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Pension liberation

Report advises reform to avoid fiscal implosion of PERS

Significant reforms are needed to protect Oregonians from the sizable unfunded liabilities of the Public Employees Retirement System (PERS), warns a new report from Cascade. In *Pension liberation for Oregon: A proposal to reform PERS*, author Peter J. Ferrara, J.D., recommends a gradual transition of the system to a defined contribution plan, beginning with all new employees.

“When all of the costs to state and local employers are counted, Oregon PERS is one of the most expensive public employee retirement plans in the country, as well as probably the most complex.”

– Peter J. Ferrara, J.D.

“When all of the costs to state and local employers are counted, Oregon PERS is one of the most expensive public employee retirement plans in the country, as well as probably the most complex,” says Ferrara. Considered one of the foremost experts on Social Security and pension reform, Ferrara is an Associate Professor of Law at George Mason University and an adjunct scholar to Cascade.

According to Ferrara, unfunded liabilities are virtually built into the structure of PERS, which covers 151,000 state and local government workers. He calls the system a “heads: workers win,

tails: taxpayers lose” proposition.

How far in debt is Oregon’s Public Employees Retirement System? PERS itself has initiated a detailed analysis of what could happen when the majority of employees, called Tier 1 workers, reach retirement. Though the report is not complete, preliminary findings are alarming. *The Oregonian* reports, “In one computer model, using reasonable assumptions about the long-term performance of the market, the [PERS] study found that the Tier 1 program could be \$7.3 billion in the hole at the end of 40 years.” Ferrara estimates that eliminating a projected \$7 billion PERS deficit would require more than \$400 from each Oregon taxpayer for each of the next 40 years.

Reducing the high costs and covering the funding gaps of PERS has been a top concern among state and local government officials. In 1999 the League of Oregon Cities and the Association of Oregon Counties formed a joint task force to identify ways to resolve the fiscal problems with the Public Employees Retirement System; reform remains a high priority. In a published statement of their 2001 legislative priorities, the AOC writes:

The rising costs of supporting the state-controlled [PERS] are proving to be unaffordable to many local governments in Oregon and unfair to the interests of taxpayers. In order to provide the full benefits required by the state, 15 of 32 participating counties have accumulated untenable levels of unfunded actuarial liability, to a

total of \$106.5 million in 1999. To understand the magnitude of the problem, consider that four of the 15 participating counties had unfunded actuarial liabilities over 40 percent of their 1999 payrolls.

“PERS is almost guaranteed to fall into steep unfunded liabilities over and over again because of its design.”

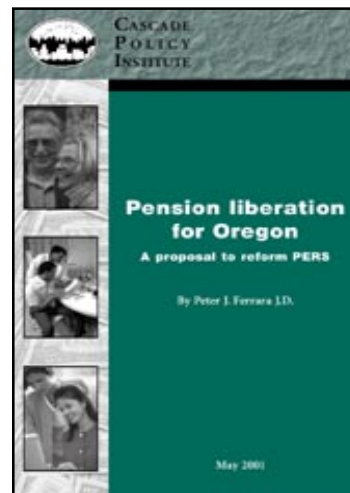
– Peter J. Ferrara, J.D.

Legislators have been unsuccessful in resolving the PERS dilemma, though several attempts have been made. Prospects for reform during this legislative session do not look promising.

How did Oregon’s Public Employees Retirement System become so unaffordable? Ferrara explains that PERS suffers from a severe adverse selection problem because it is a hybrid defined contribution / defined benefit plan. At retirement, workers either receive benefits calculated under a defined contribution plan, where benefits are based on investment performance, or calculated under a defined benefit plan, which promises fixed

benefits regardless of performance—depending on which is higher.

Under the defined benefit alternative, Tier 1 workers are guaranteed a minimum



Common Sense

I took my second tour of Independence Hall in Philadelphia this year. Though it was full of vivid history about the signers of the Declaration, it was silent about a relatively unsung hero of the American Revolution. Thomas Jefferson wrote the Declaration of Independence, but it was his friend Thomas Paine who stirred the new nation to action.

