

April 1985

# RIPON FORUM

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Conversations with  
Lightfoot Ross  
and Jim Kolbe

The Right, The  
Media, And Myths

Progressives in  
the Sun Belt

Reviews:  
Emmett Tyrrell's  
*The Liberal Crack-Up*



**Economic Shift:  
Has The Tide Gone Out?**



# RIPON FORUM

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## RIPON FORUM

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## Editor's Column

*Migration. John Kenneth Galbraith has called it the oldest action against poverty. Yet when it occurs, tremendous human and social costs ensue. So do enormous political changes.*

*These upheavals are the focus of several articles in this issue. Two newly-elected House Republicans — Jim Kolbe from Arizona and Jim Ross Lightfoot of Iowa — discuss the effects of this economic dislocation on their two distinctly different districts. Forum editorial board member Dale Curtis examines the Sun Belt, and highlights constituencies and districts there that might be considered progressive Republican territory. Urban specialist Paul Bardack reminds us, however, that while demographic changes are taking place, leading more people into suburban areas, Republicans should not forget America's cities — too many strong neighborhood sentiments remain. Ripon Society chairman Jim Leach also reminds us that while new industries are developing around the country, midwestern farmers remain caught in the grip of an agricultural crisis Republicans cannot afford to ignore. Each article points to the fact that as the demands of economic change are confronted, Republicans need to think anew about the resulting political changes.*

—Bill McKenzie

## MEMOS

**TO: THE EDITORS**

**RE: JANUARY 1985 RESUBSCRIPTION LETTER**

Fifteen years ago I had a one-year subscription to the *Ripon Forum*. I do not have a current subscription; it cannot expire.

However, I am interested in the Ripon Society. Start a subscription for me — now.

Thanks,  
Kent Gardner, Charlotte, North Carolina

**RE: BLACKS, HISPANICS, AND CHALLENGING CONSERVATIVES**

I have been an avid reader of your excellent journal for the past 16 years. But I feel that you and the Republican Party have been missing some points.

Blacks and Hispanics, for example, have been overlooked by the Republican Party. The Reagan administration virtually ignored the black vote in 1984. This could prove harmful, especially in the South. The same holds true for the Hispanic vote. This cynicism better stop; the GOP should be a party for everyone.

Further, moderates need to be more aggressive in challenging conservatives. Take your journal for instance. It should appear every week and be given reams of publicity. Also, since conservative Republicans challenge liberal Republicans in primaries, why can't the reverse hold true? Moderates can't allow themselves to be out-hustled and out-organized.

Respectfully yours,  
Raffy S. Chengrian, Dorchester, Massachusetts

Dear Mr. Chengrian:

We like that reams of publicity stuff. But regarding moderates challenging conservatives, what about Elliot Richardson's 1984 Massachusetts GOP Senate primary race against Ray Shamie?

The Editors



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**Profiles and Perspectives**  
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*"Place" plays an essential role in each of our lives. It consists of such things as home, neighborhood, school, and church. Unfortunately, for some Americans that sense of place is now being disrupted by substantial economic changes. Rural Americans, for example, face one of the most severe farm crises in this nation's history. Likewise, many urban Americans are challenged by changes in basic industries. How these individuals resolve the conflict between place and economic opportunity will have much to say about the nation's demographics and economic direction over the next two decades. In this edition of "Profiles and Perspectives," two newly elected Republican congressmen — Iowa's Jim Ross Lightfoot and Arizona's Jim Kolbe — talk with Forum editor Bill McKenzie about this phenomenon. Congressman Lightfoot represents the second most rural district in the nation, Iowa's Fifth, while Congressman Kolbe represents Arizona's Fifth, situated in the middle of the burgeoning Sun Belt.*

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**A Conversation with Jim Ross Lightfoot**

**Ripon Forum:** No issue could be more relevant to a newly-elected Iowa congressman than the current agricultural crisis. What is your impression of how the federal system works in determining solutions for such problems?

**Lightfoot:** Part of the frustration over the farm crisis is that it's so complex. A lot of people have good ideas, and these will solve a portion of the problem, but there's not a single idea that everyone can rally behind. Much depends on geographic location. For example, the southern portion of my district (southwestern Iowa) has suffered four and even five years of drought, too much rain, or a combination of both. Consequently, these areas have been hit hard by the weather, on top of poor economic conditions.

Iowa's cattle industry, which has dropped from number one to number seven in cattle production, provides another idea of the crisis' complexity. Since cattle operators retain many financial obligations, they have turned to row crops. But southwestern Iowa is not good row crop country, and because these people don't have much acreage to start with, some have turned to soybeans. Yet soybeans are tough on the soil. Combined with the fact that southwestern Iowa is rolling countryside, this has created a number of conservation problems, including erosion.

**Ripon Forum:** You make a convincing case that this is a complex problem. But since the weather is out of our control . . .

**Lightfoot:** And we hope it stays that way . . .

**Ripon Forum:** . . . what should our priorities be?



**Lightfoot:** We have to look at it in this manner: in which direction do we want this nation's agricultural machine to head? Congress passed, and the president vetoed, a temporary farm package to assist this spring's credit crunch. But now we need to design our work with the agricultural sector in coming up with a program that will enhance those who continue to produce and stay on the land. This can be boiled down to two things: lower interest rates and higher commodity prices.

**Ripon Forum:** Correcting the deficit will have much to do with lowering interest rates. But since commodity prices are not necessarily a function of the overall economy, what can be done about them?

**Lightfoot:** Although the proposed Reagan administration's farm bill is a little severe, and a transition period is needed to ease into its plan, the concept of a less-regulated agriculture market is one I support. But how do we get there? The administration is talking about tying the loan rate to farmers to a three-year market average. Although I'd like to see a five-year average, let's tie the loan rate to a market price. But until crop prices improve, let's also continue to make deficiency payments (payments made to farmers by the federal government when commodity prices fail to reach a certain target price). These payments should be high enough above the average cost of production to ensure that farmers will be kept afloat. The argument against this is that we are trying to lower the budget deficit, and that such payments only add to it. The tradeoff, however, is that if we don't make shifts in our agricultural policies, then the consumer will end up spending more at the grocery store than he or she will pay in taxes. It's like the old commercial, "pay me now or pay me later."

**Ripon Forum:** During a recent Iowa farm rally, a Colorado farm activist, Naioma Benson, said, "We're feeling insurmountable fear, nearing desperation. A generation of farm and ranch children are facing loss of home and spirit." What effect is the farm crisis having on people in your district, especially on their sense of community?

***"We need . . . a program that will enhance those who continue to produce and stay on the land. This can be boiled down to two things: lower interest rates and higher commodity prices."***

**Lightfoot:** The emotional stress is extremely high. When you talk to someone whom you've known for 15 years, who has been caught between the weather and the economic squeeze, who hasn't done anything wrong — he has played by the book — but has tears streaming down his face, the toll is obvious.

Hard as it may be, though, we have to cut through the emotion to really examine the issue. In my opinion, there are five classifications of farmers. One is the group which is in such severe financial strain that they cannot be saved. They're leveraged too far, and they don't have any income-producing capacity to pay off prospective loans. Another group is in that condition too, but for a different reason: they've tried to expand too much. They've bought too much land and equipment, and they're leveraged too far. As taxpayers, we probably don't owe them anything.

In the middle, however, are three groups. One is financially alright, but although they've played it close to the chest,

they're now being penalized. They'll make it, but they're paying higher interest rates, and competing with people who are kept in operation by government subsidies. The other two groups require legislators to ask a couple of questions: can we possibly do anything for them, and do we have an obligation to do anything for them? One has had their assets "written down" to the point where they can't get operating money this spring. Here's an example. One young fellow in my district has farmed for nearly twelve years, has used equipment, and cashrents all his land — 400 acres at \$60 a month. In addition, he has roughly \$80,000 in loan obligations. When he inventoried his equipment this spring, after going to several farm sales to get market prices, he came up with \$60,000 in assets. But the FDIC came in, and with a single stroke of the pen, wrote those assets down to \$30,000. So, here's a guy with \$80,000 in debt, who had \$60,000 ready to sell at auction last month, but who was allowed only \$30,000 by the examiners. There's no way the lender can loan to him. When he tried to go to the Farmers Home Administration, they told him he'd have to write off \$30,000 of his debt before they would even talk to him. His wife is a teacher, thankfully, so he can cash flow the '85 crop with the potential to pay down \$30,000 of his debt load. These are viable people; we owe them something.

The last group consists of people who are in their 50's, who've had a son graduate from college in the late 1970s, and who've tried to get them started in the agriculture business. We're going to lose both individuals because when Dad went on the note, or Mom and Dad both went on the note, the interest rate went to 21 percent. You don't hear much about that. In my opinion, that jump in interest did more damage to more people than anything else.

**Ripon Forum:** Migration has been said to be the oldest action against poverty. Peter Blau and Otis Duncan, in their study, *The American Occupation Structure* claim that "the data unequivocally show that migrants have more successful careers than men still living in the region of their birth."

**Ripon Forum:** What effect will President Reagan's March 6 veto of the emergency farm credit legislation have on you and your fellow Iowa Republicans?

**Lightfoot:** I can't speak for other members of our congressional delegation, but I hope people realize we work *with* the president, *not* for him.

**Ripon Forum:** The demands on a public official are great, and the toll can be high. Why did Jim Ross Lightfoot run for Congress?

**Lightfoot:** There were some things in our part of the country that I didn't feel were getting answered. It was all being played for political reasons, not good, sound economic reasons. I also like listening to people. The other day I sat in a meeting for 90 minutes and didn't say a word. Nobody could believe it. They thought politicians only give speeches. After 12 years as an Iowa farm broadcaster, I also thought I might be able to be an effective voice for our part of the state. These reasons are in addition to the satisfaction I get from helping a constituent deal with the bureaucracy. That's one of the silent rewards.

Of course, the strain this job puts on a family is tremendous. Most days start with a breakfast at 7:00 a.m., and go until 10:30 p.m. or 11:00 p.m. Since my family has remained in Iowa, I can work those hours while in Washington without worrying about getting home. But when in Iowa, Sunday is our family day. If you didn't make such a time, you could go 24 hours a day in this job.



Since the farm crisis in Iowa and other parts of the country is indeed grave, should we give incentives to farmers to move elsewhere?

**Lightfoot:** Rather than moving people, we should give incentives to light industry to migrate into economically distressed areas. For example, there is tremendous opportunity for any industry willing to move into Iowa. Our educational system is constantly ranked in the top two or three in the country; we have a good transportation system; and we have a good quality of life: clean air, clean water, etc. But there are aspects of the state tax code that serve as a disincentive for industries to come in. These need to be corrected so that small communities can attract small industries.

**Ripon Forum:** There is a theory that we should focus government policies on people, not places. For example, James Fallows wrote recently in *The Atlantic*: "Why shouldn't we help people rather than places? Why should we decide the whole national history of migration, adjustment and advancement must now come to an end?" What is your reaction to this? Should we tell farmers in Iowa to go elsewhere?

**Lightfoot:** There's no reason they shouldn't. It is an individual decision, of course, and for farmers it is a difficult decision compounded by the fact that farming is more than a job; it is a way of life. The transition into industry is not easy either. It is made more difficult by the reluctance of some farmers to be retrained. They downgrade themselves to the point where they don't recognize that they have a lot of other skills. They are multi-faceted people who often don't realize their real self-worth.

**"In effect, how much are the people in New York City willing to pay in taxes to have a cheap supply of good quality food?"**

**Ripon Forum:** How can such human factors be factored into the agricultural policies that will be debated in the next few months?

**Lightfoot:** It is not government's responsibility to shape individual thinking. Government should approach the farm problem strictly from a financial perspective. If it has created an environment in which a modicum of decent management will allow an industry to survive, then the other decisions are personal.

**Ripon Forum:** Alright. But what about the Reagan administration's proposals to either limit or eliminate such farm programs as target prices, price supports, and acreage restrictions? What's best for Iowa farmers?

