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A New Vision for Local Government

Hot topic draws larger crowd than expected

A capacity crowd heard international privatization expert Bill Eggers' November 6 presentation, "A New Vision for Local Government: Learning from Progressive Communities Across the Country and Around the World." Eggers is the director of the Privatization Center at the Los Angeles-based Reason Foundation.



William Eggers

In addition to Institute supporters, the audience included state legislators, the Portland Mayor's chief of staff, the head of the Portland Water Bureau, local city and county officials from the immediate metropolitan area, and DMV employees charged with exploring privatization alternatives.

Eggers discussed cutting edge trends driving the "market testing" revolution in government. Governments are becoming purchasers of services, not providers; they're becoming focusers of resources, not owners; public managers and employees are seeking more accountability in return for fewer rules; and moving greater authority down to local levels, involving individuals more in their own governance.

“*Across the globe an increasing percentage of the new roads, airports and other infrastructure are designed, built and owned by the private sector.*”

William Eggers
Director of the Privatization Center,
Reason Foundation

For example, Kansas recently turned over all adoption and foster care services to nonprofit charities, and financial incentives were devised to help stop the

drifting in-and-out of homes that foster children too often experience. The Kansas results are dramatic said Eggers, "In only four months, the number of adoptions has risen 67 percent; and inquiries from prospective families have jumped from 50 to 450 a month."

Georgia gave public managers more accountability. All new employees are "at-will workers" and department heads have complete freedom as concerns hiring, firing, pay and promotion.

Eggers capsulized the history of New Zealand's Ministry of Works as a telling story of the possibilities for state and local government. Eggers informed the audience, the "Ministry of Works, once the country's largest ministry, employed tens of thousands of people. It built the country's dams, bridges, airports and operated and maintained most government buildings and assets. Today, the Ministry *no longer exists*. All its functions have been sold to the private sector. When these services are needed, they're purchased on the open market."

Eggers spoke for Cascade in 1995 after the publication of his book *Revolution at the Roots: Making Our Government Smaller, Better, and Closer to Home*. His book and both talks dovetail with the Institute's upcoming 1998 *Better Government Competition*.

Oregonians will be asked to submit ideas on how to improve local government services or alternative ways to deliver them.

For a video of Eggers' presentation contact Cascade at (503) 242-0900 or Info@CascadePolicy.org. To order *Revolution at the Roots*, contact the Privatization Center at (310) 391-2245 or www.Reason.org.

Outrageous Laws Exposed!

"The 1997 Oregon Outrageous Law Contest was a success from the start," states Cascade president Steve Buckstein. "This humorous project made a serious point: we're over-regulated, over-lawed, and over-ordinanced."

The Contest enjoyed beyond-expectation media coverage. More than 30 radio and television interviews were aired, and over 80 print articles were published about the project, including one in *U.S.A Today*.

The Contest sought Oregon laws, ordinances, administrative rules and regulations that are humorous, outdated, unenforceable, or exemplified government waste. Sixty-five entries were received. Nationally renowned political satirist and author P.J. O'Rourke served as Honorary Judge. Winners received \$100 each, plus a book of their choice by O'Rourke. Runners-up received \$25 each.

With a government like this, who needs parents? Pete Springer of Portland won for finding an Oregon state law mandating Oregonians, when operating a bike, ride only "upon or astride a permanent and regular seat attached to the bicycle." Ouch.

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Tax Fairness?

Three things happened on Oregon's tax reform front recently. Bill Sizemore held his *Oregon Conference on Real Tax Reform*. Governor Kitzhaber appointed a panel to study the tax system. And, in the name of fairness, an initiative was filed to increase Oregon's top corporate income tax rate.

Individuals currently pay up to 9 percent, while corporations pay a maximum of 6.6 percent. Should we raise the business tax rate? In a word, no. Give us two words and we'll say, hell no – because taxing business simply perpetuates a myth.

Cascade board member William B. Conerly, Ph.D. eloquently shines light on that myth in his Cascade Policy Perspective, *Business Taxation: A Loose Cannon on a Dark Night*. Economist Conerly reminds us,

"No business ever pays any tax. Never, ever, no matter how much we try, does our government tax business. Only people pay taxes. Some corporate treasurer may write out a check payable to the government, but the burden of taxes is always borne by people. The people may be workers, consumers, or business owners, but they are people – like us."