Most literate Americans read Paine's pamphlet, *Common Sense*, in the months before our country declared its independence from his native England. Published in early 1776, it began, "These are the times that try men's souls. The summer soldier and the sunshine patriot will, in this crisis, shrink from the service of their country, but he that stands now, deserves the love and thanks of man and woman."

Paine continued, "Society in every state is a blessing, but government, even

in its best state, is but a necessary evil; in its worst state, an intolerable one." He argued for free trade and individual liberty with phrases that captured the imagination of his adopted countrymen.

Paine and Jefferson realized that government and society are not synonymous. They argued that government's purpose is to protect the inalienable rights of the individuals that make up society. They understood that any right granted by government must be paid for by diminishing someone else's right to life, liberty or property. What would they think of today's politicians in Washington, D.C. and Salem, Oregon who propose law after law ordaining right after right?

In the introduction to *Common Sense* Paine wrote, "[A] long habit of not thinking a thing *wrong*, gives it a superficial appearance of being *right*, and raises at first a formidable outcry in defence of

custom. But the tumult soon subsides. Time makes more converts than reason." Paine and Jefferson didn't wait for time to convert people. We at Cascade aren't waiting either; we're providing the *intellectual* ammunition today's freedom fighters need to win new battles for liberty.

Many Americans believe modern society requires more government control; we believe just the opposite. Free individuals are perfectly able to run their own lives today, just as they were in 1776. Paine and Jefferson would be dismayed at the size of modern governments, and so are we.

Read *Common Sense* this Independence Day and remember what the holiday is really all about.

Steve Buckstein

Steve Buckstein, President

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Cascade strengthens education program, hires new analyst

Cascade bolstered its education reform program with the April hiring of Nick Weller as a full-time education policy analyst. Weller brings a strong set of skills, valuable experience and an exceptional academic background to Cascade. His knowledge and enthusiasm will help take the Institute's school choice efforts to a new level.

"Education reform is arguably Cascade's top policy priority," states president Steve Buckstein. "We couldn't have asked for a more dedicated, intelligent and competent person to help move our education program forward than Nick Weller."

Weller has the benefit of much experience with traditional and non-traditional education systems. In addition to gaining insights from family and friends who work in the public school system, he has personal experience with charter schools. While in California he taught classes in a charter school that educated students ages 18 – 23 who had not been successful in the traditional public schools. This experience cemented his belief in encouraging innovative education models.

"I'm excited to join

Cascade's staff and work on this important area," said Weller. "We have an ambitious agenda including evaluation of the [Children's Scholarship Fund-Portland](#), investigation into attitudes about public schooling and school choice, and strategic outreach to educators and parents."

Weller grew up in the Portland area and attended local public schools, graduating from Glencoe High School in Hillsboro. He graduated from Rice University in Houston, Texas, with a double major in history and policy studies. In addition, he studied in Africa, was a state champion college debater, and worked as the opinion editor of his college paper, the *Rice Thresher*.



Cascade's new education policy analyst Nick Weller discusses school choice at the Citizens for a Sound Economy Day at the Capitol.

The false promise of accountability testing

By Nick Weller

The desire to test and retest students is prevalent in Oregon and will likely become even more common as President Bush and Congress mandate yearly testing to gauge academic performance. In Oregon, testing practices are largely driven by the 1991 Education Act for the 21st Century, which aims to hold students accountable for learning through statewide assessment tests. Unfortunately, this is not an effective way to improve education and it detracts from other educational activities.

The education act requires Oregon students to pass a battery of tests anytime between ninth and twelfth grade in order to receive a Certificate of Initial Mastery; testing prior to these years is designed to help keep students on track to this goal. In theory, holding this stick over their heads will force them to learn.