**Lightfoot:** There will be some government involvement for a while. But let's step back. Fifty years ago we worried about producing food and fiber for people in this country and nowhere else. After World War II, we started exporting more, and everything was production, production, production. Nothing was ever mentioned about marketing. If we plan to stay in the export business, then we have to make our farm products competitive in the world market. But we also have to make some other decisions. Do we want to be viable as an exporter? Do we want to help developing nations? And what sort of domestic food policy do we want? These are all related to questions about price supports. In effect, how much are the people in New York City willing to pay in taxes to have a cheap supply of good quality food?

**Ripon Forum:** What would Jim Ross Lightfoot like to accomplish in his tenure in Washington?

**Lightfoot:** As honest a representation of my district as possible. If I can do that, I'll be happy. This gets back to community. There's no price that can be put on it.



**A Conversation with Jim Kolbe**

**Ripon Forum:** In a recent *Wall Street Journal* article, you wrote: "The Sun Belt is too hot ever to be mistaken for heaven, but for the jobless risking a move there may mean the difference between no future and a chance at one." The seeking of new frontiers has certainly been essential to the American experience, but so, too, has a sense of place played a critical role in the decisions made by many American families. Can we really expect mass numbers of people to heed your cry, and "go west?"

**Kolbe:** An economy is a constant dynamic being; it is not stagnant. While you can do things to ease the pain for those caught in the middle of structural changes, which we are experiencing now, I don't think you can stop those changes from taking place. They will occur, and when they do, jobs and industries disappear and reappear elsewhere. And, my part of the country is not immune to this phenomenon. In my district, the copper industry is in serious trouble. In fact, it will never return to its peak level, which was reached in 1981. No matter if the demand comes back to that level, the same number of people will not be employed. The industry will be much leaner.

My point is that no matter where the change takes place, people will be moving to where the opportunities are. It is likely, of course, that many of these opportunities will be in the Sun Belt, where many high-tech industries are now located. But, remember, in December 1984 the states with the three lowest unemployment rates were Massachusetts, Vermont, and New Hampshire.

**Ripon Forum:** Tucson is different, though, from places like South Chicago, where mass dislocation can be found among workers in "smokestack" industries. For example, two large steelworks in South Chicago — Wisconsin Steelworks and the South Works of U.S. Steel — have closed their doors in the last five years. Many people have been left jobless. While some are young and can move, others are not and most likely



will not move. In fact, their sense of community is so deeply rooted that moving is very unlikely.

**Kolbe:** That's right, and that sense of community is very significant. Sometimes people are not going to move because of it. But it was also a factor to those who left Poland, Russia or Germany in the earlier parts of this century to move to a foreign country like the United States which had more opportunity.

**Ripon Forum:** But what about those who aren't going to leave? As a legislator, what should be done?

**Kolbe:** Two things. One is temporary: try to relieve the pain through some form of unemployment compensation. But that is secondary. In fact, those programs shouldn't be made so attractive that they discourage people from making the requisite fundamental changes in their economic lives. The best alternative is to attract new industries into those communities. Massachusetts, for example, has been very successful in recruiting high-tech industries. This, of course, requires a state's commitment to higher education and job retraining programs.

*"An economy is a constant dynamic being; it is not stagnant. While you can do things to ease the pain for those caught in the middle of structural changes, I don't think you can stop those changes from taking place."*

**Ripon Forum:** In an interview in this *Forum*, Iowa Congressman Jim Ross Lightfoot says that there are some farmers in his district who, because of age or lack of self-confidence, fear being retrained. Going from the farm to an industry is very difficult. It requires punching a clock, and working in a mechanized environment . . .

**Kolbe:** But should the taxpayers in South Chicago keep that person in farming just because he is fearful of changing his lifestyle?

**Ripon Forum:** That's the root question.

**Kolbe:** The real question *should* be: are we going to lose so many farmers that we will cut into the economic capacity of American agriculture? I don't think so; we're going to continue producing an abundance of food. In fact, people in the Farm Belt don't like to point out that since World War II, nearly two to three percent of American farmers are lost each year. From 1978 until 1982, it was only one percent a year. So, in the long run, the recent jump to nearly five percent can be seen as fairly average.

**Ripon Forum:** Let's return to new industries. How can economically distressed states attract new industries?

**Kolbe:** That requires a very honest self-analysis of a community's strengths and weaknesses, and then some old-fashioned aggressive marketing. What are the community's assets? Is its education system good? What about its water? And its transportation system? Can it offer economic incentives, such as industrial development bonds that allow for the creation of industrial parks? I remember when IBM decided several years ago to locate a major plant in Tucson. The number of executives and high-paid engineers in the area attracted them, but so did Tucson's culture.

**Ripon Forum:** That gets back to the migration problem. Despite the fact that white-collar workers are the primary migrants today, which is a reversal of historical trends, what

about those steelworkers from the southside of Chicago who are willing to be retrained and to move elsewhere? How are they going to fit into an absolutely new environment, such as Tucson? They've rooted for the White Sox all their lives and Tucson doesn't even have a major league baseball team.

**Kolbe:** Wrong! We have the Cleveland Indians in the winter. But, of course, you're right. There are real dislocations. And it isn't going to be easy. It will not be without pain. But given today's communication systems and general mobility, there will be less pain than before. If the schools and job retraining programs are good, and the industries are looking for people to fill jobs, the change will be made even easier.

**Ripon Forum:** Western states are known for their strong nativist sentiments. Colorado, for example, sports a bumper sticker which reads "Native." Is Tucson ready to assimilate new immigrants?

*"That sense of community is very significant. Sometimes people aren't going to move because of it."*

**Kolbe:** That's a reality. We have a lot of that sentiment in Arizona. It boggles my mind when people say, "I'm here, now lock the gates." But while those things will happen, it's cyclical. There is a "no-growth" mood apparent in Tucson right now. But soon people will start to holler as transportation gets worse and they can't get water or sewer hook-ups for their new homes; people will say we have to grow. These are just political cycles of growth and no-growth. I often wish it could be a little more even.

My answer, though, is that I'm not sure Tucson is ready. But most people who are not recognize that it is happening. The question, then, is how do we accommodate this change, and have the necessary growth, while retaining a sense of community and the lifestyle we have come to enjoy?

**Ripon Forum:** What do you recommend?

**Kolbe:** You do it through planning. There must be some kind of long range plan which determines how Tucson will grow, how it will provide the transportation and infrastructure needed, and how it will preserve the mountains and the desert. You have to have that. And you begin by not approving every strip zoning and tacky development.

**Ripon Forum:** Pennsylvania Republican William Clinger and Ohio Democrat Donald Pease wrote a companion piece to your recent *Wall Street Journal* article, in which they argued that since the U.S. is shifting from a goods-producing economy to a service- and information-oriented one, the nation's unemployment insurance system, which was designed in the 1930s, must be reformed to deal with those areas unlikely to see lower unemployment soon. You have argued against this. Why?

**Kolbe:** There are certainly some things which merit consideration for reform. But I don't think the answer is a great increase in unemployment insurance programs. That doesn't put people back to work, create new jobs, or attract new factories. Those reforms need to be done in conjunction with economic development and job retraining.

**Ripon Forum:** Your message contains a degree of sacrifice. Are political leaders willing to ask for that?

**Kolbe:** They better be. We're going to have to face that in the budget debate. If we're not willing to do that with some of our own programs, such as western water projects, then there's no



hope for ever balancing this budget. But I don't subscribe to the Jimmy Carter malaise theory. I'm not saying that folks must sacrifice because life isn't going to get better. I think it is. The opportunities are terrific. But I don't want to hold out false hope that the exact same jobs will be available.

**Ripon Forum:** You have also said that we should have a "strictly limited nationwide retraining and relocation effort that could be monitored by the federal government, implemented in large measure by state governments through their existing job services and funded by private sector-type initiatives." This sounds good, but what does it actually mean?

**Kolbe:** The Jobs Training and Partnership Act (JTPA) is a good example of this. It replaced the Comprehensive Employment Training Act (CETA), which by and large created make-work jobs that had very little potential for being translated into full-time private sector jobs. Let me give you an example of how JTPA works. LearJet laid off 1,000 people in Tucson last October. As soon as JTPA heard this announcement, they called LearJet and got permission to be at the plant as soon as the announcement was made. They were able to work with people there right away. Not only did they process laid-off workers for unemployment compensation, they also provided a job and skills inventory. This was beneficial in informing workers about different retraining programs. There was a sense of movement which assisted people in finding other jobs that utilized their skills.

Arizona has been as successful as any state in terms of using allotted JTPA dollars. The reason it hasn't gotten off the ground in some states, though, is that those states have insisted on creating a statewide program. In Arizona, we've done it on a regional and county basis.

**"There are real dislocations.  
It will not be without pain."**

**Ripon Forum:** Many people say that congressional life is demanding and filled with great pressures. Why did Jim Kolbe run for Congress?

**Kolbe:** My wife told *Congressional Quarterly* that I started thinking about it "prenatally." Since I was a Senate page at age 15, politics has always been in my blood. And there is nothing wrong with someone who makes politics a career. But I think you have a much better sense of people and their problems if you have experienced other things. That's one reason I've diversified. After the Navy, I worked a couple of years for Illinois Governor Richard Ogilvie. Then, I returned to Arizona and went in with a partner on a small business.

**Ripon Forum:** It seems that public service has taken a beating in recent years. How can the perception of public service be improved?

**Kolbe:** You're right; it has gotten worse. That's primarily because of Watergate and Abscam. The only way you can reverse that negative perception is to attract good people to run for office. That will gradually change the perception. Yet there will always be some suspicion about public office-holders because the failings of public officials will always get more attention. The very nature of the job brings more scrutiny. People who enter public life have to understand this.

**Ripon Forum:** What would Jim Kolbe like to accomplish during his time in Washington?

**"I'm not saying that folks must sacrifice because life isn't going to get better. I think it is. The opportunities are terrific. But I don't want to hold out false hope that the exact same jobs will be available."**

**Kolbe:** I want to be known as a legislator who works thoughtfully and carefully. I don't need to make a big splash. I hope I'm a legislator's legislator. As a former state legislator, I understand the legislative process and how a legislative program is put together. I also understand what it takes to make the necessary compromise. I'm very willing to do that. Compromise is how consensus is achieved in the political process. I don't regard it as negative.

**Ripon Forum:** The Republican Party will have to choose a new leader in 1988. In which direction should it head in making that decision?

**Kolbe:** As I told a group in Tucson in March, I hope we don't get involved in internecine warfare in choosing a candidate for 1988. We have to understand that the Republican Party must look beyond Ronald Reagan, and head in a new direction. If we are a party that concentrates on ideas, selection of our presidential candidate will take care of itself. But if we spend all our time trying to pick a candidate without thinking about ideas, the American people will turn elsewhere for leadership. ■

## MEMO

RE: THE PROGRESSIVE REPUBLICAN AGENDA

While reading Dale Curtis' "A Prescription for Progress" in the December 1984 *Ripon Forum*, I began to suffer my usual depression on the reading of your learned journal. It appeared to be yet another article to "assert," "define," and set the "agenda;" another ringing call for action with no leadership involved.

Then the article got a little better with the outlining of six tasks to propel progressives into the forefront of Republican politics. But still there was no call for a central organizational meeting. We are exhorted to "get involved" but what then?

I call upon the Ripon Society and the Republican Mainstream Committee to hold a national progressive Republican conference. This meeting should be held in the center of the United States, and should set goals such as 50 new Ripon chapters with at least 100 members each. Another goal should be to determine whether the Mainstream Committee is viable, and if so how it can be expanded and implemented. Issues discussions should be held to a minimum. We should concentrate on how to get involved, how to organize, and how to provide for a central clearing house.

I call upon the Ripon Society to assume active leadership on this front.

