



# CASCADE UPDATE

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## Protect the American Dream

By Dana Berliner, J.D.

“At 70-years old, Bob Lowery isn’t anxious to sell the home he and his wife live in: the decades of family memories it holds can’t be replaced at any price. One of his children was born in the house,” Cascade president Steve Buckstein recently wrote. “However, the City of Keizer might condemn it and several other parcels of private property so a developer can build a shopping mall.”

Lewis Chike’s small business has been at the same Keizer, Oregon location for 15 years, and the mall developer wants his property. Now, everything Lewis has worked for sits under the possible cloud of condemnation. Lewis states, “When a person sells his property, it should be at a price he voluntarily agrees to, not one he’s forced to accept under threat of condemnation.”

Most people don’t realize that the government often takes people’s homes and businesses not for a public use, such as for a post office or a police station, but for the ben-



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**Lewis Chike’s small business has been at the same Keizer, Oregon location for 15 years. Now the city has indicated it may use eminent domain to condemn the property and turn it over to a mall developer.**

efit of private developers. In early 2003, the Institute for Justice published *Public Power, Private Gain*, a report that documents how frequently state and local governments across the country use their eminent domain power for private benefit. IJ added up the numbers over a five-year period from published news articles and court documents, and the results were worse than we suspected.

From 1998 to 2002 alone, governments have condemned or threatened more than 10,000 homes, businesses, churches and private land for private business development. More than 4,000 of these properties are currently under threat of condemnation for private parties.

Among the examples, *Public Power, Private Gain* highlights that in just the past five years, governments have:

- Condemned a family’s home so the manager of a planned new golf course could live in it;
- Evicted four elderly siblings from their home of 60 years for a private industrial park;
- Removed a woman in her 80s from her home of 55 years supposedly to expand a sewer plant, but actually gave her home to an auto dealership.

Private developers love eminent domain. By cozying up to local bureaucrats, they can secure land on the cheap without the hassles of negotiating with individual owners. And

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## Toward a budget solution

By Steve Buckstein

“Why is there another fiscal crisis in Oregon?”

That’s the opening line from a 1993 Cascade Policy Institute report, *Seven Principles of State Budget Reform*. Sadly, the answer today remains beyond the grasp of many so-called leaders in Oregon, just as it did ten years ago. That said, there is good news, and there are real-world examples to guide us.

Washington state recently faced a \$2 billion budget shortfall. As discussed in an

**“Until now, ‘tax reform’ has been a code phrase for ‘more taxes.’ Instead, tax reform should be about finding ways to reduce Oregonians’ overall tax burden....”**

October Cascade Commentary, “An ounce of budget reform leadership,” rather than call for higher taxes, Governor Locke adopted an idea from the Evergreen Freedom Foundation (EFF), our sister

organization in Olympia. Locke framed Washington’s budget debate around EFF’s sensible Priorities of Government budget model.

The Priorities of Government model is similar to the first principle in Cascade’s *Seven Principles of State Budget Reform* report: State government should focus on its core functions.

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# Can you hear us now?

As Yogi Bera said, this is like *deja vu* all over again. In December 2002, state legislators waited to see if voters would buy Salem's January 28 three-year "temporary" income tax increase. Voters soundly rejected it. Now, legislators are waiting again to see if Oregon voters will accept Salem's \$1.1 billion tax package, set for a February 3 vote.

There's a major difference between these two scenarios. Last January's vote was scheduled by the legislature. Next February's vote has been demanded by some 147,000 Oregonians who signed petitions to refer the tax package to the ballot. In the 100-year history of Oregon's initiative and referendum system, no measure ever collected so many signatures in such a short time. (Actually, some 175,000 voters signed the petition, but organizers held back about 30,000 signatures that

were likely to be tossed by the Secretary of State on technicalities.)

Of course, getting a measure to the ballot with lots of signatures doesn't guarantee the outcome. In this case, however, the large number of signatures voluntarily gathered does suggest that a raw nerve was touched when legislators passed the tax, let alone refused to place the measure on the ballot themselves.


The tax recall campaign will no doubt be quite heated. And, campaign heat sometimes obscures the light that organizations like Cascade try to shed on such important issues. Between now and February 3 Cascade will work to shed even more light on the important tax and budget issues Oregonians face.

Supporters of the tax package claim that no one has put forward a Plan B to show Oregonians how our state can live within its

means. Tax supporters conveniently forget that many legislators tried to enact such an alternative plan in the last session, but were outvoted.