“Incredibly, Oregon has obsessed over holding students accountable while completely ignoring the most obvious purpose for the statewide tests: holding the school system accountable for its performance.”

The barrage of tests given to students is not unique to Oregon. Alfie Kohn, author of *The Schools Our Children Deserve: Moving Beyond Traditional Classrooms*, notes, “At this point in time United States students are tested to an extent that is unprecedented in our history and unparalleled anywhere else in the world.”

Oregon jumped into the testing boat in 1991, and as early as 1995 Cascade Policy Institute reported on the growing number of parents who expressed frustration over the way the act was being implemented. Despite countless committees and huge expenditures of time and resources, we still don’t have, and may never have, a fully implemented version of the act—and that’s probably a good thing.

Although the legislature initially passed a bill to evaluate student performance using a range of tools, with only a minor emphasis on tests, the reality has been far different. Seven years after the passage of the act, a 1998 *Willamette Week* article pointed out, “all that’s left of

Katz’s revolutionary plan can be summed up in three words: tests, tests and tests.” The article reported, “Fifth-grade teachers at Irvington Elementary calculated that if they did all the preparation, testing and assessment suggested by the education department, they’d spend a third of the school year on testing and work samples—60 class days in all.”

Perhaps all the time and energy devoted to the tests wouldn’t be so bad if they at least provided useful information for students or teachers. As most people acknowledge, assessment has an important place in learning and education, but not all assessment methods produce useful results. For a test to aid learning, it should be returned quickly and provide feedback about specific objectives.

Oregon’s state tests are only given every two years making them largely ineffective in providing timely feedback about what students know and don’t know. Further, state tests are not returned until the end of the school year, practically assuring that they don’t translate into new learning opportunities; the first thing students do after getting the results is go on a three-month summer vacation and they typically return to a different teacher. In addition, the tests simply report on a student’s ability in general areas such as calculation, which does not tell a teacher or parent specific information about a student’s mastery of addition, subtraction or division.

The true strength of the tests lies in their ability to measure the education system’s success—or failure—in educating students. In Oregon, 49 percent of tenth graders fail to meet the state’s reading standards and 60 percent of tenth graders do not achieve the math standards, indicating that something is wrong.

“All is not wasted if we learn an important lesson from Oregon’s venture into testing territory: education and politics don’t mix.”

Moreover, a substantial number of students do not finish high school, and students perform worse on the state’s assessment tests the longer they are in school. The feedback from our testing is loud and clear: the system’s fundamentals are broken.

A cursory look at Oregon’s attempt at testing-based reform indicates at least one telling flaw. What happens to schools, teachers and districts that continually fail to provide a decent education to their students? Nothing. Incredibly, Oregon has obsessed over holding students accountable while completely ignoring the most obvious purpose for the statewide tests: holding the school system accountable for its performance.

Clearly, the statewide assessment tests are flawed, and merely redesigning them or the education act will not solve the problem. Centralizing power and control in the hands of politicians, who may or may not know anything about education, is the wrong way to fix the education system. All is not wasted if we learn an important lesson from Oregon’s venture into testing territory: education and politics don’t mix.

Nick Weller is education policy analyst at Cascade.

Recent Cascade publications

- *Pension liberation for Oregon: A proposal to reform PERS*, by Peter J. Ferrara, J.D., Policy Insight No. 117, May.
- *Prohibition’s over, the OLCC should go now*, by Aaron W. Davis and Angela Eckhardt, Cascade Commentary 2001-18, May.
- *Certification doesn’t equal teacher quality*, by Matthew J. Brouillette and Aaron W. Davis, CC 2001-17, May.
- *Price caps would become the problem*, by Lynne Keisling, Ph.D., CC 2001-16, May.
- *New math at Metro: Buy high, sell low*, by John A. Charles, CC 2001-15, May.
- *Civil vs. political society: Reflections on tax day*, by Kurt T. Weber, CC 2001-14, April.
- *Earth Day 2001: It’s time to move on*, by John A. Charles, CC 2001-13, April.
- *Private scholarships expand school choice*, by Nick Weller, CC 2001-12, April.