Businesses merely collect taxes; they collect taxes from you and I, the consumer, shareholder, and employee in the

form of higher prices, reduced returns on investment, and lower wages. The oft repeated phrase "Make business pay its fair share" is merely a myth. Return to Conerly's words,

"The slogan, 'Business should pay its fair share', misses the point: business is simply people producing goods and services for other people. Business never paid a tax, and it never will."

Ask yourself: Do I want to pay higher prices, reduce my investment returns, or lower my wages? Ask your family and friends the same question. So-called business taxes do all of the above.

Believing something to be true doesn't make it true. Children believe in Santa Claus, but we know who puts presents under the tree. Like Saint Nick, the business tax is a myth.

All taxes are paid by you and I. No matter how hard some believe otherwise, *business pays no tax*. The real debate centers on reducing personal income taxes. That would be fair, just, and everyone would benefit. That's a fact.

– Steve Buckstein, President

For a copy of *Business Taxation: A Loose Cannon on a Dark Night*, call Cascade at (503) 242-0900 or refer to www.CascadePolicy.org/taxes/cannon.htm.

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Private buses coming soon?

Market-based transit solutions receive media endorsements

"The way we build roads and pay for them needs to be based on a market-based philosophy, as outlined by [Cascade's] John Charles," stated the lead editorial in the September 10 Molalla *Pioneer*. Alongside the editorial the *Pioneer* published a substantial portion of *Market-based reforms needed to solve transportation finance crisis* by Charles. That same day the *Sandy Profile* reprinted *Market-based reforms* in its entirety.

Tri-met, the regional government transit agency in Portland, has also publicly recognized the transit solutions touted by Charles and the Institute. (Refer to page 4, "Shaping the debate.")

To solve Oregon's transit problems Charles calls on elected officials to "legalize private sector transit to give consumers more choice. Where private buses, vans, and jitneys are legal in other parts of the country, they provide important services with far lower costs, while still making a profit."

Charles also recommends "reducing or phasing out the state gas tax and replacing it with road user fees (tolls) on the most heavily traveled highways", collecting fees electronically,

as currently practiced elsewhere, to eliminate the old-fashioned stop-and-go booths. He would restrict the spending of fee revenue "to the specific facility it was collected from" to protect against government waste. *Market-based reforms* makes the case for abolishing biennial vehicle registration taxes, too.

Charles presented these ideas at the October "Conference on Real Tax Reform", organized by Oregon Taxpayers United, and before 100 mayors attending the League of Oregon Cities annual conference in November. KBND (Bend) and KUIK (Portland), among other media, have interviewed Charles about market-based transit reforms.



Summer Intern Monica Ho, from the University of Chicago, assists John Charles with tax reform research.

Charity that Works! speakers series draws more than 360

“My dream is not to die in poverty, but to have poverty die in me.”

Michelle Lee Arujo
NFTE Class of 1991

Attendance at the third 1997 *Charity that Works!* luncheon pushed the successful series total past 360. That number was surpassed on October 8 when nearly 60 people gathered in Portland to hear Duane Moyer discuss “Teaching Entrepreneurship, Harvesting Hope”. Moyer is the Northern California director for The National Foundation for Teaching Entrepreneurship (NFTE).

NFTE teaches at-risk teens from inner cities and other low-income communities how to develop and operate their own le-



Duane Moyer addresses a full house at Cascade’s third *Charity that Works!* luncheon.

gitimate small businesses. NFTE’s goal is to enable young people to learn self-esteem and self-sufficiency through entrepreneurship.

Since its founding in 1987 the international nonprofit has taught over 10,000 students basic business skills. In the process, students have learned enhanced life skills that help them in their daily lives to become better students, better citizens, and community role models.

Three lengthy articles about NFTE and Moyer appeared in *The Daily Journal of Commerce*, *Our Town*, and *The Skanner* before his presentation. During his Portland stay, Moyer met with members of the Oregon Commission for the Blind and Willamette Bridge/Janus Youth Program. Both organizations sought input about creating similar programs for their respective clientele. Representatives from Portland’s Police Activity League and Self-Enhancement Inc. also expressed serious interest in initiating entrepreneurship courses for their youth.