Tax hike proponents also conveniently forget that Cascade Policy Institute has been suggesting ways to reduce the role of government in Oregonian's lives for 13 years. They ignore our many reports, and the advice given by our many experts who explain how governments elsewhere cut costs and improve service through contracting out, privatization and other means.

Voters know there are alternatives to Oregon's tax and spend culture. The question is: Can legislators hear us now?

  
Steve Buckstein, President

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## Measure 5: Halfway there

Contrary to popular belief, "Measure 5 did not gut the school budget as its opponents claim. It just switched General Fund monies...for local property tax revenues," writes Jamie Voytko in Cascade's latest report. The report documents that inflation adjusted per pupil spending was higher in 2000-01 than it was in 1991-92, even though Measure 5 put a strict limit on school property taxes.

The above is but one important finding in *Halfway There: Measure 5 and the Road Ahead*. The report provides a comprehensive analysis of the citizens' initiative, passed by Oregon voters in 1990, that limited property tax rates.

Many politicians and editorial boards have decried Measure 5 (M5) as having helped cause the current state budget malaise. *Halfway There* demonstrates the opposite: Rather than causing Oregon's current fiscal problems, M5 helped prevent a bigger budget shortfall by limiting government revenues. If legislators had more money in the 1990s, they would have spent it, and the budget gap today would be even greater. M5 helped prevent a big problem from getting bigger.

Voytko reached other significant conclusions about Measure 5. Among them, Measure 5 was responsible for saving Oregon property taxpayers \$5 billion during the 1990s. It continues to save them substantial sums today.

During the same period, overall Oregon state and local government revenues and expenditures grew rapidly. This rapid growth is not a failure of Measure 5; it was not intended to control spending, just property tax rates.

Assuming many M5 supporters would also prefer to control government spending, Voytko examined various Tax and Expenditure Limitations (TEL). He concluded that Colorado has the single most effective TEL currently on the books. That TEL has three key provisions. First, it limits spending growth to the growth rate of population plus inflation. Second, it requires all surplus revenue be refunded to taxpayers. Third, it is constitutional rather than statutory.

Voytko calculates that if such a limitation had been enacted in 1990 along with M5, Oregon's General Fund Budget this biennium would not be \$11.5 billion, but only about \$8 billion, a savings to income taxpayers of \$3 billion. Had such a spending limitation been in place, Oregon would not face the budget problems it currently has, nor the voter revolt to recall the legislature's \$1.1 billion tax increase.

In assessing what remains to be done Voytko states, "Oregonians took a bold step toward slowing government collections by passing Measure 5...However...property tax limitation alone is insufficient to control government spending growth...Oregon needs a strong, effective constitutional spending limitation."

*"Measure 5 did not gut the school budget as its opponents claim."*

—Jamie Voytko  
*Halfway There*

# Why Oregon's "hunger" ranking never really mattered

By John A. Charles

Oregon can no longer claim the dubious honor of being "Number One for Hunger." According to the 2002 food security rankings, released in early November by the U.S. Department of Agriculture, that title now goes to Oklahoma, whose hunger rate of 5.1 edged out Oregon by one-tenth of a percent.

Though this change will likely be fodder for intense debates about the nature and extent of hunger in Oregon, the fact is: The USDA rankings have never been particularly meaningful. Why? The statistical relationship between food insecurity measurement and actual nutrient intake is weak. Research shows, if anything, that low-income families and those on public food assistance are more likely to suffer from obesity than nutrient shortages.

A number of studies indicate that many households labeled "food-insecure with hunger" by the USDA have above-average levels of nutrient availability, even when household income is low. One such study was published by Mathematica Policy Research (MPR) in 1999, on behalf of the USDA Food and Nutrition Service. MPR's analysis looked at the availability of nutrients to food stamp users who were identified as food-insecure.

***"Many people, especially those in low-income families, under-consume important nutrients while over-consuming calories and high-fat foods."***

The results showed that nationally, 50 percent of food stamp program (FSP) participants experience some level of food insecurity, as might be expected. However, the average levels of nutrients available to respondents exceeded the Recommended Dietary Allowances (RDAs) for all of the key nutrients examined, which was not expected. Nutrient availability as a percentage of RDA ranged from 224 for calcium and 117 for zinc to 256 for vitamin C.