Pension . . .

Continued from page 1

investment return equal to the actuarially assumed interest rate for each year. Since 1990, that has been eight percent. When the market does well, workers enjoy the benefits of investments through the defined contribution plan. When the market does poorly, however, Oregon must still fund benefits for the vast majority of PERS-covered employees at a remarkably high rate of return.

“PERS is almost guaranteed to fall into steep unfunded liabilities over and over again because of its design,” says Ferrara.

He recommends creating a simplified defined contribution plan for all new PERS covered employees. Workers and employers would contribute five percent of wages, for a total of ten percent, into a personal account for each worker. Employees would save on their contribution portion, and would enjoy greater investment freedom, with complete portability and no vesting

requirement.

“At just standard, long-term market investment returns, workers would receive substantially higher benefits through the new system than promised to them under the current defined benefit plan, and at least competitive with the defined contribution plan of the current system,” Ferrara advances.

For taxpayers, the reform would reduce employer costs by about 35 percent, with the savings initially devoted to reducing and eliminating unfunded liabilities. Ferrara further notes, “The defined contribution plan offers greater certainty and predictability in budgeting. There is no possibility that taxpayers would be surprised with a large, unexpected unfunded liability requiring increased taxes.”

“States across the country are now starting to move to new defined contribution retirement plans for their public employees, in place of the older defined benefit plans,” Ferrara points out. Michigan was at the forefront of this movement, adopting reform in 1996. According to the Michigan Department of

Ferrara estimates that eliminating a projected \$7 billion PERS deficit would require more than \$400 from each Oregon taxpayer for each of the next 40 years.

Management and Budget the state saved \$100 million in the first year alone because of the new system.

Cascade president Steve Buckstein concludes, “Oregon quite simply cannot afford to continue with the current PERS structure. As Professor Ferrara has shown, well-structured reforms can provide generous benefits to workers while actually reducing costs for both workers and taxpayers.”

Pension liberation for Oregon: A proposal to reform PERS is available online at www.cascadepolicy.org, or by calling Cascade at (503) 242-0900.

Happy birthday Bastiat!

This June marks the 200th birthday of renowned French statesman, essayist and economist Frédéric Bastiat. Cascade supporters may recognize the name in association with the Independence Essay Competition. In coordination with the [Foundation for Economic Education](#), the Institute has distributed Bastiat’s seminal essay, *The Law*, to the hundreds of Oregon high school students who have entered the

declaring that “socialists hate mankind” there, and finally, calling upon all legislators and “do-gooders” to “reject all systems and try liberty.”

Noted economist Walter E. Williams exclaims, “*The Law* created order in my thinking about liberty and just human conduct.” It is a must read for all serious thinkers on liberty. To order your copy call Laissez Faire Books at 800-326-0996 or email orders@laissezfairebooks.com. Only \$3 for paperback!

“The state is the great fictitious entity by which everyone seeks to live at the expense of everyone else.”

– Frédéric Bastiat (1801-1850)

competition.

The Law stands out as Bastiat’s eloquent foray into political philosophy, an exploration into the principles of a just society, the source of the law. He writes, “Life, liberty and property do not exist because men have made laws. On the contrary, it was the fact that life, liberty and property existed beforehand that caused men to make laws in the first place.” With that he is off and running, condemning “legal plunder” here,



Frédéric Bastiat

In memory

Cascade lost a good friend last month when Maribel Montgomery passed away. Maribel had been a Cascade supporter since 1992 and often made the trip from Albany to attend Cascade events in Portland. A former psychology teacher, Maribel was a driving force behind establishing the psychology department at Linn-Benton Community College, where she taught for 20 years.

