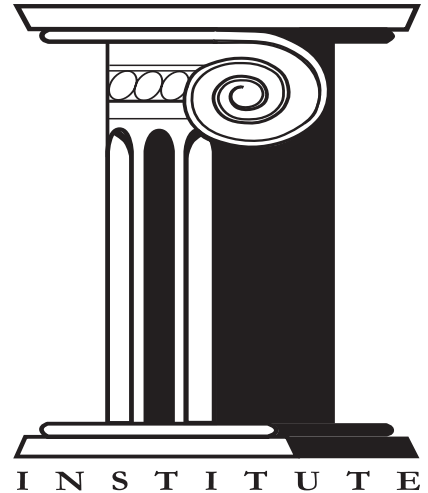


LIMITS



On Power and the Use of Coercion

The Big Squeeze

by Michael Tanner

Peter Orszag is no conservative ideologue. The head of the Congressional Budget Office (CBO) was a scholar at the liberal Brookings Institution before being picked for his current position by Nancy Pelosi and Harry Reid. Yet, Mr. Orszag recently warned that the rising cost of federal entitlement programs, particularly Medicare, Medicaid, and Social Security, poses a grave threat to America's economic future.

According to Mr. Orszag, without dramatic reform, the cost of those three programs alone will rise from 18 percent of GDP today to 28 percent by the middle of this century and as much as 35 percent soon thereafter. That means that just three federal government

programs will be consuming between a quarter and a third of everything this country produces. Paying for those programs would require raising both the corporate tax rate and top income tax rate from their current 35 percent to 88 percent, the current 25 percent tax rate for middle-income workers to 63 percent, and the 10 percent tax bracket for low-income workers to 25 percent. The impact on workers, businesses, and the economy at large would be catastrophic.

Yet, discussion of entitlement reform has been conspicuously absent in the presidential campaign so far.

During his years in the Senate, John McCain earned a reputation as a fiscal conservative and champion of entitlement reform. But on the campaign trail this year, "straight talk" has been very hard to come

by. In discussing Social Security, Mr. McCain, who once favored slowing the growth in benefits and allowing younger workers to privately invest a portion of their Social Security taxes, now speaks mostly in banalities about "reaching across the aisle" to achieve "bipartisan consensus."

At times, he has suggested that he still favors personal accounts, recently telling CNN, "I want young workers to be able to, if they choose, to take part of their own money, which is their taxes, and put it in an account which has their name on it." But Mr. McCain's Web site says he supports accounts only as a "supplement" to Social Security, suggesting that he no longer would allow workers to divert part of their taxes to such accounts. His top economic adviser, Douglas Holtz-Eakin, says that such ambiguity is

continued on page 4

What's New at PII?

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LIMITS

September 2008
Volume 13, Number 3
Public Interest Institute
Dr. Don Racheter,
President

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

LIMITS is published by Public Interest Institute at Iowa Wesleyan College, a nonpartisan, nonprofit, research and educational institute whose activities are supported by contributions from private individuals, corporations, companies, and foundations. The Institute does **not** accept government grants.

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Oklahoma Rebellion

by Dr. Walter E. Williams

One of the unappreciated casualties of the War of 1861, erroneously called a Civil War, was its contribution to the erosion of constitutional guarantees of state sovereignty. It settled the issue of secession, making it possible for the federal government to increasingly run roughshod over Ninth and Tenth Amendment guarantees. A civil war, by the way, is a struggle where two or more parties try to take over the central government. Confederate President Jefferson Davis no more wanted to take over Washington, D.C., than George Washington wanted to take over London. Both wars are more properly described as wars of independence.

Oklahomans are trying to recover some of their lost state sovereignty by House Joint Resolution 1089, introduced by State Rep. Charles Key.

The resolution's language, in part, reads: "Whereas, the Tenth Amendment to the Constitution of the United States reads as follows: '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.'; and Whereas, the Tenth Amendment defines the total scope of federal power as being that specifically granted by the Constitution of the United States and no more; and whereas, the scope of power defined by the

Tenth Amendment means that the federal government was created by the states specifically to be an agent of the states; and Whereas, today, in 2008, the states are demonstrably treated as agents of the federal government. Now, therefore, be it resolved by the House of Representatives and the Senate of the 2nd session of the 51st Oklahoma Legislature: that the State of Oklahoma hereby claims sovereignty under the Tenth Amendment to the Constitution of the United States over all powers not otherwise enumerated and granted to the federal government by the Constitution of the United States. That this serve as Notice and Demand to the federal government, as our agent, to cease and desist, effective immediately, mandates that are beyond the scope of these constitutionally delegated powers."