The most counter-intuitive finding was that there is a positive correlation between the level of food insecurity and the availability of nutrients. In other words,

**Figure 1**  
Household Nutrient Availability, By Food Security Index Levels  
(Food Stamp Participants)  
(Entries are nutrient availability as a proportion of RDA)

	Level of Food Security				
	All households	Food secure	Food Insecure/ No Hunger	Food Insecure/ Some Hunger	Food Insecure/ Severe hunger
Food energy	128	122	128	127	133
Vitamin A	178	164	178	197	232
Vitamin C	256	248	250	230	316
Vitamin B6	147	138	148	156	175
Folate	213	200	218	222	263
Calcium	133	186	112	125	136
Iron	161	155	160	160	189
Zinc	117	111	118	121	151
Sample size	956	415	313	173	56

*Source: Mathematica Policy Research, 1999*

households classified as experiencing hunger tend to have higher levels of nutrient availability than those that are not classified as experiencing hunger. This positive association exists for all eight nutrients studied and is statistically significant for four of them.

The basic pattern of results can be summarized by looking at availability of food energy. Households classified as food secure had an average food energy availability of 122 percent of the RDAs of their members. The number rose to 128 percent and 127 percent for the two middle groups on the food security scale and to 153 percent for the portion of the sample classified as having severe hunger. This pattern can be seen in Figure 1.

As the authors noted, "The above findings were unexpected. One would expect that within the general population, households reporting more severe levels of food insecurity would be observed to have fewer nutrients available."

In summarizing their statistical analysis, the researchers concluded, "food insecure households tend, other things equal, to have higher levels of nutrient availability than

households that are food secure."

These unexpected results carried over to the correlation between nutrient availability and income. Households at the lowest income level in relation to the poverty standards tend to have somewhat higher than average nutrient availability, exceeding the sample average for all but two nutrients (iron and vitamin C). Households in the next two income categories, 51 to 75 percent of poverty and 76 percent of poverty or higher, tend to have somewhat lower levels of nutrient availability, though still above the RDA, as noted in Figure 2.

Much of this may be explained by the FSP itself. The study found a strong positive association between the level of food stamp benefits and nutrient availability.

As FSP benefit levels went up, nutrient availability as a percent of RDAs consistently went up as well. This suggests that the FSP is, generally speaking, working as intended to provide a food safety net.

Other studies have found that while the poor are more likely to suffer from food insecurity, they are also more likely to be obese than others. Thus, the problem is not so much one of malnutrition as it is mis-nutrition. Many people, especially those in low-income families, under-consume important nutrients while over-consuming calories and high-fat foods.

Some have claimed that Oregon may still be number one for hunger due to sampling error in the federal survey, and they're right. However, whether Oregon is at the top of the list or bottom, it doesn't really matter. What seems apparent is that improving food quality, not quantity, is the challenge for most Oregon households.

**John A. Charles is a senior policy analyst at Cascade Policy Institute.**

**Figure 2**  
Nutrient Availability as Proportion of RDA, By Household Characteristics for food stamp users

	Sample Size	Food energy	Vitamin A	Vitamin C	Vitamin B6	Folate	Calcium	Iron	Zinc
All households	956	128	178	256	147	213	134	161	117
Income level as percent of Poverty									
0 to 50%	356	133	184	260	151	225	132	157	123
51 to 75%	224	125	179	255	147	217	132	163	112
76% or higher	339	126	173	253	142	200	136	164	124

*Source: Mathematica Policy Research, 1999*

# Oregon's maximum unemployment law

**By Ayse Evrensel, Ph.D.**

In November 2002, Oregon voters narrowly passed Measure 25, a minimum wage increase, which went into effect on January 1, 2003. Unfortunately, the law helped solidify Oregon's continued high unemployment ranking—and it is the young, minorities, and unskilled who have been hurt most.

Measure 25 increased the state's minimum wage from \$6.50 to \$6.90. However, the cost to employers (and consumers) is higher than meets the eye. Employers pay the 40 cents an hour increase *plus* higher Social Security taxes, Medicare taxes, workers comp, and other government mandates that are based on an employee's wages. When all such costs are figured in, the seemingly small 40 cents an hour increase often becomes a significant burden to an established, let alone new, small business.

Measure 25 also requires the Oregon Bureau of Labor and Industries commissioner to annually adjust the minimum wage for the rise in the Consumer Price Index (CPI). This automatic cost-of-living increase first takes effect on January 1, 2004.

"Indexing provides small and predictable increases for businesses," said Commissioner Dan Gardner in a September 16 media release. "Use of the CPI adjustment offers businesses the ability to budget more effectively and accurately for increased costs." Gardner conveniently overlooks the fact that businesses already can budget "effectively and accurately for increased" labor costs, and neglects to mention that the real difference is that now government will dictate the terms.