Maribel was passionate about reading, and over the years she donated numerous rare books to Cascade’s library, including her favorite, *The Foundations of Morality* by Henry Hazlitt. In addition to her past support, we were touched to learn that Maribel remembered Cascade Policy Institute in her will. She was a philosophical kindred spirit and she will be missed.



Maribel Montgomery (left) with author and former Libertarian presidential candidate Harry Brown and wife Pamela at a Cascade event in 1995.

Nine Oregon students win essay contest

More than one hundred Oregon high school students competed in Cascade's seventh annual [Independence Essay Competition](#), and the results are now in. Nine outstanding students from around the state have been selected as winners, and the judges distributed nearly \$5,000 in awards among them.

This year's essay topic related to a quote by American Revolutionary Thomas Paine: "The more perfect civilization is, the less occasion has it for government, because the more does it regulate its own affairs, and govern itself...." Students were asked to select personal responsibility, private charity or free markets as their essay focus, and explain why we are better off accomplishing goals and solving problems through private, voluntary actions rather than through government.

"Students did exceptionally well responding to a challenging essay topic," said Cascade program director Angela Eckhardt. "For many, it was probably shocking to think there is any qualitative difference between private initiative and government intervention. But these

students identified numerous examples of how private actions are more efficient, and help support a freer, more capable, united and peaceful society."

Zach Katagiri, a senior at Beaverton High School, was awarded the top prize of \$1,000. He discussed the benefits of personal responsibility from a psychological perspective, noting that "as human beings, we seek meaning in life." He wrote, "When we surrender personal responsibility to government, or anyone else for that matter, we give up our real purpose in life and our capacity for human achievement and fulfillment."

Candace Adams, a homeschool senior from Eagle Point, was one of three students awarded \$750. Her essay on free enterprise identified economic liberty as the basis for all other freedoms. "When a government holds the livelihood of its people in its hands, the people must yield to the government or perish," commented Adams.

Also earning \$750 was **Ryan Lee Stollar**, a homeschool junior from Springfield. His essay on free markets focused on U.S. trade relations with China.

Stollar explained that trade restrictions violate basic human rights, and "would just aggravate the problem—not only morally, but also economically." He further postulated that free trade may have already caused China to be "slowly warming to the flames of freedom."

"When we surrender personal responsibility to government, or anyone else for that matter, we give up our real purpose in life and our capacity for human achievement and fulfillment."

— Zach Katagiri

Emerald Turner, a junior at Corbett High School garnered \$750 as well for her essay on charity. Turner drew on personal experience to highlight some of the unintended consequences of government-provided welfare. She countered, "The limited resource base of civil charity can be a healthy motivation...It weeds out frauds. It makes compassion a reality in the community. It ensures that skills are taught and applied so that the people receiving aid are not dependent. They cannot be."

Greg Thorne, a McKay High School junior from Salem, earned \$500 for his essay on markets. Thorne wrote, "A free market system is an inherently more reasonable approach to solving problems and accomplishing goals for it relies on the high efforts, unlimited ingenuity, and logical interaction of individuals to drive the economy, rather than a distant, unfamiliar, and wasteful government bureaucracy."

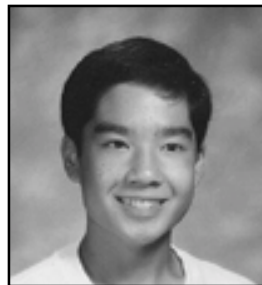
The four \$250 essay competition winners were: **Sarah Everman**, a homeschool sophomore from Applegate; **Verlan Lewis**, a Thurston High School senior from Springfield; **Valisa Nelson**, a North Valley High School senior from Grants Pass; and **Tom Tice**, a North Medford High School freshman.



Candace Adams



Sarah Everman



Zach Katagiri



Verlan Lewis



Valisa Nelson



Ryan Lee Stollar



Greg Thorne



Tom Tice



Emerald Turner

The 2001 Independence Essay Competition was underwritten in part by the Bonavia Family Charitable Trust, Centerpoint Graphics, Constructive Management Foundation, Friesen Lumber Company, and Samuel S. Johnson Foundation.