Sincerely,  
Bennett A. Webster, Des Moines, Iowa

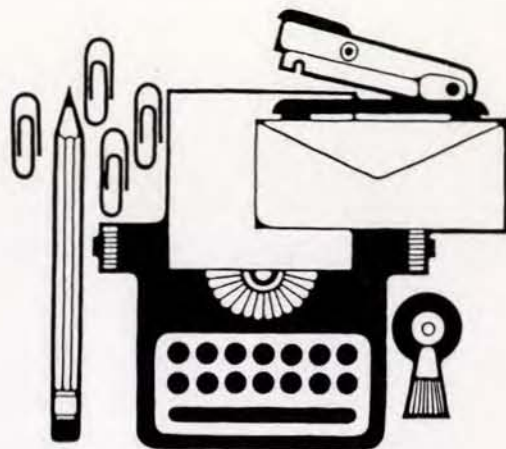
Dear Mr. Webster:  
We agree. Can you help?

The Editors



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## Editorial: The Right, The Media, and Myths



**I**t is no secret that for some time the far right has used the mass media as a scapegoat for many, if not most, of America's ills. The media's problem, the right argues, is that it is too liberal and elitist. Fairness in Media, a right-wing political organization, complained, for example, in a January fundraising letter that CBS has a "liberal bias." And in March, Senator Jesse Helms told a group of supporters that an "elite media" produces the nation's newspapers and network television shows, and that this group is "profoundly out of step with the ideals and goals of the American people. If they do not hate American virtues," Helms told the 12th annual Conservative Political Action Conference, "they certainly have a smug contempt for American ideals and principles."

***"CBS and Dan Rather might be more liberal than many Americans. But so, too, is the Unification Church-owned Washington Times more conservative than most Americans. (And you don't hear the right complaining about that, do you?)"***

It seems, however, that the senator from North Carolina is no longer content with merely criticizing the press; he now appears ready to go one step further. For example, in that January Fairness in Media letter, Helms urged his fellow conservatives to buy CBS stock so that they could "become Dan Rather's boss." Atlanta tycoon Ted Turner, a fairly conservative fellow himself, has expressed an interest in this, and in a deposition given to CBS lawyers, concedes that he has discussed a hostile takeover of CBS with Helms.

### Myths About Biases

While there has been a tremendous amount of reaction to these moves, frankly, some of it has been overblown. CBS News president Edward M. Joyce, for instance, claimed that: "These groups don't just want their voice to be heard; they want theirs to be the only voice to be heard."

The right's attempt to suppress dissent was certainly evident throughout the McCarthy years, and the potential for a recurrence remains with us since some people don't learn

from history. But Mr. Joyce's comments appear related to the liberal sentiment that conservatives don't have the right to "impose" their views upon the American public. But why don't they? If conservatives gain control of 51 percent of CBS stock, and satisfy the rules of the Federal Communications Commission, why can't they say whatever they wish? Isn't that the American way?

***"The determination of libel is a judicial question, and until [its] definition is further spelled out, we must rely upon journalists to police themselves."***

Perhaps what lies at the bottom of this complaint is the myth that news organizations are "value-free." But can anyone name any organization that is "value-free?" Better yet, can anyone name any individual who is "value-free?" Probably not, just as it is unlikely that anyone can find a truly objective news organization or an unbiased reporter. CBS and Dan Rather, in fact, might be more liberal than many Americans. But so, too, is the Unification Church-owned *Washington Times* more conservative than most Americans. (And you don't hear the right complaining about that, do you?) Biases can never be eliminated. Instead, what one must hope for, and even insist upon, is that a reporter recognize his or her biases and then give us fair *and* accurate reporting.

### Libel Standards

There is a perception, of course, that the media does not do this. This was illustrated by the recent libel suit brought against CBS by General William Westmoreland. Westmoreland claimed that he was libeled in CBS's April 1983 documentary — "The Uncounted Enemy: A Vietnam Deception." The report charged that, as commander of American troops during the Vietnam War, Westmoreland sent to Washington falsified intelligence figures on the number of Viet Cong opposition in order to build political support for American efforts in Vietnam.



The Westmoreland case is interesting, even troublesome, for two reasons. The first is that confusion exists over the definition of libel. According to the United States Supreme Court in the 1963 landmark decision, *New York Times v. Sullivan*, a public official must prove that he or she was more than the object of a defamatory publication. That individual must prove that the story was false, and that the defendant published it with "reckless disregard of its truth or falsity." But here, enters the grey matter. What, for example, constitutes "reckless disregard of the truth?" And how can it be determined what a journalist knew and when he or she knew it? Moreover, what consideration should be given to reputation as opposed to freedom of expression? Is the right to know greater than the right not to have one's name sullied?

***"Suspicion and innuendo create an atmosphere in which lively debate — essential to the operation of a free press — is unlikely."***

These issues make the second factor — General William Westmoreland's cancellation of his suit — even more maddening. Just one week before the matter was to go to the jury, the general dropped his charges, and claimed that his name had been cleared by CBS's settlement statement. That statement claimed that CBS did not consider Westmoreland "unpatriotic or disloyal in performing his duties as he saw them." Not only were countless hours of court time and untold legal fees consumed in securing such a schoolyard result, more importantly, an opportunity was lost to learn more about the definition of libel.

Some, of course, have argued that the Westmoreland case should never have gone to court. The judicial system is not the place to resolve inherent political questions, they say, and this includes the conduct of the Vietnam War. Perhaps. But the determination of libel is a judicial question, and until that definition is further spelled out, we must rely upon journalists to police themselves.

Unfortunately, this has not been something about which many journalists have been keen. This may result from the unspoken assumption among some in the trade that since they are the nation's watchdogs, any attempt to review their practices renders a threat to the First Amendment. An example is the negative reaction a number of journalistic institutions, such as *The New York Times*, gave to the National News Council, an organization which, until its demise in 1984, provided a forum for the public to air its grievances about alleged journalistic inaccuracies. Since these organizations don't carry enforcement powers, and like the National News Council are committed to defending the press against threats to its independence, what is wrong with them? If the truth is at stake, is it inconceivable to think that they might not lend a new perspective to it? And that an organization like this could help journalists better perform their jobs? Consider also Hodding Carter III's former PBS series "Inside Story." Each week a selected story was examined, and journalists and citizens alike were able to see how it was reported and written. Unfortunately, this show was cancelled for lack of funds.

***"People who are constantly suspicious of others are unlikely to have a broad vision of community, which, of course, is necessary in operating an important information and entertainment outlet."***

Not all such measures of self-criticism have been shunted aside or died for lack of money, however. A number of newspapers now engage in internal reviews through the office of their ombudsman. More of the same is needed by major networks and television stations. Citizens and other news organizations should not be hesitant either when spotting a flimsy story. As former White House press secretary Jody Powell wrote recently, "If a news organization, particularly one so powerful as a network, opts for the simplistic and the sensational rather than for the often ambiguous truth, the rest of us have an obligation to help set the record straight. The appearance of such 'reports' should be a red flag demanding investigation and a second look."

### **The Right's Wrongs**

Concern over factual reporting is certainly not limited to grievances from the right, even though those individuals seem to be the most bellicose complainers. That is their prerogative, of course. But what is not their prerogative is their questioning of some journalists's patriotism. Frankly, along with their editors, daily journalists are some of the most patriotic among us. When they find themselves out-of-line with conventional opinion, for example, which is often, they must continue to pursue what they believe to be the truth, no matter the cost. Recall Watergate. The opinion then of many Americans was that the press was trying to destroy the Nixon White House. But as we know now, had it not been for the courage of papers like *The Washington Post*, to pursue what it believed to be the truth, corruption at the highest levels of government would have continued, and the U.S. Constitution would have become an irrelevant document.

Ironically, the right's suspicions about the patriotism of some journalists only exacerbates the problem they cite: the lack of a free and open press. Suspicion and innuendo create an atmosphere in which lively debate — essential to the operation of a free press — is unlikely. Calling into question the patriotism of others also has much to say about the far right's ability, or inability, to run a major network. People who are constantly suspicious of others are unlikely to have a broad vision of community, which, of course, is necessary in operating an important information and entertainment outlet. And not too long ago, as mentioned elsewhere in this *Forum*, the far right's vision of America consisted of a white America and a black America; a rich America and a poor America; a male America and a female America; and a Protestant America and a non-Protestant America. While some of this has changed, the question is how much? Until the far right is able to convince a wider audience that much has changed, the thought of a major network in the hands of Senator Helms and his friends remains an unwelcomed proposition. ■



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## Scouting Report: Progressives in the Sun Belt

by Dale Curtis

**R**epublican Congressman Bill Green wrote recently in *The New York Times* that GOP progressives must take "decisive action" to eliminate the perception that the far right speaks for the party on social matters. If not, Mr. Green warned, progressives will "remain a minority in their party, the party will lose voters' support and the voters will lose an alternative to the more moderate and vigorous Democratic Party we will almost assuredly see in the future." While Republican progressives need not concede victory to moderate Democrats, nor fear that the New Right's constant carping sits well with the American people, Mr. Green is right: some house-cleaning is in order for progressive Republicans.

This task must include expanding the base of power for GOP progressives, particularly in the growing, prospering Sun Belt. As I wrote in the December 1984 *Forum*, if the party's progressive wing doesn't do this, it is doomed to perpetual anguish. Unfortunately, its current fortunes lie rather exclusively above a line that runs from the Pacific Northwest across the Great Plains to the Great Lakes and New England. Republicans of a moderate or progressive bent have been successful there in marginal districts where economic disruptions, social diversity, and the occasional unique candidate unseat a Democrat just as often as a Republican. But below that line, progressive Republicans have practically no support.

***"It is rather arbitrary to assume that there is no natural constituency for progressives in the Sun Belt."***

There is no reason this should continue. In fact, it is rather arbitrary to assume that there is no natural constituency for progressives in the Sun Belt. This kind of conclusion rests upon the current status quo, and not upon the undeveloped potential that characterizes so much of the region. Although it will take some original thinking to pinpoint opportunities in this region (see Bill McKenzie's December 1984 *Forum* article, "Progressive Republicans: Head South and Go

West"), Ripon-style Republicans should realize that hard-nosed, nitty-gritty political organizing can cultivate Sun Belt voters into a powerful constituency.

### Progressive Strengths

To understand the kinds of districts that might be likely prospects, look at three recent House races. In each, progressive Republicans succeeded on hospitable turf — the 1982 election of Nancy Johnson in Connecticut, the 1978 victory by Tom Tauke in Iowa, and the 1982 win by Tom Ridge in Pennsylvania. Through studying these races, Sun Belt progressives might find some common characteristics which could be of use in unseating Democrats in 1986. (The reason the House is worth studying is that 1986 mid-term campaigns are already in their preliminary stages, and the House is the institution where a vibrant GOP has been least able to gain the upper hand.)

***"Since progressives historically have done well among ethnic groups in the Northeast and Midwest, the ethnicity of these Sun Belt districts might be a real plus."***

The first common factor is that each district is politically marginal. Johnson and Tauke, for example, took their seats away from liberal Democrats, and Ridge managed to squeak past a labor-backed Democrat, which, in 1982, in economically-depressed northwestern Pennsylvania, was a feat just short of a major political miracle.

The second factor is that slim voter registration margins exist in each district. Ronald Reagan, for instance, lost each district in 1980, and was held under his national average in 1984. Voters also have supported such diverse political characters as Toby Moffett and Ronald Reagan, John Culver and Roger Jepsen, and Jimmy Carter and Richard Thornburgh.

The third characteristic is especially interesting: the demographics of each district reflect the hodge-podge progressive Republicans frequently represent. Blue-collar neighborhoods balance professional areas, families of northern European stock live across town from families of eastern and southern European heritage, and comfortable Republican suburbs form a penumbra around the fringes of decaying Democratic

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***"Those Sun Belt districts with a sizable Hispanic and/or middle-class black population could be particularly open to moderate or progressive Republicans."***

mill towns. Perhaps because of these demographic divisions, each district has also demanded an independent, pragmatic style. Mrs. Johnson particularly comes to mind, since she has earned the support of Democrats as well as Republicans in their district.