Commissioner Gardner ignores another important point: Minimum wage laws do not guarantee jobs; they do not guarantee a paycheck to an unskilled person. Some people who earned wages before the minimum wage law will not have any income, because they



**After one of her two guest lectures at Madison High School in Portland on Nov. 21, Cascade academic advisor Ayse Y. Evrensel, Ph.D. answers students' questions about the negative consequences of minimum wage laws.**

will become too expensive for a business to employ—by law.

Labor costs represent a major portion of most businesses' budgets, especially those in the service or retail sector. In a continuing poor economy such as Oregon's, most businesses have already cut jobs and expenses. Thus, they are left with laying off more employees, reducing benefits, or not hiring new employees.

Alternatively, employers could raise prices, which potentially translates into stagnant or fewer sales and lower revenue—which threatens job security and reduces new employment opportunities.

Commissioner Gardner said, "When the minimum wage increases, local economies benefit from the increased purchasing power of low-wage workers and their families." Again, the commissioner ignores the fact that only a portion of the previously employed low-wage earners will receive a larger paycheck. Some workers will not get to spend much, because the minimum wage law will make their jobs and paychecks vanish.

State Rep. Diane Rosenbaum (D-Portland), chief petitioner for Measure 25, has high—and wrong—hopes for Oregon's

minimum wage laws. She contends that thousands of Oregon families are struggling to escape poverty while working full-time at minimum wage jobs.

Contentions are not facts. Labor statistics tell us that the average minimum wage earner is not a family head. The majority of minimum wage earners are young people, many of them teenagers from nonpoor families. Less than one-fifth of minimum wage earners are the sole providers for their families; this represents less than two percent of all people employed. Thus, because most minimum wage earners are young and/or people with low skill levels, they bear the negative brunt first.

Minimum wage laws do not reduce poverty. If they did, we wouldn't speak about poverty today: These laws have been with us for the past 90 years.

Many others seem to profit more from such laws than minimum wage earners themselves. By supporting such laws, politicians look caring, which helps them get reelected. Social workers' jobs become more secure as it becomes harder for low-skilled workers to find jobs. Union members enjoy improved bargaining powers with employers, because minimum wage laws reduce the number of employable workers, and raise the bar for union wages. Finally, voters feel good because they believe they are helping others in need.

In January 2004, after the cost-of-living adjustment, Oregon's minimum wage will likely be the fourth highest in the country. We also have one of the highest unemployment rates in the country. Coupled with its automatic cost-of-living adjustment provision, the new minimum wage law should be named: Oregon's Maximum Unemployment Law.

**Ayse Y. Evrensel, Ph.D., is an academic advisor to Cascade Policy Institute.**



**Cascade academic advisor Gerard C.S. Mildner, Ph.D. (second from right) anticipates audience questions at a Sept. 23 Concordia College debate after informing attendees why a taxpayer-financed baseball stadium in Portland is not a sound idea.**



**Toledo, Oregon Rotary president Mary Johnson (r) asks Cascade adjunct scholar and Liberty Health Group president Dr. David C. McDonald (l) about consumer-driven health care solutions following his Oct. 7 talk. Rotary member Bob Deming listens.**



**James Bovard (r), author, *Terrorism and Tyranny: Trampling Freedom, Justice and Peace to Rid the World of Evil*, makes a point at Cascade's Nov. 14 luncheon debate, "The USA PATRIOT Act: Sacrificing Liberty for Security?" Assistant US Attorney Charles F. Gorder, Jr. (l) and debate moderator and KOIN 6 News co-anchor Ken Boddie listen.**

# Modernize Oregon's land-use laws

By John A. Charles

Statewide land-use planning was enacted 30 years ago in Oregon. The program was primarily aimed at preserving farmland and was enacted at a time when many people believed the world faced imminent shortages of oil, food and agricultural land. Books such as *The Population Bomb* and *Limits to Growth* predicted dire consequences for humanity due to resource constraints and served as the intellectual ammunition for legislators advocating regulatory interventions into the market process.

But as 2003 draws to a close it's clear the predictions of doom were wrong. Oil, food and other important natural resources have become more abundant, not scarce. This calls into question the validity of Oregon's land-use regulatory program, which limits development on more than 90 percent of privately owned rural land.

***“We should recognize that the Oregon economy is a dynamic process and it cannot function properly in a land-use system that is static.”***

Perhaps nowhere is the absurdity of statewide planning more evident than in Central Oregon. Deschutes County is ranked 33<sup>rd</sup> out of the 36 Oregon counties in gross farm and ranch sales. The combined value of farm and ranch sales in Jefferson, Crook and Deschutes counties in 2002 was only \$94 million. Marion County, the most agriculturally productive county in Oregon, accounted for \$447 million by itself.