How politics corrupts money

by Paul R. Farago

Campaign finance reformers have a problem. The First Amendment—intended to safeguard political dissent—begins with words that leave no room for misinterpretation: “Congress shall make no law . . .”

Nevertheless, they’re at it again. Politicians, the reform industry, and the news media clamor to reduce the influence of money in elections while the American public watches a congressional encore that runs contrary to Constitutional law. Reformers continue to propose more restrictions on donations and advertising, and incumbents, new subsidies for themselves.

It is true that the public distrust of politics is widespread. Campaigns seem meaningless, with over 98 percent of U.S. House members winning reelection. Voter turnout is in a long-term slide.

But previous campaign finance reforms that have sneaked past the courts have not resulted in more competitive elections or more independent governance. There is little reason to believe new restrictions will help.

An auction for stolen goods

The controversy over campaign finance is actually a distraction. It diverts attention from the root cause of the problem: the unconstrained use of government power to discriminate, that is, to play favorites, punish enemies, and reward friends. H.L. Mencken argued an election is “an advance auction sale of stolen goods.” The goods of today’s political system are special protections, subsidies, grants, or regulations that fall outside the realm of public health and safety.

“When something of great value can be granted by officeholders, instead of earned in the competitive marketplace, all roads lead to the Capitol.”

In a regime of unchecked commercialization of legislated paybacks, money does not corrupt politics, as the reformers claim. Rather, politics corrupts money. When something of great value can be granted by officeholders, instead of earned in the competitive marketplace, all

roads lead to the Capitol.

The total amount spent in elections is insignificant when compared to the economic value of laws and rules that favor particular interests. For example, spending on federal elections over the last two years amounted to about \$2.5 billion, according to *The Wall Street Journal*. During the same period, the U.S. Government spent about \$3.25 trillion: roughly 1,300 times more money.

Yet even the dollars spent in public budgets and campaigns cannot measure the enormity of the problem. They don’t include the cost to ordinary citizens in reduced choices, higher prices, and increased division and cynicism.

Government discrimination drives campaign contributions

During the Clinton years, politics corrupted money like never before. With the advent of regulation by litigation, state and federal governments now prosecute deep-pocket industries, ranging from Big Tobacco to Big Software to Big Mergers of Any Kind. The targets are forced to submit to proposed settlements and spend

more money on lobbying to curry favor with politicians, hoping to fend off attacks, or at least find allies for political battles.

“The total amount spent in elections is insignificant when compared to the economic value of laws and rules that favor particular interests.”

For example, according to the Center for Responsive Politics, Microsoft gave just over \$50,000 in political donations during the 1992 election cycle. During the 2000 election cycle, by contrast, it gave over \$4.5 million dollars, a 9,000 percent increase. Why? Various government legal actions against the company pointed to the specter of future regulation, and Microsoft wanted better protection against current and future threats from the government.

In sum, the modern expansion of government discrimination has caused the

[Continued](#) on next page

Campaign finance in Oregon

The total amount of money spent on campaigns for Oregon statewide elected offices and legislative seats in the 2000 general election was about \$15 million. As on the national scene, however, that number pales in comparison to the total spending power that politicians wield once elected. Governor Kitzhaber has proposed a \$12 billion state budget for the 2001-2003 biennium.

Currently there are no limits on political campaign contributions for any Oregon candidate (except for U.S. Congress) or ballot measure campaign. But that is not for any lack of trying.

In 1994 Oregon voters approved Ballot Measure 9, which would have put statutory limits on campaign contributions, banning corporate and union contributions and capping contributions for legislative candidates at \$100. The Oregon Supreme Court ruled that measure unconstitutional in 1997. Interested parties then sought to achieve their goal and avoid the legal conflict by amending the state constitution through initiative during the 2000 election. They were unable to gather the requisite signatures to place the initiative on the ballot, and are trying again for the 2002 election.