Organized by Cascade, the *Charity that Works!* speakers series features leaders from cutting edge, hands-on nonprofits. This program is designed to



Second *Charity!* speaker, Bob Coté, talks about helping the homeless with *Oregonian* Associate Editor David Reinhard

challenge our thinking about compassion and charity. *Charity that Works!* is a relevant and timely continuing education program for philanthropists, corporate givers, foundation directors, nonprofit leaders and others who support compassionate and effective charity.

To learn more about NFTE call Cascade at (503) 242-0900, or contact NFTE’s executive offices in New York at (212) 232-3333.

Improving Oregon Unemployment Insurance

\$250 million in savings through proposed reforms

Oregon’s unemployment insurance system increases the unemployment rate and lowers workers’ pay, while making the business climate in Oregon less competitive. Reforms could reduce the unemployment insurance tax burden by 68 percent – a savings of over \$250 million a year. This conclusion, and suggested improvements, are described in a recent study jointly published by the American Institute for Full Employment, located in Klamath Falls, and Cascade Policy Institute.

Jobs, Not Unemployment: Reforming Unemployment Insurance was written by William B. Conerly, Cascade board member and president of Conerly Whelan Inc., a Portland investment management firm. The report will be distributed to over 100,000 business owners, public officials, and other individuals throughout Oregon.

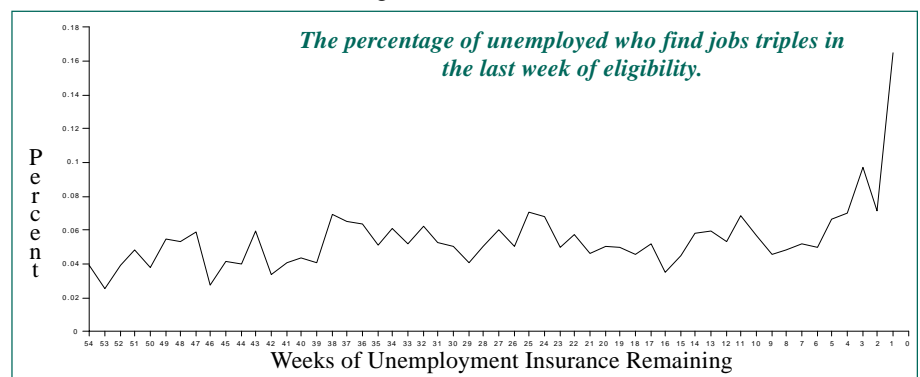
Jobs, Not Unemployment shows that those who are eligible for unemployment benefits have longer durations of unemployment than those who are not eligible;

the unemployed find jobs faster when paid bonuses for fast re-employment; and, more intensive job-search requirements help speed up re-employment. Interestingly enough, Conerly highlights, the percentage of unemployed people who find jobs triples in the week before their benefits run out.

Thus, Conerly maintains, the state’s current unemployment system acts to the detriment of most workers in the state – because it provides incentives to delay a job search, or to search only half-heartedly. According to Conerly, “The Unemployment Insurance tax is passed on to workers in the form of lower wages, so

those who are in no hurry to find a job impose a burden on those who are working.”

Conerly compares the present unemployment system with a combined Unemployment Insurance – JOBS Plus approach. In brief, the Jobs Plus program funds the creation of private sector jobs. Conerly suggests using Unemployment Insurance monies to subsidize private sector jobs; thus a person could be working instead of sitting idle while collecting benefits. He contends the proposed hybrid would lead to substantial savings for employers and help reduce unemployment.



\$5,000 for Oregon High School Students!

*The fourth annual
Independence Essay
Competition kicks off*

Oregon private, public and home schooled students of high school-age are eligible to compete for \$5,000 in total awards. The 1998 Essay Competition focuses on the interdependence of personal and economic freedom.

"All high-school age students are eligible to participate, not just college-bound seniors. Last year's winners included a sophomore and two juniors, one of whom was home schooled," notes Cascade program director Kurt T. Weber.

The independent Essay Review Committee will select up to five winners, who will receive \$1,000 each. New to this year's Review Committee is **Robert J. Caldwell**, Editorial Page Editor of *The Oregonian*. He is joined by **Jim Huffman**, Dean, Northwestern School of Law at Lewis & Clark College; **Judge Diarmuid O'Scannlain**, U.S. Court of Appeals for the Ninth Circuit; **Diane Rynerson**, Executive Director, Oregon Women Lawyers; and **Leslie Spencer**, former Associate Editor, *Forbes* magazine.