In a rational planning system, those parts of the state contributing the least to statewide agriculture would have the least amount of land zoned for exclusive farmland. However, Oregon's land-use planning system is not rational. It is based on a near-religious belief that the expansion of urban areas is inherently undesirable and that most rural lands should remain undeveloped in perpetuity, regardless of market conditions or the preferences of individual landowners. In a rapidly growing area like Central Oregon, this leads to serious conflict. People, jobs and capital are flowing in, but the land supply cannot expand at an equal pace. The urban growth boundary creates an urban land cartel, raising prices for buildable land to levels far above real market value while artificially depressing rural land prices.

***“Central planners are incapable of deciding what activities should take place on every parcel of land because it's impossible to know enough to make such decisions.”***

This is only one aspect of the planning problem in Oregon. Another is that even when land is available, government planners impose extensive regulatory requirements that increase the time necessary to build, thereby driving up costs. It would be one thing if these requirements were necessary to protect the public health or safety, but most are related to the aesthetic concerns of planners, such as setbacks, design, density and transit accessibility. Oregon planners no longer see themselves as helping common citizens achieve their dreams; rather, they insist on dictating the terms of development, with individual landowners bearing all the risks of planners' bad decision-making.



**State Rep. Tim Knopp (l), Cascade's John A. Charles, outgoing Central Oregon Builders Association president Gretchen Palmer and incoming president Dick Lowell pose after Charles' land use talk in Bend.**

We should recognize that the Oregon economy is a dynamic process and it cannot function properly in a land-use system that is static. Central planners are incapable of deciding what activities should take place on every parcel of land because it's impossible to know enough to make such decisions. The empirical record from the past 30 years proves the dysfunction of such an approach: Oregon planners have created artificial shortages of valuable urban land and artificial surpluses of low-value farmland, exactly the opposite of what the market is demanding.

For Oregonians to prosper, and to generate the wealth necessary to protect our environment, the land-use planning system needs to become as dynamic as the economy itself. The only way to accomplish that is to

de-centralize decision-making and minimize regulatory intervention. At a minimum, this means all land-use planning authority should be transferred from the state to cities and counties. This will allow for greater diversity in planning approaches, and ensure that decision-makers are more accountable to voters.

Second, the current requirements for urban growth boundaries should be eliminated. Growth boundaries were once seen as rational planning tools, but over time have morphed into religious icons that now get in the way of planning. Repealing the cumbersome growth boundary process would be a valuable admission by planners that they really don't know which lands should be urbanized and that such choices should be made through the market process.

***“Oregon planners no longer see themselves as helping common citizens achieve their dreams; rather, they insist on dictating the terms of development, with individual landowners bearing all the risks of planners' bad decision-making.”***

Finally, government planning should be limited to just a few core functions: protecting property rights and ensuring public safety. This can mostly be accomplished through the strict enforcement of trespass and nuisance laws. To the extent that prescriptive regulatory requirements are imposed on development, they should have a clear link to public health or safety (e.g., minimum lot size requirements related to the use of septic systems).

Top-down planning was fashionable in the 1970s, but it's time to move to a more dynamic system in the 21st century.

**Cascade's John A. Charles spoke before the Central Oregon Builders Association on Thursday, Nov. 20 in Bend. The above commentary is based on his presentation. For more on this topic, please refer to Charles' report, *Beyond Zoning: Land Use Controls in the Digital Economy and Preserve Farmland through Prosperity* by Ann Brentmar.**

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local officials get to trumpet exciting projects, promising new jobs and taxes. Therefore, because no one's home or small business would generate as many jobs or taxes as a big business, no one's land, business or home is safe.

***“From 1998 to 2002 alone, governments have condemned or threatened more than 10,000 homes, businesses, churches and private land for private business development.”***

Cities thus use eminent domain to favor large businesses over mom-and-pop establishments, national chains over local businesses, upscale condos over middle-class single-family homes, and government-chosen projects over ones developed privately.

This was never supposed to happen.

The U.S. Constitution and every other single state constitution limit eminent domain to projects for “public use.” (Refer to Article I, Sec. 18 of the Oregon State Constitution.) Most people understand “public use” to mean things like highways, bridges and prisons—not a casino, condominiums or shopping mall. However, for too long, courts have failed to check the marriage of convenience between government and developers, declaring “public use” to mean whatever politicians say it means, no matter how blatantly private the project.