To circumvent constitutional hurdles, campaign finance reformers in Oregon have embraced another approach of late. Two bills in the 1999 legislative session would have offered public financing for campaigns in return for voluntary contribution and spending limits. At the time the Secretary of State estimated that if two-thirds of the candidates took advantage of this option the cost would be \$20-25 million per election cycle—roughly double what candidates spent in the 1998 election. The bills failed, and the idea was revived as Ballot Measure 6 in the 2000 election—also a failure.

Meanwhile, several efforts have been made to preserve Oregonians’ freedom of expression. In 1998 Measure 59 would have prohibited public financing of campaigns, but it lost by 1% of the vote. “Son of 59” appeared in the 2000 election, as did an initiative to require consent for payroll deductions made for political purposes; neither was successful.

Oregonians have held the line thus far in preserving the right to political free speech, but as the hotly contested battles of recent years attest, the war is far from over.

upward pressure on campaign spending. The ready supply of favors and threats creates the demand for spending on donations and lobbying. Reducing the influence of money in politics, then, depends on curbing the scope of government discrimination.

Meaningful reforms

Rolling back government favoritism depends on applying the principle of equality under the law. Congress and the President should reexamine federal activism in light of the General Welfare doctrine (Art. 1, Sec. 8 of the U.S. Constitution) that authorizes congressional power to provide for the welfare of all citizens, rather than for particular citizens.

This doctrine is in the Constitution because the signers knew that factions would tempt politicians to play favorites with federal legislation, risking division of the citizenry. The founders recognized that to prevent temptation would require making any particular favors available to all, and thus an unaffordable public expenditure. In fact, the cost and value of elections *were* curbed, as long as federal officials conformed to a simple requirement: to enact, uphold, and execute laws that apply equally to all people.

“If we really seek ways to reduce the influence of money in politics, they are already in the Constitution. Honorable officials need only follow the rules.”

If we really seek ways to reduce the influence of money in politics, they are already in the Constitution. Honorable officials need only follow the rules.

There are ways to regulate elections to systemically reduce the scope of government favoritism, such as frequent rotation in office and an end to gerrymandering. The most elegant approach would be voluntary term limits, a common practice for most of our nation’s

For further reading, check out Bradley A. Smith’s *Unfree Speech: The Folly of Campaign Finance Reform*. Order your copy from Laissez Faire Books and Cascade will receive part of the proceeds. Call 800-326-0996 or email orders@laissezfairebooks.com.

history. But modern politicians will never put such limits on themselves.

“To compel a man to furnish contributions of money for the propagation of opinions which he disbelieves is sinful and tyrannical.”

– Thomas Jefferson

Meanwhile, repealing the twentieth century campaign finance laws would be a step in the right direction, under the guidance of Thomas Jefferson’s simple rule: “To compel a man to furnish contributions of money for the propagation of opinions which he disbelieves is sinful and tyrannical.”

- Public subsidies—a common solution offered by reformers—politicize society and encourage a feeding frenzy. Taxpayer-funded campaigns put politicians in charge of allocating the money—hardly a way to reduce the influence of money in politics.
- Tax-funded schemes like the presidential election subsidy and mandatory TV ad discounts for politicians should be ended. Corporations’ political contributions should be charged only to

shareholders who first approve of a deduction from their own dividends. Similarly, union members’ paychecks should not be docked for political expenses without their individual consent.

Voluntary, rather than mandatory, disclosure of donors should be the rule. Silencing dissent, which mandatory disclosure effectively does, is contradictory to an open political process protected by the First Amendment. Over 50 years ago the U.S. Supreme Court ruled that mandatory disclosure of donors has a “chilling effect” on free association and free speech.

Campaign disclosure laws and spending limits should be repealed and replaced by voluntary agreements. Voluntary disclosure is both self-policing and self-regulating. If disclosure is important to voters, candidates who disclose accurately and on time while spurning donations from unpopular sources will be rewarded at the ballot box.