Key's resolution passed in the Oklahoma House of Representatives with a 92 to 3 vote, but it reached a bottleneck in the Senate where it languished until adjournment. However, Key plans to reintroduce the measure when the Legislature reconvenes.

Federal usurpation goes beyond anything the Constitution's framers would have imagined. James Madison, explaining the constitution, in *Federalist Paper 45*, said, "The powers delegated ... to

continued on page 8

Prudent Taxation Policy is a Bi-partisan Issue

by John Hendrickson

A recent Rasmussen survey noted that “most Americans do not believe the U.S. Government needs more tax revenue and well over half say all tax increases should be subject to voter approval.”¹ The survey found that “52% of voters say the federal government does not need additional tax revenue for important national programs such as highway repairs and health care reform.”² The results show that taxpayers have had enough with high taxation and want more oversight on how the government spends taxpayer’s money. Growing tax revolts are creating a demand for TABOR initiatives or taxpayer bill of right’s proposals that allow taxpayers the ability to limit spending by politicians.

The current state of the economy has created ample anxiety throughout the nation. In addition, rising health care costs have furthered the progressive call for socialized medicine or universal healthcare. The Rasmussen results are encouraging for taxpayers who are concerned with creeping socialism. The survey also reported that “57% think all tax increases should be approved by voters.”³ Another

Rasmussen poll demonstrated that 55% agree that tax cuts are good for the economy and 60% of those surveyed believe that “tax hikes hurt the economy.”⁴

Breaking the numbers down in regard to political parties, 47% of Democrats believe that “new tax revenues are needed while only 17% of Republicans agree.”⁵ These results are not surprising because Democrats, at least in the twentieth century, have been proponents of an expanded national government (welfare and administrative state), the prime examples being President Franklin Roosevelt’s New Deal and President Lyndon Baines Johnson’s Great Society.

Republicans, on the other hand, tend to generally support a restrained and more prudent view of government, and 73% of Grand Old Party members responded that new tax revenues are not needed.⁶ Surprisingly, 34% of Democrats agree that new tax revenues are not needed and 56% of “unaffiliated voters say that government does not need more tax revenue, while only 32% of those independents disagree.”⁷

Modern political history has generally proved that Democrats, rather than Republicans, tend to favor higher taxation and more government, but this is not always the rule. In the late nineteenth century, President Grover Cleveland, a Democrat

and constitutionally minded President, vetoed a seed corn bill, that would have provided relief to farmers facing a drought.⁸ “Federal aid in such cases encourages the expectation of paternal care on the part of the Government and weakens the sturdiness of our national character,” reasoned Cleveland.⁹ Cleveland not only believed the seed corn bill was unconstitutional, but it prevented the “indulgence among our people of that kindly sentiment and conduct which strengthens the bonds of a common brotherhood,” in other words, private Christian charity.¹⁰

The example of President Cleveland would be seen as cold-hearted and obsolete today and many would argue, especially, progressives, that nineteenth century political philosophy cannot govern the twentieth century let alone the twenty-first century. Although conservatives and liberals may disagree on the nature of the Constitution, the issue of taxation directly affects all mankind regardless of class or political standing.

President John F. Kennedy, a Democratic Keynesian who was not a conservative, advocated a tax cut to jump start the economy and provide additional increased revenues to the federal treasury. In 1961 Kennedy

continued on page 5

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The Big Squeeze

by Michael Tanner

(continued from page 1)

intentional. "The history on Social Security has been if you put out specific proposals or preconditions, you polarize the debate and the deal doesn't get done," he told *The Los Angeles Times*.

Barack Obama, on the other hand, has been much more straightforward about what he would do. It just wouldn't be much. Mr. Obama has ruled out both personal accounts and any change in benefits. Instead he would raise taxes. Mr. Obama would subject income over \$250,000 per year to the Social Security payroll tax. While this would be one of the biggest tax increases in American history, and would give the United States a higher marginal tax rate than Sweden, it would at best preserve Social Security's cash-flow solvency by four to five years. That's a great deal of pain for very little gain.

On Medicare, both candidates have been even less courageous. Faced with a recent split between a Republican proposal to trim reimbursements to doctors and hospitals and a Democratic plan to cut payments to private insurers participating in the Medicare Advantage program,

Mr. McCain managed to oppose both sets of cuts. During the primaries, Mr. McCain called for means-testing Medicare's prescription drug benefit. But lately that rhetoric has disappeared.

Meanwhile, Mr. Obama actually wants to increase Medicare spending, particularly on the program's prescription drug benefit. And, he would also increase spending for Medicaid. That's like trying to cram a few more passengers onto the Titanic.