The Institute for Justice's report has earned favorable coverage nationwide. *The*

*New York Sun* editorialized, “‘New York is perhaps the worst state in the country for eminent domain abuse.’ That is according to a report released yesterday by the Castle Coalition, a project of the libertarian Institute for Justice. It's not hard to see why. In just the last five years, New York has condemned small businesses on behalf of the New York Stock Exchange, the *New York Times*, Home Depot, Costco, and Stop & Shop.”

As *The Wall Street Journal* “Bricks & Mortar” columnist Dean Starkman noted, “The problem has been that while economic-development takings occur from coast to coast, each occurs in a vacuum. And the debate about the use of eminent domain as a public-policy tool—and its civil-liberties implications—is impaired by the lack of information. At least now, there's some light on the subject.”

In sheer numbers, the states with the worst records of abuse of private-use takings are California, Kansas, Maryland, Michigan and Ohio. The best states are Delaware, Georgia, Idaho, Montana, New Hampshire, New Mexico, South Dakota and Wyoming, none of which had land taken by eminent domain for private use.

Ross Day, a member of Keizer's Planning and Development Commission, was an early and vocal proponent of the shopping mall development. However, he now trumpets his opposition if the City proceeds with the use of eminent domain for the project. Day, who is also the director of legal affairs for Oregonians in Action, states, “Governments must not be allowed to proceed unchecked with eminent domain. Taking land from a home or business owner to give to another person or busi-

***“The U.S. Constitution and every other single state constitution limit eminent domain to projects for ‘public use.’...Most people understand ‘public use’ to mean things like highways, bridges and prisons—not a casino, condominiums or shopping mall.”***

ness for private use must end. Private property is the foundation of a free society.”

Lewis Chike says, “My property and business are my ‘American Dream.’ When government officials talk about throwing me off my property and forcing me to close my business to benefit another businessman, I guess the city thinks only some people are allowed to realize their dreams and I'm not one of them.”

**Dana Berliner is a senior attorney at the Institute for Justice (IJ), a Washington, DC-based public interest law firm with state chapters in Arizona and Washington. IJ was recently featured on *60 Minutes* for its efforts to help stop government abuse of eminent domain. The Institute also works to protect freedom of speech, expand economic liberty, advance school choice, and more. Its *Public Power, Private Gain* report can be read at [www.castlecoalition.org](http://www.castlecoalition.org). IJ created the Castle Coalition to unite property owners and activists who are fighting eminent domain abuse.**

## A “must see” film for proponents of property rights

***By Matthew Berry, J.D.***

Although *The Castle* is an Australian film, its values are ones with which Americans—especially Cascade supporters—will identify. Transport the film's protagonist, Darryl Kerrigan, from Melbourne, Australia, to Melbourne, Florida, and one could easily say that Darryl has achieved the American Dream.

Darryl may not be wealthy, but he makes ends meet by operating his own tow truck company. He loves his wife, four children and greyhound dogs. And, most importantly for purposes of the film, he loves his home.

Sure, it sits so close to an international airport's runway that Darryl can practically read a pilot's nametag as jumbo jets roar in for their landings, and huge high-voltage electric

towers surround his humble home with a constant buzz. He doesn't care. If anything, Darryl thinks that adds to its charm and value. (“Location, location, location,” he boasts to an assessor.) He's put his sweat and toil into the place, and it's filled with his family's memories. Put simply, there's no place on earth that Darryl would rather live.

You can imagine Darryl's astonishment, then, when he is told his home is to be taken through “compulsory acquisition,” the Australian term for eminent domain. Big business has convinced the government that the local airport needs to be expanded.

Like so many IJ clients, Darryl can't understand how the government can get away with this. He owns his home, and he doesn't want to sell it! So he hires a law-

yer and wages a fight to keep “his castle.”

The movie is a funny and heartfelt account of Darryl's struggle. The film portrays its eccentric characters in a humorous yet affectionate manner. While Darryl's foibles as well as those of his family are the source of many laughs, the filmmakers consistently portray the Kerrigans as a decent family whose old-fashioned values are to be admired, not mocked.

Rent *The Castle* the next time you're at the video store. It's rare that a high-quality film has the added benefit of upholding property rights.

**Matthew Berry, J.D. is a former staff attorney at the Institute for Justice, a Washington, DC-based public interest law firm.**

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What did Governor Locke *not* do? He did not get sucked into the tax reform debate that threatens to dominate Oregon politics. Locke recognized that raising taxes, especially in a recession, was a political non-starter. Instead, he looked for ways to live within Washington citizens' means, and he seemed to find them.