Paul R. Farago is a board member and senior advisor at Cascade. A version of this opinion piece appeared as the cover story of The Heartland Institute’s May/June 2001 issue of *Intellectual Ammunition*, a bimonthly publication for elected officials. Visit Heartland online at www.heartland.org.

Kinship selects Charles for research fellowship

Cascade environmental policy director John A. Charles was one of fifteen policy analysts selected from around the world to be a research fellow at the inaugural session of the Kinship Conservation Institute in Bozeman, Montana. Recently established by the [Political Economy Research Center](#) (PERC), Kinship provides an opportunity for mid-career professionals to spend the month of June doing post-graduate study on free-market environmentalism. Joining John in this prestigious group are researchers from Africa, India, Western Europe and North America.

Writing home from Montana Charles exclaims, “I’m honored to be a part of this unique educational seminar. PERC is the leader in free-market environmentalism, and the Kinship professors and my fellow participants command a wealth of knowledge in their respective fields. This is a great opportunity for me to delve further into the academic research on property rights, and explore new subjects in free-market environmentalism.”

In particular, Charles is taking advantage of his time with PERC’s expert on water markets, Clay Landry, to examine potential solutions to Oregon’s Klamath Basin water shortage.



John Charles takes in the beauty of Montana during a rare moment of respite at the Kinship Conservation Institute.

Parents, study attest to high satisfaction with CSF

The second annual picnic for families participating in the [Children's Scholarship Fund-Portland](#) was a happy (if somewhat rainy) affair. About 100 children and parents joined Cascade Policy Institute staff, board members and CSF-P advisory members at Willamette Park on Saturday, June 2nd.

Children's Scholarship Fund-Portland is part of a national privately funded scholarship program that helps low-income families send their children to the schools of their choice. Cascade, with the generous assistance of several Oregon individuals and foundations, brought this opportunity to Portland families in the fall of 1999.

At the picnic parents expressed their sincere gratitude and updated Cascade on the progress their children are making in their chosen schools. One mother whose son struggles with dyslexia explained that the scholarship money has allowed him to attend a school with smaller class sizes and extra tutorial help. Hugging her son and beaming with pride, she told of the great strides he has made in reading over the last year.

A just-released study of the national Children's Scholarship Fund confirms that

parental satisfaction with the program is high. Professor Paul E. Peterson and David Campbell of Harvard University evaluated the results of a survey administered to Children's Scholarship Fund recipients and their counterparts who applied, but did not receive the scholarships. Among the results:

- 68% of private-school parents, as compared with 24% of public-school parents, said they were very satisfied with the academic quality of their child's school.
- Only 8% of private-school students said other students often disrupt their class, as compared with 57% of public-school students.

Tamar Hare, executive director of the Children's Scholarship Fund-Portland commented, "Parents want their children to learn in a safe, stable, and enriching environment. As this study shows, when parents have the ability to choose the schools their children attend, good things



Three Children's Scholarship Fund-Portland kids play at the end-of-year picnic

happen. The children in our program are thriving."

CSF co-founder Ted Forstmann concurred. He said, "The Harvard study confirms what we have known for a long time: when parents are in charge, education works. Our CSF parents have the ability to choose where and how their children are educated. According to this new research, they say that the quality of education is better, that their children are safer, and that teachers are more respectful."

Mark your calendar!

Forbes magazine publisher Rich Karlgaard will tell why he's optimistic about the future of the Internet at a [Cascade luncheon on July 19th](#) in Portland, Oregon. For details visit www.cascadepolicy.org or call (503) 242-0900.

An Evaluation of the Children's Scholarship Fund is available online at www.ksg.harvard.edu/pegg. To learn more about the Children's Scholarship Fund-Portland and how you can help support this worthwhile endeavor please contact [Tamar Hare](#) at tamar@cascadepolicy.org or call (503) 242-0900.

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