Mr. McCain and Mr. Obama owe the American people an explanation of how they are going to deal with the entitlement crisis. Are they willing to cut benefits and reform these programs? Or do they think we can tax our way out of the problem? Do we really want government taking more than a third of GDP?

There is no doubt that we are currently going through some tough economic times. But the current slow-down is nothing compared to the economic crisis we will face if the government fails to get its financial house in order.

For more information
on Entitlement Reform

Please read: Fiscal Storm on
the Horizon: The Looming
Entitlement Crisis

www.limitedgovernment.org

Michael D. Tanner is a Senior Fellow at the CATO Institute and coauthor of Leviathan on the Right: How Big-Government Conservatism Brought Down the Republican Revolution.

This article appeared on July 28, 2008 on the CATO Institute website, www.cato.org, and is reprinted with permission.

LIMITS

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Remember to look for other "Questions of the Quarter" in both

FACTS & OPINIONS & IOWA ECONOMIC SCORECARD

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Prudent Taxation
by John Hendrickson
(Continued from page 3)

was inaugurated after the two term administration of President Dwight D. Eisenhower, whose Republicanism called for moderation, which translated as conservative in economic affairs, but liberal in human affairs. Kennedy inherited a slowing economy and proposed a tax reduction plan to provide more economic stimulus.

Kennedy's proposal called for "across-the-board tax rate reductions that reduced the top tax rate from more than 90 percent down to 70 percent."¹¹ "In short, it is a paradoxical truth that tax rates are too high today and tax revenues are too low and the soundest way to raise revenues in the long run is to cut the rates now," stated Kennedy in a speech before the New York Economic Club.¹² President Kennedy's tax reform plan was described as a "major factor that led to our running a \$3 billion surplus by the middle of 1965 before escalation in Vietnam struck us."¹³

The Rasmussen surveys on the current view of taxation demonstrate that voters and taxpayers, regardless of political party, are concerned with politicians taking too much of their money. Taxpayers want more oversight through voter approved tax increases (TABOR provisions)

to place an additional check on governments. In addition, taxpayers realize in this present economic crisis that higher taxes to pay for additional government programs (socialized medicine) or entitlement bailout is a bad solution that will only lead to more economic catastrophes.

Taxation is not just about economics — it is a moral issue. "I know of no society, today or in any era of history, in which high degrees of intellectual and political freedom have flourished side by side with a high degree of state control over the relevant citizen's economic life," wrote Antonin Scalia.¹⁴ President Calvin Coolidge believed that the "power to tax is the power to destroy," and he described "the collection of any taxes which are not absolutely required" as a form of "legalized larceny."¹⁵ President Coolidge also warned that "the authority to impose a tax upon the people must be carefully guarded."¹⁶ The survey results should serve as a warning to politicians to follow more prudent spending and taxing policies.

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Election Day 2008: A Cultural Crossroads

by John Hendrickson

“The dangers of America are not economic or from foreign foes; they are moral and spiritual,” noted Herbert Hoover.¹ A battle for the soul of America is occurring on many fronts. Patrick J. Buchanan, speaking at the 1992 Republican National Convention, drew criticism for his oratory of truth when he announced that the nation was indeed in a cultural war. “There is a religious war going on in our country for the soul of America,” stated Buchanan.² Buchanan described the “cultural war” to be just as critical as the Cold War and the outcome will determine “the soul of America.”³

In November voters across the nation will be voting on various initiatives and referendums, that will provide a current snapshot of America’s soul. The majority of ballot measures across the states this fall tend to focus on social rather than fiscal issues.

The Initiative and Referendum Institute (IRI) at the University of Southern California released their annual Ballotwatch, which previews the major initiatives and referendums in each state that voters will vote on in November. IRI reports that the “big story” in regard to ballot measures “is the surge of social issues.”⁴ “The tax and spending issues that normally dominate initiatives and referendums are

taking a back seat in November to a diverse collection of social issues, with intriguing potential spillovers onto the presidential election,” noted IRI.⁵

Both gay marriage and abortion will be significant issues in November, outcome of which will not only have an influence on the presidential election, but also on the cultural direction of the nation. The Heritage Foundation reports that twenty-four states have constitutionally protected or defined marriage in statute as between one man and one woman.⁶ This spring the California Supreme Court overturned Proposition 22, which banned same-sex marriage and was approved by a 61-39 margin.⁷ California’s High Court ruled that gay couples had the constitutional right to enter into marriage.