#### Sun Belt Possibilities

It might be a real head-scratcher, of course, to think of similar areas in the Southeast, the Southwest, the Mountain States, or California. This isn't to say that such districts don't exist. Consider, for example, Arizona's Fifth. Now represented by an independent-thinking Republican, Jim Kolbe, this district is home to the University of Arizona, a number of high-tech firms, and affluent retirees. Tucson is the major city, and ethnic populations in the district include Papago Indians, Mexican-Americans, and Vietnamese. While Kolbe has not run as a liberal, he reflects the fact that a non-conservative Republican has appeal in this district.

Consider also California's 16th District, now represented by Leon Panetta, a Democrat who used to be a liberal Republican. The area has a history of voting Republican; it sent conservative Republican Burt Talcott to Congress for many years. But with the growth of the University of California-Santa Cruz, a large number of Mexican-Americans, and active environmentalists who wish to protect the Monterey Peninsula, this district has a liberal twist that could allow a special kind of Republican to seriously challenge Panetta.

***"Consider California's 16th District, now represented by Leon Panetta, a Democrat who used to be a liberal Republican . . . This district has a liberal twist that could allow a special kind of Republican to seriously challenge Panetta."***

Texas's 10th is another example. Centered in Austin, this district contains the University of Texas with its 40,000-plus enrollment, a sizable Mexican-American population, and a rapidly expanding high-tech community. Like Tucson, Austin and vicinity have gone through periods of growth and no-growth. Depending upon the cycle's swing, liberals as well as conservatives have been elected in local races. And while moderate Democrat Jake Pickle has represented the district in Congress for 22 years, Pickle hails back to an era when Texas congressional giants like Lyndon Johnson worked their districts well but provided little in the way of vision. A Republican who has that vision and ability to combine the district's liberal concerns with the need for economic growth, might be able to break the Democrats' grip on this district.

Since progressives historically have done well among ethnic groups in the Northeast and Midwest, the ethnicity of these Sun Belt districts might be a real plus. In fact, those Sun Belt districts with a sizable Hispanic and/or middle-class black population could be particularly open to moderate or progressive Republicans. Hispanics are a growing voting bloc, and have demonstrated split-voting preferences (they have supported candidates in Texas as diverse as John Tower and Lloyd Doggett). Along with many middle-class and upwardly-mobile blacks, many of whom are increasingly aware that the heavy hand of government is not the answer to all problems, Hispanics find themselves frustrated by the lack of balanced leadership. Progressives dedicated to the extension of civil liberties and economic growth might provide this leadership.

***"Since many of these are 'swing' districts, the possibility for success by a centrist Republican might be even more likely."***

Progressives might also find recruits among well-educated, young professionals in the Sun Belt's major urban areas, such as Dallas-Fort Worth, Houston, San Antonio, Atlanta, Miami, Tampa, New Orleans, and Phoenix. These cities are now home to millions of young professionals, many of whom have relocated from other parts of the country. While most of these voters are more conservative economically, they reflect what libertarian David Boaz recently reported: "pollsters are finding that overwhelming majorities of their samples support the constitutional amendment to balance the federal budget and the nuclear freeze." Silicon Valley in Northern California, Research Triangle in North Carolina, and high-tech centers in Arizona, Colorado, and Texas are burgeoning with such voters. And, as Boaz claims, they are "without a real voice in politics."

#### Conclusion

While these constituencies and districts have not been generally regarded as progressive Republican, if candidates with an independent, pragmatic style are willing to think creatively, put together new coalitions, and meet basic organizational needs, they might be successful with these constituencies and in these districts. And since many of these are "swing" districts, meaning they have been held by Republicans and Democrats alike over the last ten or twelve years, the possibility for success by a centrist Republican might be even more likely.

There is another reason these seats are important, however: they add to the possibility of a Republican House majority. The House Wednesday Group, for example, reports that from 1972-1980, the election period just after the 1970 reapportionment and just before the 1980 redistricting, the GOP consistently held 111 congressional seats. And for at least one term they held another 145 seats. If Republicans can gain at least 75 percent of these 145 swing seats, while holding on to those 111 safe seats, a clear majority would be achieved. If progressive Republicans are successful in the Sun Belt, where 69 of the 109 needed swing seats are located, then they might make a significant contribution to that majority. ■



# Purifying the Tax Code: Keep It Simple

by Joseph Kolar

**I**t was Benjamin Franklin who said those memorable words, "nothing is certain but death and taxes." Query, however, whether he would say the same thing today. With exclusion upon deduction upon credit, more than half of this country's income currently escapes the Treasury's latches. Only death, in the end, applies equally to all.

Since its inception in 1913, the Internal Revenue Code has been revised, compounded, and stretched into a thousand page labyrinth out of which Theseus himself would be hard put to find his way. Happily, a movement is afoot to reform and simplify this many-headed beast. No task could be more noble, or more formidable.

***"[The tax code] is a disguised method of government spending. Is that all bad? No, it's not all bad. But there comes a time when too many twists of the parts ruptures and corrupts the whole. [That] time has arrived."***

The tax code is a most powerful tool. Virtually every transaction involving every segment of the nation's population feels, either directly or indirectly, its touch. Some welcome it; some accept it; those who themselves don't benefit from it, but compete with those who do, abhor it . . . justifiably.

Far from simply raising revenue, the code, through its machinations, subsidizes those groups whose activity is deemed to be in the national or social interest. Such activity ranges from providing housing to low-income earners to drilling for oil. In effect, it is a disguised method of government spending. Is that all bad? No, it's not *all* bad. But there comes a time when too many twists of the parts ruptures and corrupts the whole; a time when the harm outweighs the benefit. That time has arrived.

## Current Law's Deficiencies

As it now stands, the tax laws impair the nation in three distinct ways. First, their complexity, in addition to increasing taxpayer frustration, provides room for technically legal, but unintended abuse. Give a sharp lawyer or accountant a phrase, she'll unearth maybe one loophole. Give her a paragraph, she'll devise a dozen. Frankly put, to keep the law pure, we must keep it simple. The fewer the provisions, the fewer the schemes. Since low-income taxpayers generally cannot afford high-price legal talent, the loopholes will only benefit the upper crust. That is hardly what Congress intended when it enacted a progressive tax structure.

Second, the code, by allowing for abuse, is perceived as unfair both across and within income groups. Let's face it, many high-income earners pay no tax. The Hindus say, "What you really want, you can have." The tax code echoes the same sentiment, "If you really want to avoid all tax, you can do it, with the proper deduction-yielding investments."

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Unfortunately, one man's loophole is another man's tax. Since the revenue must come from somewhere, either a less well-advised taxpayer pays it or the government once again borrows it, further raising the deficit. In addition, when people feel unfairly overburdened, the natural reaction is to take justice into their own hands; in other words, to cheat. Nothing creates tax-evaders more quickly than an inequitable taxing policy, even if it is only perceived as unjust. Untold amounts of revenue avoid the Treasury's coffers each year illegally. True, the penalties for evasion have been stiffened, but still only two percent of all U.S. returns are ever audited. It's a good bet the "audit lottery" has plenty of players.

***"Frankly to keep the law pure, we must keep it simple."***

The third area in which current tax policy makes America worse off is in the economy. In a special edition on the economy, *U.S. News and World Report* listed the income tax ahead of antitrust laws and federal purchases of goods and services as the government's most effective tool for influencing the economy. That investors, merchants, and other participants in the business world are making decisions based not on the supply and demand economics of an enterprise, but on its tax consequences, confirms the truth of that report. Taxation's weighty influence on business decisions distorts the efficient allocation of resources, be they capital or labor, among investments resulting in a reduced national output and lower standard of living. Such are the effects of a non-neutral tax policy.

## The Need for Neutrality

The problems are set out. The solutions are less clear yet not beyond reach. Ideally, the government should tax persons in the same economic circumstances — those who receive equal income regardless of its form — similarly, and those in different circumstances, proportionately differently. On the investment side, the tax should be utterly neutral to increase the efficient allocation of resources.

Tax reform proponents Senator Bill Bradley (D-N.J.) and Representative Jack Kemp (R-N.Y.) have offered proposals which repeal various tax preferences and reduce the marginal tax rate. This base-broadening approach is a good first step in addressing the complexity and perceived unfairness of the tax system. But it doesn't go nearly far enough. Only the Treasury proposal gets really serious about promoting neutrality. Above all, tax reform must promote neutrality for three essential reasons: (1) because it provides the most long term gains; (2) because it so comprehensively improves the efficiency of the economy; and (3) because it spreads the way for lasting equity in the system by putting competitors on a more equal basis.

When the tax code favors one type of investment over another, supply and demand fall out of equilibrium, yielding a price either above or below that which consumers theoretically would be willing to pay to clear the market. Investment in the tax-favored activity increases relative to that in other activi-



# Current Tax Laws v. Proposed Tax Laws

Below, the main features of the major tax reform proposals are compared with current law.

	PERSONAL TAXES			
	Current Law	Treasury	Bradley-Gephardt	Kemp-Kasten
<b>Tax rates:</b>	15 rates: 11-50%	3 rates: 15, 25, 35%	3 rates: 14, 26, 30%	Flat 24% of taxable income; 20% exclusion for earned income up to social security tax wage base (around \$40,000)
<b>Zero bracket amount:</b>				
<b>Single:</b>	\$2390	\$2800	\$3000	\$2600
<b>Joint:</b>	\$3540	\$3800	\$6000	\$3300
<b>Household head:</b>	\$2390	\$3500	\$3000	\$2700
<b>Personal exemption:</b>	\$1000	\$2000	\$1600 & \$1000	\$2000
<b>Capital gains:</b>	60% excluded from income	Fully taxed but indexed	Fully taxed, not indexed	Option: fully taxed but indexed or 40% excluded, not indexed
<b>Mortgage interest:</b>	Deductible	Deductible for principal residence only	Deductible	Deductible
<b>Other interest:</b>	Deductible	Deductible up to \$5000 over investment income, indexed	Deductible up to investment income	Deductible for educational loans only
<b>Charitable contributions:</b>	Deductible	Deductible above 2% of AGI	Deductible	Deductible
<b>Property taxes:</b>	Deductible	Not deductible	Deductible	Deductible
<b>State and local income taxes:</b>	Deductible	Not deductible	Deductible	Deductible
<b>Medical expenses:</b>	Deductible above 5% of income	Deductible above 5% of income	Deductible above 10% of income	Deductible above 10% of income
<b>Child care costs:</b>	Tax credit up to \$2400 (1 child), \$4800 (2 or more)	Deductible up to \$2400 (1 child), \$4800 (2 or more)	Deductible up to \$2400 (1 child), \$4800 (2 or more)	No credit or deduction
<b>Two-earner deduction:</b>	Available	Repealed	Repealed	Repealed
<b>Unemployment compensation:</b>	Taxed if income exceeds \$12,000	Fully taxed	Fully taxed	Fully taxed
<b>Employer-provided health insurance:</b>	Not taxed	Not taxed up to \$70 a month (single), \$175 a month (family)	Taxed	Not taxed
<b>Employer-provided life insurance:</b>	Not taxed	Taxed	Taxed	Not taxed
<b>Business-related entertainment:</b>	Deductible	Meals deductible up to \$50 a day	Deductible	Deductible
<b>Business travel:</b>	Deductible	Deductible up to twice the travel per diem (\$100) for federal employees	Deductible	Deductible
<b>Individual Retirement Account:</b>	\$2000 tax deductible	\$2500 tax deductible	\$2000 tax deductible	\$2000 tax deductible
<b>Income averaging:</b>	Available	Restricted for full-time students	Repealed	Repealed
<b>CORPORATE TAXES</b>				
<b>Rates:</b>	46% above \$100,000	33%	30%	35%, 25% below \$100,000
<b>Investment tax credit:</b>	Available	Repealed	Repealed	Repealed
<b>Depreciation:</b>	Accelerated	Slowed to reflect economic depreciation, indexed	Slowed, not indexed	Accelerated and indexed to provide economic equivalent of expensing
<b>Capital gains:</b>	60% excluded	Fully taxed but indexed	Fully taxed	Option: Fully taxed but indexed or 20% rate not indexed
<b>Dividend payments:</b>	Not deductible	Half deductible	Not deductible	Not deductible



ties with no real change in consumer demand for the favored activity's product. This results in an oversupply of that product relative to others.