In Oregon, legislators and Governor Kulongoski failed to do the same. So, they enacted more taxes and didn't offer the people a chance to approve them (see page 2, "Can you hear us now?").

***"...Oregon spends 15 to 19 percent more for major state and local government services than demographically comparable states."***

### ***Tax reform should come second***

Whether or not Oregon's new income tax surcharge takes effect, the legislature is set to begin rounds of tax reform discussions next year. At Cascade, we're willing to discuss the pros and cons of various tax structures, but we believe the more important issue is the size, scope and power of government. Focus on core functions, reduce government's size, and the tax structure becomes less of an issue.

In Washington state, you hear calls for an income tax to "balance" its primary source of revenue, the sales tax. In Oregon, you hear calls for a sales tax to balance our primary source of revenue, the income tax.

Until now, "tax reform" has been a code phrase for "more taxes." Instead, tax reform should be about finding ways to reduce Oregonians' overall tax burden, while at the same time reducing the disincentives that various tax structures impose on the economy and on individual taxpayers.

### ***Today, tax reform comes third***

If tax reform should normally come second, behind reducing the size of government, today it must come third. Today, Oregonians are rightly focused on their February 3 decision about whether to raise their income tax burden.

If the tax surcharge survives the election, the short-term pressure will be off lawmakers. If the surcharge is repealed, it is incumbent on those with budget-reducing ideas to put them forward and make the case for their enactment.

Cascade has always put forward budget-reducing ideas, and we will continue to do so no matter the outcome of the February 3

election. If the surcharge is repealed, however, there will be a golden opportunity to put some of our ideas into action.

A number of our specific ideas were laid out in my December 2002 *Cascade Update* article, "Oregon Budgeting 101." That article is back on our website homepage to remind skeptics that there are concrete ways to reduce the budget without harming essential services. To refresh the governor's and legislators' memories, they can:

- Cut corporate welfare
- Contract out state services
- Privatize the Oregon Liquor Control Commission
- Repeal Oregon's "Little-Davis Bacon" law
- Decentralize school systems; introduce school choice
- Repeal health insurance mandates; introduce means-tested, risk-adjusted health care vouchers for the poor

As economist Randall J. Pozdena, Ph.D. documented in Cascade's 2000 report, *Can Oregon Tighten its Fiscal Belt?*, Oregon spends 15 to 19 percent more for major state and local government services than demographically comparable states. In early 2004 Cascade will recommend systemic budgeting changes that can eliminate such overspending, and make Oregon one of the most cost-efficient states.

### ***Mobility limits Oregon's options***

If Oregon had a Berlin Wall around it, high government spending and high taxes might continue indefinitely, even as residents became poorer. Luckily there is no such wall, and the mobility of people and capital is increasing.

To understand how mobility can help or harm a political entity, one need only look at what Multnomah County voters did to themselves earlier this year by enacting the state's only county income tax. When comparing overall tax burdens for residents of the largest cities in each state, Portlanders were already among the highest taxed, according to a District of Columbia annual comparison (refer to "Tax Rates and Tax Burdens in The District of Columbia – A Nationwide Comparison," Aug. 2003). Add in the new 1.25 percent personal income tax and Portland is likely propelled further up the high-tax ladder.

Anyone involved with Portland's business community knows someone who is now moving out of the county to avoid higher personal and/or business taxes. As discussed in my July Commentary, "Prosperity or Portland?" business boosters across the river in Clark County, Washing-

ton are luring business out of Oregon by asking the provocative question, "do you want to be prosperous, or stay in Portland?"

Mobility is also working against Oregon when the Small Business Survival Committee annual index of state friendliness to small business and entrepreneurship ranks Oregon the eighth most "unfriendly" state. Washington, on the other hand, is the eighth "friendliest" to small business. Given that most Oregonians work for small businesses, we should be looking hard at ways to attract entrepreneurs rather than repel them. Entrepreneurs are today's pioneers. Just like the early pioneers, they go where the pastures are greener.

***"To solve our budget problem, and help prevent future ones, Oregon government should concentrate on its core functions, and stop doing that which it should not do at all."***

### ***The big picture***

Why is there another fiscal crisis in Oregon? In large part it's because government continues to grow beyond the ability of citizens to fund it. And, even if we could fund it at such high levels, we shouldn't.

We don't need new taxes, and while tax reform is worth talking about, it won't solve our current budget issues. To solve our budget problem, and help prevent future ones, Oregon government should concentrate on its core functions, and stop doing that which it should not do at all.