In November voters in California will vote on Proposition 8, which will allow voters to amend the state Constitution to protect and define traditional marriage as “solely between one man and one woman.”⁸ Voters on Arizona’s Proposition 100 and Florida’s Amendment 2 will also decide whether or not to constitutionally protect traditional marriage. All three measures will have a significant influence on the future of traditional marriage in the United States, which in turn, will determine the nature of our society.

In addition to same-sex marriage, some states will also be voting on abortion measures. Abortion has been at the center of the cultural war since the disastrous 1974 United States Supreme Court decision in *Roe v. Wade*. Both Colorado and South Dakota have measures on the ballot that would ban abortion. Colorado’s Amendment 48 “defines a ‘person’ as a human being from the moment of fertilization,” and South Dakota’s Measure 11, bans abortion with the exception for health of the mother and rape.⁹ California’s Proposition 4 would require a minor to have parental notification and a waiting period before an abortion procedure could occur.¹⁰

The Colorado and South Dakota measures would be landmark victories for the preservation of human life and both decisions may establish the ground work for the United States Supreme Court rehearing the abortion issue, which may result in *Roe v. Wade* being overturned. National Right to Life reports that since abortion has been legalized 40 million babies have been killed and 1.3 million babies are aborted each year.¹¹

Other ballot measures include land use measures (eminent domain), drug use, energy, civil rights/affirmative action, public employees, suicide, and bonds.¹² Some interesting measures

include:

- Colorado’s Amendment 47: “Right to work. Prohibits employers from requiring union membership or union dues.”
- Florida’s Amendment 7: “Religion: Allows public revenues to be used to aid religious institutions.”
- Massachusetts: Question 1, “Repeals state income tax.”
- Minnesota: Sales tax for environment (dedicated funding for clean water, natural resources, parks and the arts, paid for by an addition of 3/8th of one percent to the sales tax).
- Missouri: Constitutional Amendment 1: “English only. Requires English at all governmental meetings.”
- Oklahoma: State Question 742: “Establishes a right to hunt and fish.”
- South Dakota: Amendment J: “Term Limits: Repeals legislative term limits.”
- Washington: 1-1000: “Death with dignity. Allows suicide by terminally ill.”¹³

Currently IRI reports that “voters in 30 states are set to decide 112 ballot initiatives in November.”¹⁴ In addition, IRI reports that the number of ballot measures is down in 2008 (“162 propositions in November 2004 and 204 propositions in November 2006”), which means that Election Day 2008 will be “a down year for direct democracy.”¹⁵ Iowa will have one measure on the ballot, which will revise Article II, Section 5 of the State Constitution. Article II deals with the right of suffrage and the proposed Amendment

will rewrite Section 5 to read: “A person adjudged mentally incompetent to vote or a person convicted of any infamous crime shall not be entitled to the privilege of an elector.”¹⁶

The ballot measures on Election Day 2008 will provide a signal on the state of the cultural war, and many of the initiatives, especially those dealing with same-sex marriage and abortion, will drive voters to the voting booths which will have a spill over effect on all candidates running for office. Russell Kirk wrote that ever since our founding, Christian principles “breathe life” and “sustain” us as a nation.¹⁷ “Upon them (Christian principles), even more than upon our political and our economic theories and institutions, rests the American cause,” wrote Kirk.¹⁸ The results of these ballot initiatives in November will be crucial for America’s culture and, with that, Western Civilization.

(Endnotes)

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**Oklahoma Rebellion
By Walter E. Williams
(continued from page 2)**

the federal government are few and defined. Those which are to remain in the State governments are numerous and indefinite. The former will be exercised principally on external objects, [such] as war, peace, negotiation, and foreign commerce. “The powers reserved to the several States will extend to all the objects which, in the ordinary course of affairs, concern the lives, liberties, and properties of the people.” Thomas Jefferson emphasized that the states are not “subordinate” to the national government, but rather the two

are “coordinate departments of one simple and integral whole. The one is the domestic, the other the foreign branch of the same government.”

Both parties and all branches of the federal government have made a mockery of the checks and balances, separation of powers, and the republican form of government envisioned by the founders. One of the more disgusting sights for me is to watch a president, congressman, or federal judge take an oath to uphold and defend the United States Constitution, when in reality they either hold constitutional principles in contempt or they are ignorant of those principles.

State efforts, such as Oklahoma’s, create a glimmer

of hope that one day Americans and their elected representatives will realize that the federal government is the creation of the states. A bit of rebellion by officials in other states will speed that process along.

Dr. Walter E. Williams is a professor of economics at George Mason University.

This article appeared on July 16, 2008 on Dr. Williams’s personal webpage, <http://www.gmu.edu/departments/economics/wew>, and is re-printed with permission from the author.