Oponents of total neutrality in tax reform contend that under a system which junks the investment tax credit, accelerated depreciation, and the capital gains tax, the increased costs of capital formation will impact negatively upon productivity. The assumption in that argument falters under scrutiny. Capital formation is only one factor contributing to productivity. The common assertion that insufficient capital formation can fully or even substantially account for reduced growth since 1973 has simply not been borne out by the data.

***"Tax rates vary sharply among different types of capital, causing distortions in its allocation. This situation the tax law can and should change. The Treasury proposal would accomplish much in this regard."***

Barry Bosworth of the Brookings Institute wrote a recently published book on the subject, *Tax Incentives and Economic Growth*, and concludes that an overconcentration on the role of capital formation ignores the key elements of quality of the work force (which depends largely on education), technological innovation, government regulation, high energy costs, and reduced research and development expenditures. This is especially true today when companies and factories are operating at about 80 percent capacity.

The controversy which surrounds capital formation and its role in productivity disappears when discussion turns to the wide-range taxation of capital income. The facts are clear and all agree that the tax rates vary sharply among different types of capital, causing distortions in its allocation. This situation the tax law can and should change. The Treasury proposal would accomplish much in this regard.

Just how much better off the economy would be if investment were allocated by the market rather than influenced by the tax code is, of course, uncertain. But an American Enterprise Institute study has indicated that had the Treasury plan been in place all along, the improved efficiency would make real gross national product \$413 billion higher than the roughly \$1.7 trillion it is now. Under the Bradley bill (Kemp's bill wasn't studied), the increase would be only \$8.4 billion. The large difference highlights the seriousness and sophistication with which the Treasury plan approaches the need for neutrality relative to the other proposal.

### **Accounting for Inflation**

In its drive to eliminate all distortions, the Treasury plan seeks to tax only "real" income and allow only "real" deductions. Inflation, if unaccounted for, can play havoc with these concepts. Consequently, the proposal features indexing provisions far more comprehensive than those of any other plan. The Bradley bill's most serious deficiency reveals itself here in its abandonment of indexing. Besides indexing the tax rate brackets to avoid bracket creep, the Treasury plan indexes interest income and deductions and the value of capital assets for depreciation and resale purposes. For example, if the interest rate is 15 percent and the inflation rate is five percent, the real interest rate or "yield" equals the difference, 10

percent. This is the amount payers of interest would be able to deduct and the amount on which receivers of interest income would be taxed. Similarly, if the cost of a machine was \$100 in 1985 with a useful life of 10 years, depreciation without indexing would be at the rate of \$10 per year. If, however, inflation caused prices to rise 10 percent a year, the depreciation would be understated. Indexing the value of the machine would increase the deduction by the inflation rate to accurately reflect current values. Moreover, upon sale of the asset, nominal inflationary gains would not be taxed.

***"The Bradley bill's most serious deficiency reveals itself in its abandonment of indexing."***

Treasury Secretary James Baker has already expressed a willingness to abandon asset and interest indexing in garnering support for the rest of the plan. Unfortunately, without comprehensive indexing, reform could largely be in name only. Peculiar, isn't it, that indexing may well be the sine qua non of tax reform's success? But it is essential both for eliminating inflationary distortions and for one other overriding reason. Without it, the supreme target of reform, the capital gains exclusion, will most likely stay. And if that stays, we should all go home and read a book. The ballgame is over and reformers have lost. Tax practitioners design virtually every tax shelter to convert ordinary income into capital gain to take advantage of the lower rate. In turn, Congress, the Internal Revenue Service, and Treasury respond with immensely complex laws to prevent such abuse. One acts, the other reacts, and the code grows. Unless this problem is remedied, it could collapse under its own weight.

The argument to eliminate the capital gains exclusion, however, is sound. Since the appreciated value of capital assets is not subject to tax until resale, the gain accumulates over the years at full value. Compounded, the income accumulated far exceeds the value of an equal amount of initial investment which appreciates at the same yield but which is subject to an annual tax. Coupled with indexing, which eliminates inflationary gain taxation, the effect of the deferment of tax should erase in the minds of antagonists the need for a favorable capital gains rate.

The importance of indexing hinges upon the expectation of inflation. Some believe the Federal Reserve has this animal tamed once and for all. Can we be so sure? Nobody has a monopoly on the crystal ball. Economists, frightened by the artificially high dollar, fear its precipitous decline which, unless the Fed pulls sharply on the monetary reins, will increase inflationary pressure. Many experts see oil prices turning skyward by the decade's end as the oil glut above ground dissipates and reveals limited reserves below. It is best to put in place a mechanism to restrain inflation's effect now while its pace is slow and measured for the turbulence that may loom ahead.

### **Effects on the Deficit**

Comprehensive indexation also impacts positively on the mounting federal deficit. Current law increases the deficit in two ways. First, our tax code subsidizes borrowing by allowing a deduction for the full amount of nominal interest paid. Since this pushes up the rates, the interest cost to the government creeps higher and higher. Interest on the federal debt in



fiscal 1984 climbed to \$111 billion, which comprises about 14 percent of the entire budget. Second, because more money escapes via the interest deduction than is captured via interest income, the Treasury suffers a net loss by allowing the deduction at all. Theoretically, inflationary influences on interest rates shouldn't affect the net amount of revenue going to the Treasury coffers. Though borrowers can deduct high payments, lenders must report the same as income. The amounts would be equal if both groups shared the same tax bracket.

***"What better, more comprehensive instrument to reduce pressure on interest rates than the tax code.***

***Indexing interest, capping the deduction and reducing the tax rates represent helpful changes our lawmakers should adopt."***

But they don't. Corporations, the net borrowers, face a higher tax rate than individuals — the net lenders. Thus, the interest deduction is worth more than the income reported. Furthermore, a very large proportion of interest income is not taxed at all. A study done in 1981 estimated that if interest income were taxed at the same rate at which it is deducted, an additional \$61 billion would be collected. All three tax proposals wisely attempt to correct this distortion by cutting the interest deduction's value in two ways. Each places a cap on the amount of the deduction and each lowers the top tax rates which blunts the deduction's worth.

### **Effects on Interest Rates**

The central problem with the U.S. economy right now is high real interest rates. With inflation down around four percent, rates above 10 percent attract foreign investment which, together with the rising deficit, sustain the high rate and increase the value of the dollar relative to other currencies. Imported goods become cheap and exports decline. If the interest rates can be brought down without a severe slowdown of growth in the economy, the dollar should also drift down. Exports should become more attractive, imports less so, and the one truly fearsome imbalance of the U.S., the trade deficit, should slowly but surely erode. What better, more comprehensive instrument to reduce pressure on interest rates than the tax code. Indexing interest, capping the deduction and reducing the tax rates represent helpful changes our lawmakers should adopt.

### **Reconsidering a Moderate Tax Increase**

As stated above, the Treasury proposal significantly improves resource allocation by neutralizing the tax influence on investment decision-making. Though gains will result, the process will take some time. Designed to raise no more revenue than does the current system, the proposal does not help reduce the other major prop of high interest rates: the federal deficit. Whether or not it "makes anybody's day," President Reagan, and especially Congress, should consider a moderate across-the-board tax increase coupled with tax reform. Politically, it is not a bad time for such a move.

Contrary to Mr. Grace's report, only so much spending can be cut if we still want to be known as a caring nation. If the president proves intractable on this proposition, perhaps the Treasury plan can be modified to increase rather than discourage private donations to charity. Something on the order of a double deduction for charitable giving up to the current limit of one-half of adjusted gross income would help make up for the decline in government social programs.

***"It is the year-in, year-out tinkering with the tax code that has put us into our present mess."***

The irony of this last suggestion, indeed of tax reform as a whole, is that the tax code, though in drastic need of simplification, is, as *U.S. News and World Report* stated, the most effective tool of government for getting things done. When Congress grants a tax preference to a particular industry, that industry responds, despite what the market would otherwise dictate. And when tax policy encourages charitable giving, that increases too. The hidden problem lies in the flock of unintended beneficiaries who, advised well by experts operating within the capacious provisions of the law, prosper together with those for whom Congress intended the benefit. Here, though, tax preferences are like flailing tentacles of an octopus. If most of the other tentacles are tied down, our government can afford and our society should demand that this one be allowed to touch whomever it may.

### **Recommendations**

After much is said, and little is done, three recommendations remain. One: enact the Treasury proposal in full (hopefully together with a moderate tax increase or with a provision further encouraging charitable donations). Two: Enact it tomorrow. Three, and most importantly: agree to leave it dead alone for five years. It is the year-in, year-out tinkering with the tax code that has put us into the present mess.

Like it or not, capitalism works in this country. Within the context of enlightened safety and environmental regulations and our antitrust laws, the forces of supply and demand will result in the highest real output to disseminate to the economy's participants. Yet as a caring nation we must also provide for the poor and disenfranchised. Here, the government should take the lead by increased aid to social programs or at least by encouraging enhanced private charity through the tax code. Beyond that, however, we must leave the government spending to the reviewable appropriations process, and keep the tax laws neutral.

The Treasury proposal's prospects for passage improve as time moves on. Business, initially the loudest opponent, has had a chance to research the overall effect of the plan and has tempered their rhetoric with their findings. In the last analysis, the question will ultimately be: Are there enough statesmen left who recognize that even in taxation, the national interest must override narrow short-term special interests? Those who have benefitted most from our capitalist economy should embrace a purification of the system. Most importantly, once the tax code is again made neutral, business promoters will abandon the unproductive enterprises tax law has currently made profitable, and return to producing the real goods and services our dollars demand. ■





by Paul Roitman Bardack



**A**lthough President Reagan received an overwhelming percentage of the vote in last November's general election, his percentage in most urban areas, particularly economically distressed urban areas, trailed significantly that which he received elsewhere. Republican strategists might conclude from this that the GOP can do well nationally without carrying major cities. Demographic trends, in fact, would appear to support this conclusion. Figures from the Census Bureau reveal the tremendous outmigration of Americans from their cities, especially those cities in the Northeast and Midwest, to suburban and rural locales.

### Republican Strategy

Yet should Republican strategists conclude that urban areas are of secondary importance, the result would be unfortunate as well as short-sighted. One might recall that until the 1930s, much of urban America routinely voted for the GOP. There is no reason that this could not occur again; after all, strong populist neighborhood sentiments remain. A number of Republicans, diverse as Manhattan's Bill Green and Buf-

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falo's Jack Kemp, recognize this, and understand that city neighborhoods have the potential to become GOP strongholds. Kemp has even stated that he is "never going to rest until the District of Columbia votes Republican."

This may not be such a ludicrous idea since the Republican message carries with it a theme that coincides directly with strong neighborhood sentiments: economic and political decentralization. The Reagan administration has talked repeatedly about decentralization, so perhaps in designing a much-needed urban policy during its second term, the administration should focus on the most decentralized principle of all: neighborhood empowerment. Not only could this concept begin to reverse the apparent noncompetitiveness of older city neighborhoods with suburban and rural areas, it also could reverse the noncompetitiveness of urban Republicans with urban Democrats.

As a political and intellectual force, the neighborhood empowerment movement (last written about in these pages in November 1982) has always been a populist effort ill-characterized either as liberal or conservative. It began during the 1960s, when residents of places like Watts, Forest Hills, and Roxbury demanded control of local public and private institutions. The federal responses to these initiatives were varied.