Supreme Court Justice Stewart Potter once wrote, "In fact, a fundamental interdependence exists between the personal right to liberty and the personal right in property. Neither could have meaning without the other." Students are asked to expand upon Justice Stewart's quote and explore the concept that the foundation of a free society is personal and economic freedom, and when government regulates one it infringes upon the other.

The 1998 Essay Competition is sponsored by the Constructive Management Foundation (Portland) and the James M. Bonavia Family Charitable Trust (Bend).

To receive guidelines call the Essay Hotline (503) 224-1737, or refer to www.CascadePolicy.org/essay/essay98.htm. Entry deadline is March 4, 1998. The first one hundred entrants will receive a complimentary copy of Frederic Bastiat's book *The Law*.

Shaping the debate

"The Cascade Policy Institute has recommended that the state regulatory and city licensing requirements for cabs, vans and other carriers for hire be substantially relaxed or eliminated so that instant entrepreneurs can flourish...Tri-met will continue to explore alternative service delivery models. We welcome information from the marketplace – including competition – and pledge our cooperation in seeking new ways to enhance mobility."

Philip R. Bogue, president
Tri-Met Board of Directors
excerpt from letter to the editor,
The Oregonian, October 14, 1997



Robert W. Poole, President, Reason Foundation, speaks with Oregon Transportation Commissioner John W. Russell about private transit alternatives at a recent Cascade breakfast.

Outlaw

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The Butter Triangle Act. Winner Joshua Thomas of Aloha found an Oregon statute dictating how "butter substitute colored to imitate butter" must be served in restaurants; by law, it must be cut into triangular pats and bricks only.

Why-it-costs-so-much-to-have-anything-done-by-the-government. Michael S. Greer of Salem won for entering Oregon's "prevailing wage" law. If this act were repealed the cost of Oregon government construction projects could decrease by 30 to 40 percent.

The Oregon sky must be blue! Oregon law allows the license plate commission to pick plate colors. However, to curb radical behavior, the law states "the sky shall be blue." O'Rourke commented that Salem resident Eric M. Cumfer's winning entry is a "terrific example of legislative overreach."

Have a license to fly that flag? Associated Oregon Industries spent five weeks navigating Salem's permit and inspection maze to erect a flag pole in front of its headquarters. When the organization sought

Brainstorm
65 Languages in The Schools
Congratulations!
The Institute wishes former staff member Bridget Barton, along with Tom Holt and Jim Pasero, much success with *Brainstorm*, their new magazine devoted to Northwest policy and culture. People interested should contact Ms. Barton at the *Brainstorm* offices (503) 655-5252.

to add its own flag, city officials said yet another permit and additional fees were needed because the AOI flag was a "sign." AOI's president Richard M. Butrick sent in this winning entry, stating their "U.S. flag proudly flies solo!"

A possible alternative to term limits. Joshua W. Thomas garnered a runner-up award for submitting Article II, Section 9 of the Oregon Constitution. Every person who gives or accepts a challenge to fight a duel, or who agrees to go out of State to fight a duel, "shall be ineligible to any office of trust..."

A pack of tyrants please. The City of Corvallis struck a blow against freedom when it banned smoking in privately owned bars, among other places. The prohibitive ordinance was recognized for its role in eroding a business owner's property rights. For the record, runner-up William Plank of Corvallis does not smoke.

Sign here? Lincoln City officials prohibit sign placement on undeveloped lots. Lincoln City resident Tom Nordyke was awarded runner-up for this outrageous ordinance which violates private property rights and freedom of expression.

No trance. Oregon Revised Statutes, Section 167.870 prohibits the public exhibition of a person in a trance or under hypnosis for the purposes of entertainment. Eric Cumfer received runner-up recognition for this entry.

Inequality before the school board. State law mandates annual testing of homeschooled children. If a child falls below the 15th percentile of a standardized test, he must be "remanded" back to public school. Runner-up Paul Bonneau of Beaverton wrote one outrageous aspect of this law is that "kids in government schools who fall below this cutoff are not remanded to a place outside of the government schools."

Interestingly enough, Cascade did not identify a single entry from a public official. Buckstein mused, "Could it be that all public officials believe every rule, regulation, ordinance, and law is absolutely necessary?"