**In October, Cascade president Steve Buckstein discussed liberty, prosperity and the proper role of government in a free society with visiting government, media, and community leaders from 12 African countries.**

**January 15** – Application deadline for *Film & Fiction Scholarships*. Open to students pursuing a Master of Fine Arts (M.F.A.) degree in filmmaking, fiction writing, or playwriting. Scholarships worth up to \$10,000 each. For details visit the Institute for Humane Studies website at [www.theihs.org](http://www.theihs.org).

**February 12** – *Liberty, Technology, and Prosperity*, a Silicon Valley Policy Forum in Palo Alto, CA. Cosponsored by the Cato Institute and *The Economist*. For details visit [www.cato.org](http://www.cato.org).

**Please visit Cascade Policy Institute's website for updated listings of upcoming events.**

# Publications

- **Halfway There: Measure 5 and the Road Ahead**, Jamie Voytko, Policy Insight No. 126, December.

- **Improving Public Schools Requires Changing the System**, Richard Meinhard, Ph.D. and Nick Weller, Policy Perspective No. 1024, December.

- **Oregon tax reformers put cart before horse**, Jason Mercier and Marsha Richards, Cascade Commentary 2003-33, December.

- **Steele Park: Another MAX fiasco**, Michael L. Barton, Ph.D. and John A. Charles, CC 2003-32, November.

- **An ounce of budget reform leadership**, Jason Mercier, CC 2003-31, October.

- **Poverty for all?**, Doug Bandow, CC 2003-30, October.

- **Harry Potter: The new Atlas Shrugged?** Eryk Boston, CC 2003-29, October.

- **Peaceful revolutions and recalling politicians**, Joseph Coon and Kurt T. Weber, CC 2003-28, September.

- **Disasters are no excuse for price controls**, Jacob G. Hornberger, CC 2003-27, September.

Publications and event details are online at [www.cascadepolicy.org](http://www.cascadepolicy.org), or call (503) 242-0900.

Do you know a 6th through 12th grade Oregon teacher who would like unique tools for teaching about liberty, markets and economics? Direct them to the Stossel in the Classroom website—[www.intheclassroom.org](http://www.intheclassroom.org)—and read on to learn about a Cascade supporter's offer to help teachers get the Classroom Teaching Kits.

John Stossel, co-anchor with Barbara Walters of ABC-TV's popular *20/20* news program, has produced a series of one-hour network specials. Among the provocatively titled programs are "Greed," "Freeloaders," "Our we scaring ourselves to death?" and "Is America #One?"

Educators are using them in courses from business to civics, journalism to science, environment to sociology, and more. The kits are available for \$40.

An Institute donor has offered to help Oregon educators obtain complimentary Stossel in the Classroom kits if they do not have a budget to purchase them. Interested teachers should contact Cascade director of development Roberta Forbes for details.

In the U.S., student understanding of economics is in poor shape. However, a new interactive CD learning program called Thinking Economics has been developed to help turn things around. Cascade chairman William B. Conerly, Ph.D. was involved with writing the curriculum and served as associate editor for the program, which is a product of JELD-WEN, Inc., headquartered in Klamath Falls, Oregon.

"Our teachers love this program. Thinking Economics provides solid instruction in a very important area that we simply haven't been able to concentrate on before," said Dr.

Larry Fenili of the Bend-LaPine School District Office in a Bend.com interview. The curriculum is in use at Bend, Mountain View, Summit, and LaPine High Schools. More than 50 schools across the country have adopted it.

Thinking Economics covers all national and state content standards in high school economics. Mark Ahalt, educational consultant for Thinking Economics, states, with more than 25 hours of instruction "this is a true 'No Child Left Behind Curriculum' because the content and delivery is student-directed, which liberates the teacher from dependency on lectures. Teachers can focus on individual needs and those students who often fall through the cracks."

Ahalt asks, "How can we expect young people to achieve financially if they can't understand the stock market, don't know how interest rates work, or even how to manage their credit cards?"

Fenili told Bend.com, "This program brings economic concepts together in a great package and presents the information in a way that kids can really grasp." Conerly highlights, "The examples used to explain concepts are relevant to high school students' lives: whether to take a part-time job, spend money on clothes today or save for a motorcycle, or go to college or not, et cetera."

Others concur. Mira Costa High School's Bill Cooper, the 2001 California Economics Teacher of the Year, states, "For the first time in thirty years of teaching I was able to pass all my students in economics."

To learn more about this program, refer to [www.thinkingeconomics.com](http://www.thinkingeconomics.com). Alternatively, contact Mark Ahalt at (877) 321-7002 or [mark.thinkingeconomics@charter.net](mailto:mark.thinkingeconomics@charter.net).



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