***"Perhaps in designing a much-needed urban policy during its second term, the administration should focus on the most decentralized principle of all: neighborhood empowerment."***

The first response came from President Johnson in the form of the Great Society, a set of programs which expanded the federal government's budget and emphasized urban renewal and social services programs. The second response came from President Nixon and consisted of policies which expanded state and city budgets through block grants designed to assist in distributing government services. The third response came from President Carter and focused aid on expanding the budgets of mature businesses through the establishment of programs like the urban development action grant.

While each of these responses had merit, each also was ineffective in bringing lower income people into the economic mainstream. At times, they even served to sharpen racial and class divisions. Only indirectly did they benefit neighborhood residents, and often this was through such intermediate units as governments and businesses. From a neighborhood perspective, therefore, every action — Democratic or Republican, liberal or conservative — was based on a "trickle down" theory. (Increased funding for these programs did not change this perception either.) While neighborhood residents were sometimes given the right to comment upon the shape of these urban aid programs, perhaps even the power to participate in their administration, rarely were residents allowed to receive from them direct economic and political benefits. In fact, a recent Michigan Commerce Department study concludes that existing federal policies designed to return employment to the central cities simply have not been fruitful.



## Components of Neighborhood Empowerment

Given these results, how can the Reagan administration avoid the mistakes of the past? First, it should not merely perpetuate existing approaches to urban assistance. Since the federal deficit needs to be reduced, it is unlikely that these approaches could be continued at present levels anyway. But neither should the administration pursue a policy of "benign neglect." The "1984 Report Card on Urban America," published by the investment subcommittee of the Congressional Joint Economic Committee, points to a widening gap between various types of urban needs and the reduced ability of cities to meet those needs. Closing this gap — between what is desirable and doable, between what are good intentions and economic reality — should be the real starting point of a new Republican urban policy.

Along with its corollary, the Republican approach to capturing the urban vote, this plan should take special aim at reducing the political and economic hopelessness that is so pervasive in most non-gentrified urban neighborhoods. Extending the supply-side expansion of the last two years to bypassed urban neighborhoods is a beginning. This would meet the twin goals of neighborhood job creation and income growth, and could be accomplished in part through the targeted tax, regulatory and other relief afforded by enterprise zones (particularly in those urban neighborhoods affected by exogenous development pressures). It also could be aided

***"This plan should take special aim at reducing the political and economic hopelessness that is so pervasive in most non-gentrified urban neighborhoods."***

through the virtual ending of taxes on the income of the working poor afforded by the Kemp-Kasten flat-tax proposal.

In addition, the GOP's program should maintain a heightened sensitivity and commitment to the social safety net that assists the most needy in times of greatest need. Continuing the fight for tuition tax credits also would be viewed most favorably in poor and lower-middle class black, Jewish, and Catholic neighborhoods. Necessary as these actions are, however, they do not represent the most innovative components of a neighborhood empowerment program.

The components of this program, which should yield direct neighborhood power, could consist of several measures. One is allowing citizens the right to a referendum at the local level. Although referendum legislation has been stalled at the national level, because of too few local initiatives from which to evaluate their worth, today may be the time to pursue this idea. Commercially accessible technology now exists for referenda to occur locally, and the GOP could go far toward developing a neighborhood constituency and demonstrating to Congress the feasibility of a national referendum by pursuing the idea at the local level. Even if these referenda were not implemented, the political good will engendered by the GOP by its push for participatory democracy should not be minimized. After all, the existing city government officials likely to oppose direct neighborhood decisionmaking, because it is an intrusion upon their elective and appointive prerogatives, especially in older cities of the Northeast and Midwest, are likely to be members of the Democratic Party.

Direct neighborhood empowerment could also be accomplished through promotion of neighborhood development corporations by the Department of Housing and Urban Development (HUD). In part derived from ideas advanced by the Washington-based Sabre Foundation, these corporations could be a vehicle for attracting equity to a neighborhood, undertaking development projects consistent with the wishes of neighborhood residents, and literally returning dividends of successful development efforts to the neighborhoods. Each neighborhood resident, whether a renter or homeowner, automatically would be given a share of common stock in the neighborhood development corporation and afforded voting rights. Residents desiring greater returns could also purchase additional common shares. Nonresidents who desired to invest in a neighborhood corporation, because of its development and dividends policy, could contribute equity in order to become preferred shareholders. While they would lack voting rights, they would have the right to receive dividends.

***"Direct neighborhood empowerment could also be accomplished through promotion of neighborhood development corporations by HUD."***

To help equity-poor corporations get going, HUD could assist by turning over to such corporations certain HUD-foreclosed properties within the corporation's jurisdiction. These properties could be rehabilitated for sale by neighborhood workers or by their eventual occupants through a homesteading or shopsteading arrangement. Initially, corporate receipts could be derived from gain received upon the sale of the residential properties, or possibly from a portion of the annual sales of the shopsteaded ones. Over time, when the neighborhood residents who run the corporations have more equity and management expertise, they could purchase other residential and commercial properties in tax arrears or at below market rates for development purposes. Those neighborhood corporations with the best mix of development successes and shareholder returns would not only become most successful at attracting outside equity and raising local property values but, most significantly, also in using corporate resources to meet such diverse neighborhood resident/common shareholder needs as prevention of displacement, street repair, and local business assistance. On an experimental basis, HUD's establishment of neighborhood development corporations could be undertaken in and linked to local enterprise zones which have already been established.

## Conclusion

These policy alternatives could go far in promoting neighborhood power. However, more than policies are needed. In order to recapture the urban vote, Republicans, especially Republican leaders, must become familiar presences in the inner-cities and, in presenting a realistic neighborhood-based agenda, speak face-to-face with the urban poor and the working class. Senator Robert Kennedy undertook this kind of effort on behalf of the Democratic Party in the 1960s. Building upon the message of optimism offered by President Reagan, it is not inconceivable that a similar Republican effort today could achieve equally impressive and enduring results. ■



# Reviews Reviews Reviews Reviews Reviews Reviews Reviews Reviews

## The Conservative Crack-up

by William P. McKenzie

*The Liberal Crack-up*. R. Emmett Tyrrell, Jr. Simon and Schuster, \$16.95.

Upon concluding R. Emmett Tyrrell Jr.'s *The Liberal Crackup*, his self-proclaimed "assessment of some of the leading ideas of our time," many liberals might be possessed with the overwhelming desire to pick up the nearest telephone, dial Bloomington, Indiana, get the number of Tyrrell's *The American Spectator*, call him up, and do their darnedest impersonation of Steve Martin's "Well, excuuuuse me." That might not be an altogether unwholesome reaction. Consider this Tyrrellism: "The French during the Second World War called the occupying Germans 'the gray lice.' This is precisely how I have come to view the agents of righteousness [liberals] of the 1970s." And then this, speaking of Third

Tyrrell, then you might agree that instead of appearing witty and brilliant, like, say, the great debunker, H. L. Mencken, who Tyrrell seeks to emulate, he comes across as venomous and contrived. I'm not even sure that in this case beauty can be said to be in the eye of the beholder.

***"Nowhere is the conservative argument more forward than in its reaction to the values of equality and justice."***

***"Despite Tyrrell's gracelessness, and his attempt to deride the liberal principles of equality and compassion, there is a reason, a strong one at that, why The Liberal Crack-up should be read . . . what it shows about the conservative mind and its shortcomings."***

World students matriculating in the United States: "After all, these dolts cannot remain on campuses forever. Once they have spent a quarter century or so pursuing their degrees in telecommunications they grow restless . . . They have chased and enraptured herds of ugly coeds with tales of the Taj Mahal back home. They chew gum and suffer no side effects. There was a time when they were always swallowing the stuff or getting it caught in their hair. Now they chew smoothly and rarely even bit their tongues. The galoots are now educated and can return home to take up responsible positions . . . or, as luck might have it, be beaten to death in one of Utopia's dungeons or in a bongo drum." Now, you might consider that funny; Tom Wolfe has called him "the funniest political essayist of our time." But if you spent a few days reading

### Conservative Shortcomings

Yet despite Tyrrell's gracelessness, and his attempt to deride the liberal principles of equality and compassion, both of which might deter some from reading this book, there is a reason, a strong one at that, why *The Liberal Crack-up* should be read. Not because of what it reveals about the errors of "post-Kennedy Liberalism, the Liberalism of the New Age," but rather because of what it shows about the conservative mind and its shortcomings. One might even dub this *The Conservative Crack-up*. Listen to this statement:

"The chloroform of egalitarianism was spread everywhere in the 1970s. Prior American values of self-reliance, personal liberty, and competence were heaved overboard. Whining and alibiing became the new Fourth of July oratory, and the born loser was crowned as the new American folkhero."

While this makes good rhetoric, it reveals something deep within the conservative psyche: the world is made up of "winners and losers," "candoers and naysayers." In olden days, before the civil rights legislation which Tyrrell claims was necessary, the conservative definition of community was equally rigid: there were whites and others; there were Protestants and others; there were men and others; there were rich and others. The list could go on, but it's too depressing to consider since such unapologetic separatism has been given new legitimacy, whether intentional or not, by the Reagan administration.

*William P. McKenzie is editor of the Ripon Forum.*



***“ . . . compassion has been misinterpreted as sentimentalism. When it is seen for what it actually is — a concern for decency and fairness, not equalized outcomes — then it becomes threatening to some and must be debunked.”***

Perhaps a few statistics will better make this point. According to *The New York Times*, during the first Reagan term, the average salary for a chief executive rose by 40 percent. The number of million dollar incomes doubled from 1980-1982, from 4,414 to 8,408. Those individuals' tax rates were also cut the most; the average reduction was \$122,812. Conversely, the poverty rate — defined as individuals having incomes below \$5,061 and families of four with incomes less than \$10,178 — rose from 13 percent in 1980 to 15.2 percent in 1983. The number of poor people is now 35 million; in 1980 it was 29 million. Unemployment has also been a problem for poor Americans. Of the 19.8 million poor people between 15 and 65 years old, only 10 percent — nearly two million — worked in 1983. Youth unemployment also has risen since 1980. In September 1983, 19.3 percent of all youths ages 16-19 were unemployed. For households headed by wage earners under 25, incomes have declined 10 percent since 1980. For those under 35, the drop has been eight percent. Although farmers suffered before the Reagan administration, their plight also has worsened since 1980. Land values have dropped significantly; the dollar's strength overseas has hurt farm exports in world markets; and high interest rates have restricted farm borrowing. In 1967, uninflated dollars, farm incomes rose from 8.6 billion in 1980 to 11.4 billion in 1981. But farm incomes then fell to \$5.4 billion in 1983. Black Americans have particularly suffered under Reaganomics. Black unemployment has jumped from an average of 12.4 percent during the Carter administration to an average of 16.2 percent under the Reagan administration.

***“ . . . if equality and justice are made secondary considerations, then personal liberty will have a limited meaning.”***

Not counting the effects of inflation, the median black family income dropped by more than five percent from 1980-1983. And the black poverty rate rose from 32.5 percent to 35.7 percent, almost 1.3 million people. Perhaps the most devastating statistic is this: the total listed as poor today includes nearly 50 percent of all black children.

#### **Misunderstanding Equality**

The wealthy, of course, have not been the only “winners” under Reaganomics. The middle class also has advanced economically. In fact, the *Times* reports that in absolute

numbers the middle class was the largest group to have gained during the first four Reagan years. The elderly also have benefitted. Both Social Security and Medicaid have risen, two of the few areas in which federal spending has increased.

***“Tyrrell's complaint points to a peculiar liberal irony. New Age liberals, particularly clerics, have decried 'American affluence with a fury, and in the same homily urged that Zambia be remade in the image of San Diego, California.'”***

So, what's the problem? The relative economic prosperity of the last two years is a welcomed relief. And fat cats shouldn't be singled out for abuse anyway. After all, many responsible wealthy people provide investment capital and the philanthropy required by individuals and institutions, particularly those hurt by the Reagan budget cuts of 1981 and 1982. The problem, however, lies in the fact that the society which legitimizes the notion of “winners” and “losers” is the society which ultimately experiences social strain. Tension arises because of the lethargy and apathy of those considered “losers.” Their stake in the system becomes minimized, as does their sense of belonging. Pride in workmanship declines as does the nation's economic productivity. The sense of community needed for a liberal democracy to function effectively is also diminished.

But wait, you say. Are you intimating that perfect equality can exist? No, not at all. I would even go along with the proposition that it *should not* exist. For, as Tyrrell says, the society in which outcomes are equalized is the society over which a despot will eventually rule. Mao's China and Stalin's Russia are but two examples. But nowhere is the conservative argument more flawed than in its reaction to the values of equality and justice. Listen to Tyrrell: “Our only safeguard . . . from all the baseness that issues from egalitarianism is reverence for personal liberty as the ultimate political value.” He even quotes one liberal, the late David Spitz, to make his point. “Esteem liberty above all other values,” Spitz wrote in *The Real World of Liberalism*, “even equality and justice.” The shortcoming in this is that if equality and justice are made secondary considerations, then personal liberty will have a limited meaning. Consider the American South of the 1950s. Personal liberty was not a value understood then by blacks. To achieve it, they first had to insist upon equal rights, equal education, and equal opportunity. Had they not, individual freedom would have remained a value understood only by whites.

#### **Botching Compassion**

Tyrrell claims that compassion is the “egotist's favorite morality.” “It never squeezes. It always inflates,” he writes, “visiting its smug adherents with visions of magnanimity and godliness. More than any other morality, compassion centers dovingly on the self, the me.” Perhaps in some cases this is true, and in turn has spawned the fantasies which Tyrrell



claims have transformed "millions of goody-goodies into Quixotes." But in such cases one might equally argue that compassion has been misinterpreted as sentimentalism. When it is seen for what it actually is — a concern for decency and fairness, not equalized outcomes — then it becomes threatening to some and must be debunked. Note Tyrrell's attempt to do this: "Compassion has been around a very long time, but as a political principle it is comparatively new. Its political uses were appreciated only after the evolution of representative government, but only after the pols control of the mob had become tenuous did it become the revered principle that it is today."

The evolution of representative government? The mob? Yes, and more: "When representative democracy bumped aristocracy aside," Tyrrell says, "leadership became a matter not of noble blood but of sweet talk and cheap dramatics." Now, there you have it. Representative government — one-man, one-vote kind of stuff — is a sham. Aristocracy's golden days are over; the mob is in. Lineage and credentials no longer matter. "Galoots" now insist upon economic opportunity and political rights.

Strains of elitism can be found elsewhere in Tyrrell's *Crack-up*. "Economic achievement," he says, "is usually dependent on individual capacity, drive, social arrangements, and institutions." In part, that's true. But social arrangements and institutions were once controlled by a few, particularly when aristocrats reigned. No matter how much individual capacity or drive one had, economic achievement could be denied. The alternatives were dropping out or taking a job with little opportunity. This was especially true in the United States during the Depression and the 1960s. Had the federal government not intervened then to ensure equal opportunity and jobs, the nation's poor would have remained victims of discrimination.

### **Liberals and Wealth**

Tyrrell, however, is not totally off the mark in his critique of liberalism. He claims that liberals "botched" civil rights, Vietnam, and welfare. While many would argue with points one and two, there is more agreement that welfare has not always achieved its aims. Liberals were correct in declaring war on poverty, but in so doing they made the mistake of judging human welfare and social spending in terms of quantity, not quality. "By the 1970s," Tyrrell writes, "no problem was judged so stubborn that it could not be solved by a Congressional appropriation. No life was considered livable below income levels divined by social science. Did this mean that a hermit in the woods was incapable of a little merriment?"

***"Liberals desperately need to come up with new theories of wealth creation, or else they will offer voters little in the way of economic hope."***

Tyrrell's complaint points to a peculiar liberal irony. New Age liberals, particularly clerics, have decried "American affluence with a fury, and in the same homily urged that Zambia be remade in the image of San Diego, California."

One explanation for this might be that some liberals have had a difficult time with the concept of wealth. They want it for the wretched masses, but when it comes to the middle or upper classes, the accumulation of money becomes a sin. Liberals must recognize that Mammon is not inherently evil, just the love of it. In fact, liberals desperately need to come up with new theories of wealth creation, or else they will offer voters little in the way of economic hope. "In the New Age," Tyrrell says, "the critics of capitalism never could explain how wealth is created. Most simply avoided the matter, taking the prosperity of America for granted."

Tyrrell is also right when he says that liberals share in "the historic failing of America's foreign policy establishment: the inability or refusal to recognize that America does indeed have enemies in the world and that there are people on this earth who hate each other, now and forever." Not only has this hindered liberals, it also has undermined America's role in exercising power. As a leading liberal of the 1950s, theologian Reinhold Niebuhr, contended, men may be moral, but societies are often immoral. The former esteem love, while the latter respect force. Like many conservatives, however,

***"Tyrrell is also right when he says that liberals share in the 'historic failing of America's foreign policy establishment.' . . . Like many conservatives, however, Tyrrell makes the critical mistake of defining power solely in terms of military force."***

Tyrrell makes the critical mistake of defining power solely in terms of military force. Liberals have a "maniacal faith" in negotiations, he says, and this has made our foreign policy debate "futile." Yet it's just not that simple. As *The Washington Post's* Robert Kaiser wrote recently: "Thanks to past [U.S.-Soviet arms control] agreements, no nuclear weapons are tested in the atmosphere. Neither country can try to deploy an effective defensive system . . . Both sides are required to limit their arsenals to fixed numbers of offensive missiles and warheads. Thanks to SALT II, both sides have agreed on 'counting rules' that would enable them to verify new agreements substantially reducing the number of deployed weapons; without such rules, future agreements will be impossible."

### **Conclusion**

Liberalism has had its share of shortcomings, even inconsistencies, over the past two decades. And, in some respects, "New Age liberalism" has "promised blissful lives all led in suspended and idiotic animation." But the principles of liberalism remain valid, particularly when compared to the conservative tenets of individual liberty and limited government. No one in their right mind would argue with the latter two concepts, but when applied to a mass populace without a concern for equity and fairness, they mean liberty for a few and rights for the advantaged. Until conservatives recognize this, they will find that many still take their crack-up liberal, not conservative. ■



# The Chairman's Corner

## Farm Credit Veto: A Harbinger of Hooverism

by Jim Leach

**T**he March day on which the House considered emergency farm credit legislation, Washington experienced one of those balmy Potomac afternoons which serve as a harbinger that another glorious springtime is at hand. At the same time, however, in the upper Midwest rural Americans were digging out from under the worst storm of the year. The stark contrast in the weather was symbolic of the contrast between this city, ringed by bloated defense contractors confident of living for four more years at the public trough, and America's agricultural heartland, where many farmers are unsure if they will survive the next four months.

The emergency agricultural credit measure considered last March was critical to ensuring that at least some of them do. Far more is at stake, however, than the livelihoods of a significant proportion of this nation's family farmers.

### Effects of a Farm Collapse

Historically, farm depressions have preceded a more general economic collapse. At issue thus is not only the economic viability of American farmers, but the question of whether the rest of the economy can isolate itself from the effects of a collapse of the rural economy.

The immense importance of the emergency farm credit bill becomes clear when one recognizes that an unprecedented 30 percent of midwestern farmers are still uncertain whether they will be able to obtain adequate operating capital to put in a crop this year.

***"No longer is weather the biggest variable in farming, it is governmental policies."***

The measure the House considered on March 5 was not a panacea for the current debt and credit crisis plaguing the heartland; it was, though, a prerequisite to survival for a staggering number of the most productive men and women in America. To pull the rug out from under farmers in this circumstance exacts both a huge toll of human suffering and at the same time changes the face of U.S. agriculture in ways that are clearly not in the national interest. The farm credit measure was not a bail-out for farmers or bankers, it was only a limited effort to address the immediate short term credit needs of agriculture. Much more needs to be done in the long term to give farmers a better chance to earn a fair return on their labor and capital investments.

In the past, making a living on the farm depended on good land and the right mix of sun and rain. Today, farmers are the hostages of events as far beyond their control as the weather but of a very different sort. The inflation of the 1970s followed by the deflation of the 1980s, the current high interest rates at home and the resulting over-priced dollar abroad, embargoes

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by our government coupled with subsidized exports from our competitors have combined to wring all but the last drop of profitability from agriculture in this country. No longer is weather the biggest variable in farming; it is governmental policies.

### The Debt Crisis

The depth of the debt crisis these factors have created is indicated by the fact that although 36 percent of Iowa farmers owe little or nothing, many of the remainder — as many as 40 percent, including most of those just trying to get started — of the state's farmers are carrying debt-to-asset ratios of 40 percent or more. They face financial difficulties that, if unaddressed, may well drive an entire generation off Iowa's farms.

***". . . as many as 40 percent of [Iowa's] farmers are carrying debt-to-asset ratios of 40 percent or more. They face financial difficulties that, if unaddressed, may well drive an entire generation off Iowa's farms."***

Despite what some are saying, by and large these are not the land speculators of the 1970s, nor are they simply poor managers. Farms of all sizes are in the highly leveraged group, with the bulk being full-time family operations. Moreover, this is not a problem that is exclusive to Iowa. Federal Reserve System debt survey data for agriculture across the country mirrors the results obtained for Iowa.

Particularly troubling is the roller coaster that land values have been riding in recent years. As land values deflated in the 1970s, banks moved away from cash flow accounting to asset valuation in determining repayment ability. Now, with deflation of secured assets and chattels, lenders are returning to cash flow accounting to make this determination.

The implications of this reversal become clear when one realizes that Iowa farmers saw the value of their land drop by more than \$11.3 billion in the last year alone. This represents an average reduction of 20 percent with rural appraisers reporting prime land values have plummeted as much as 40 percent in some areas of the Midwest last year. The staggering proportions of this decline in land values, which have often been held to be the key to stability in agriculture, vividly illustrates the gravity of the financial crisis in midwestern farming today. The notion that a state like Iowa is for sale and that its value has dropped almost in two over four years should spark alarm of the highest nature.

Should the current pro-import, anti-export mix in fiscal and monetary policies continue, the implications for U.S. farmers, rural financial institutions and potentially the national economy will be profoundly wrenching. The deficit-driven overvalua-



tion of the dollar acts as a tax on U.S. exported goods and a subsidy for foreign goods imported into the U.S. If fair currency ratios existed, at least 75 cents would be added to the price of a bushel of corn and \$1.70 per bushel to soybeans. It is time we stop penalizing individuals for the mistakes of government.

Farmers are not the only ones hurting. The economy of the main streets of the communities of rural America is becoming increasingly vulnerable, with rural banks in particular jeopardy.

***“Should the current pro-import, anti-export mix in fiscal and monetary policies continue, the implications for U.S. farmers, rural financial institutions and potentially the national economy will be profoundly wrenching.”***

Of the 43 banks that have failed in the U.S. since the middle of June, 25 were banks that had more than 50 percent of their loans in agricultural credits. These already alarming numbers could increase dramatically if the situation continues to deteriorate. Among the 14,000 banks in the U.S., more than 1700 of these institutions — 307 of 632 banks in Iowa, for instance — have at least 50 percent of their loan portfolios in agricultural credit. In addition, seven of the 850 local Production Credit and Federal Land Banks are currently in liquidation.

#### **The Administration's Limited Response**

The debt restructuring program the administration initiated last year is a step in the right direction, but it does not go nearly far enough toward easing the debt burden in agriculture. Total American agricultural debt is \$220 billion. Should the entire \$660 million of the guarantee authority be utilized, it would have direct impact on only one-third of one percent of the actual farm debt, and since the current program is designed as a guarantee, rather than a direct outlay, the actual federal cost should approximate only six percent of the dollars indicated. In other words, the administration wants to draw the line on a program that meets only six percent of one-third of one percent of the problem and that program itself has only been 10 percent implemented. It is a wave in the ocean, a Washington cut and run policy for the U.S. farmer.

***“It is time we stop penalizing individuals for the mistakes of government.”***

Farmers are feeling more and more like pariahs, outcasts in a land whose plenty they have helped to produce, but do not share. Victims of events and policies beyond their control, family farmers should recall the words of Shylock in Shakespeare's Merchant of Venice:

If you prick us, do we not bleed?  
If you tickle us, do we not laugh?  
If you poison us, do we not die?  
And if you wrong us, shall we not revenge?

The words of Shylock, a Jew, expressed the feelings of a persecuted minority in the 16th century. American farmers have every right to feel themselves a persecuted minority in the 20th century. The revenge which Shakespeare warned inevitably follows a group being wronged could well manifest itself in the form of a generation of family farmers holding this administration responsible for presiding over the bankruptcy of rural America.

***“The administration stands warned. The thousands of farmers who have come to Washington this spring — and their brethren in the heartland — will remember. Ideological posturing is not an adequate answer.”***

Simple fairness demands that the present travail of this nation's farmers be recognized and redressed. The emergency farm credit legislation should not have been vetoed. It is inevitable that the perception in the rural heartland will be: this is Hooverism revisited. In a land of plenty, hardship of this nature is unconscionable. Out of the anvil of political callousness will spring a demand for political as well as social alternatives. The administration stands warned. The thousands of farmers who have come to Washington this spring — and their brethren in the heartland — will remember. Ideological posturing is not an adequate answer. ■





# 6 Library Court

Wanna send a college kid to camp? Like, say, a College Republican? And maybe to a camp just north of Nicaragua? Perhaps they'd like the weather; they already like the area's militancy. Consider the recent ad published by the College Republican National Fund. "Send Democracy Around the World," it says. "Only 53¢ A Day Will Support A Nicaraguan Freedom Fighter." A Che Guevara looking fellow, minus the Marxist snare, stands in the middle of the ad, complete with machine gun and bullet vest, and tells you, "I have taken up arms against the Soviet Empire and its satellite government in Nicaragua and I need your help."

Awesome. Totally awesome. But, hold on. Isn't the United States government fighting that, er, battle? We thought so. So did Ripon Society chairman Jim Leach. Leach introduced legislation last month which would prohibit aid by private individuals or groups to counterrevolutionary forces in Nicaragua or any other country where Congress has barred covert assistance by the U.S. government. As the Iowa Republican recently told the *Los Angeles Times*, it "is not the citizen's right to declare war — the citizen's right to declare war implies anarchy and that is what we are trying to prevent." . . .

Another Iowa Republican who has been in the news is Senator Charles Grassley. Grassley has already earned a reputation as a Pentagon critic, but now he is earning respect as an ardent defender of farmers. *The Washington Post* reports that while Grassley appears like "the Central Casting character who comes in from the sticks and gets his clock cleaned, . . . [he] is the sort of rube who winds up taking city slickers to the cleaners." Those city slickers he has taken to the cleaners include Office and Management Budget director David Stockman, who Grassley recently told to quit sermonizing about farmers. While many Senate Republicans up for reelection are nervous, "you couldn't beat [Grassley] with a club next year," *Des Moines Register* editorial page editor James S. Flansburg says . . .

Ripon Society Congressional Advisory Board member Bill Green's recent article in *The New York Times* claimed that the Republican Party needs "extreme moderates." "While GOP moderates have had some quiet influence," Green said, "they are simply not attracting the attention of the public, whose support they need to gain the power to influence party philosophy and, in time, government policy." . . .

Moderates aren't the only ones with problems, though. New Right direct-mail wizard Richard Viguerie reportedly has been denied nearly \$4 million in fees that he charged two conservative political organizations in 1984. One organization is the National Conservative Political Action Committee (NCPAC). NCPAC claims that it withheld \$3.2 million of Viguerie's \$3.3 million fees because letters produced by Viguerie in 1984 cost more than they raised. The other group is Ruff-PAC, which charges that 750,000 of the 2.48 million

pro-Reagan brochures Viguerie produced for them last year were found shredded in a Chicago dump.

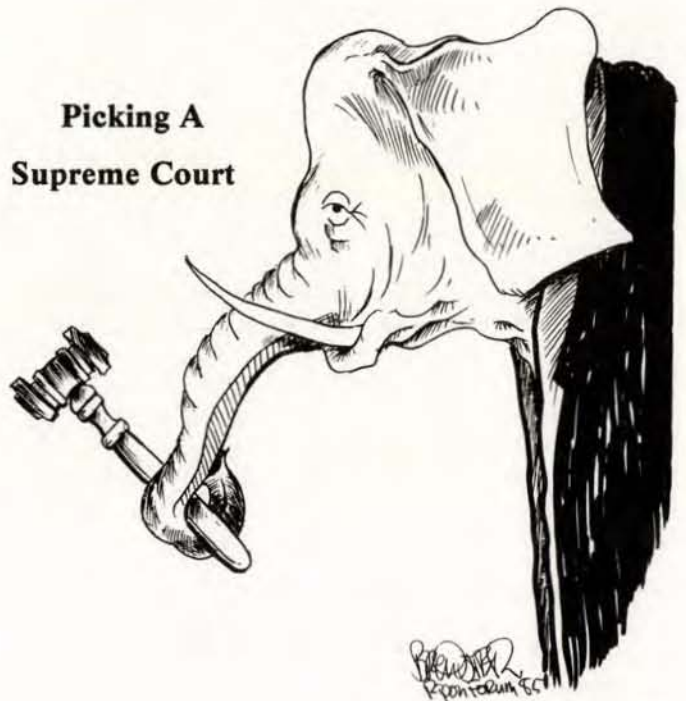
## Ripon Notes

On March 2, the Hawaiian Ripon Society held its second annual "Ripon Form" in Honolulu. Participants included five of the state's GOP gubernatorial candidates, each of whom presented their views for the state and the party. The Hawaii chapter's vice-chair, State Representative Michael Liu, presided over the meeting. The Hawaii chapter counts as new members Hawaii's national committeewoman and three Honolulu county executives . . .

The national Ripon Society held its annual meeting on April 12, 13, and 14 in Boston. The Harvard and Boston chapters provided an exceptionally good group of panelists and sessions, including an opening session on "Representing Reagan." Other sessions focused on: "What Do High Technology Companies Want from Government?"; "What Can the Nation Learn from Boston's Racial Experience?"; "Was the United States Correct in Withdrawing from the World Court's Nicaragua Proceedings?"; and "Is the Media Fair to Conservatives?" The final session featured Congressman Jim Leach, who addressed a dinner gathering on April 13. ■

## Coming Attractions

### Picking A Supreme Court







## Washington Notes and Quotes



The first session of the 99th Congress has witnessed a slow legislative start but not for lack of partisan squabbles.

Earlier in these pages we reported on the Conservative Opportunity Society's (COS) attempt to fight the Democrats on a variety of issues. (The COS, remember, made it a habit of giving speeches at the end of each day's legislative session.) Now, these same folks are pushing for a more confrontational approach to seating Republican Richard McIntyre of Indiana. You might recall that McIntyre was certified by the Republican Indiana attorney general as the winner over Democrat Frank McCloskey — but only by 34 votes. While the votes have been recounted several times, the House has voted on the matter three times with the result split along party lines. Currently, Congress is waiting for completion of a House Administration Committee ordered audit of the election. Until that audit is complete, the haggling will go on. However, moderates and reasonable conservatives, like Tom Tauke and Mickey Edwards, have been upset by this confrontational approach, and have claimed that what the party really needs is more legislative products. These will show the public that there is more to House Republicans than the COS, they say . . .

Republicans are playing hardball on House committee ratios, which they claim are tilted in favor of Democrats. By threatening a boycott of House committees, the GOP leadership was able to secure more seats on most major committees. In the Judiciary and Energy and Commerce Committees, however, Republicans did stage walk-outs to demonstrate their dissatisfaction with the subcommittee ratios . . .

The Democratic leadership is also balking. They are upset with a newly announced plan by the National Republican Congressional Campaign Committee which calls for early exposure of Democratic voting ratings in districts which, after the 1984 election, have been considered marginal. The Democrats have threatened the White House with retaliation on key budget and defense votes if the plan is implemented . . .

It has been reported here before that the MX missile is close to the end of its "nine lives" — not so. The House and the Senate recently voted to authorize \$1.5 billion for the purchase of 21 additional MX missiles. The administration's line is that the missiles are needed now and can be used as a bargaining tool in the Geneva arms talks. These 21 missiles are part of a plan to purchase 100 missiles before FY 1990. But a group of moderate House and Senate members from both parties have been negotiating a series of deals with the administration. The bottom line is that they will support the MX missiles if the president changes some weapons programs or arms control policies to provide a better U.S.-Soviet nuclear balance . . .

Arms control has also been the concern of the Comprehensive Test Ban Treaty legislation, H.R. 3, introduced by Ripon Society chairman Jim Leach and Representatives Berkeley Bedell and Ed Markey. Hearings are slated for late April. This legislation is an attempt to slow the arms race by providing a more comprehensive look at the testing of nuclear weapons. Currently, we operate under a Limited Test Ban Treaty which was ratified 22 years ago. The treaty has removed the radioactive dangers of above-ground testing by the

major powers, yet underground testing continues. A great deal of emphasis is being given to verification of a new treaty . . .

In a recent decision, the United States Supreme Court took another pot-shot at campaign finance laws by declaring it unconstitutional for Congress to place restrictions on independent expenditures in publicly funded presidential campaigns. This decision was an affirmation of a three-judge federal court ruling in 1983 after the Federal Election Commission and the Democratic Party brought suits against the National Conservative Political Action Committee. The suits were aimed at forestalling pro-Reagan spending by conservative PACs in the 1984 election. The Court said that the spending limit infringed upon freedom of speech and association guaranteed in the First Amendment . . .

Ripon National Governing Board member and Civil Rights Commission member **Francis S. Guess** has issued a dissent to the Commission's position on the Civil Rights Restoration Act of 1985. Commissioner Guess has stated that "as a matter of public policy, the question arising from the Grove City decision is the extent to which the use of federal funds by private and public entities subject them to certain obligations under our civil rights laws." Guess also said that fairly simple and straightforward adjustments need to be made to clarify the law — "nothing more, nothing less." The legislation to which he refers, the Civil Rights Restoration Act of 1985, has undergone extensive hearings in the House, and the Senate is planning hearings for May. Many Ripon Congressional Advisory Board (CAB) members have joined forces in supporting this legislation and in pushing for floor action . . .

Once again moderates are taking the lead on the budget issue. The Senate Budget Committee has reported a compromise measure that appears to have the administration's approval. In discussing this, Ripon CAB member **John Danforth** said the committee was looking for a plan to reduce the deficit by four percent of the GNP in FY 1986, three percent in FY '87, and two percent in FY '88.

While House leaders are still looking at their plan, the Senate budget plan seeks most of its savings from defense and Social Security, including a freeze on defense and Social Security spending. Combined with interest on the national debt and income security programs, these two areas comprise the majority of the budget. This leaves little to be saved through domestic program cuts . . .

Expect to see a plan presented by the "92 Group," a newly-formed coalition of House moderates who are seeking to gain a Republican majority by 1992. How effective it will be, David Broder says, depends on how much political organizing is done off Capitol Hill between now and 1988 . . .

Other issues: The House and Senate seem determined to provide additional relief to drought-stricken Africa whether through traditional government channels or private organizations . . . Later this year, we may see a reauthorization of the Clean Water Act with a tug-of-war between the need for a balanced budget and the popular sewage treatment grant program, second only to the highway program in public works dollars. ■