

# OPINION

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"The Daily Journal is dedicated to community service, to defense of individual rights and to providing those checks upon government which no constitution can ensure."

SCOTT ALEXANDER  
founding editor, 1963

## AT ISSUE

Gov. Mitch Daniels has proposed leasing the Hoosier Lottery and two yet-to-be-built toll roads.

## OUR POINT

The governor's tendency to present the Indiana General Assembly with a fait accompli can effectively cut legislators and voters out of discussions.

## Leaving lawmakers out of lease loop bad policy

The Daily Journal

The first time many Hoosier lawmakers heard about Gov. Mitch Daniels' plans to lease the Indiana Toll Road across northern Indiana was when he presented it to the Indiana General Assembly.

Because the governor already had figures in hand, it was clear he had been negotiating the deal for several weeks or months.

The process wasn't secret, but it wasn't publicized widely, and it wasn't debated ahead of time.

This session, the governor put forward a pair of leasing proposals.

One would allow a private entity to operate the Hoosier Lottery, with the proceeds going to fund college scholarships and to attract high profile academics to the state's public universities.

The other would authorize private concerns to build and operate two smaller toll roads in the state, one in northwestern Indiana and the other, the Indiana Commerce Connector, around the east and south sides of Indianapolis.

Once again, Daniels quoted potential figures when he made the proposals. This again indicated extensive discussions beforehand.

He learned one lesson from the original toll road lease, though. Daniels didn't spring a full-fledged package on the legislature.

Debate over his ideas seems possible this time.

Good business practices call for preliminary discussion of an idea before extensive planning takes place. But the governor seems to prefer to move more quickly than other segments of state government might prefer.

The fact that his call for bids on the state lottery concession has drawn significant interest indicates that the idea again was sprung in full form on the legislature. You don't draw what one Daniels aide called "double-digit" proposals without an extremely specific proposal.

Once more the legislature is left out of the formative stages of the idea.

Quick and decisive movement is good in business. Hesitation can be costly.

But in government, a slower approach that involves all the affected branches serves the public interest more effectively.

Boxing the legislature out of the debate over the form and nature of the leases Daniels has proposed severely limits the input of the public, who ultimately pay for all of government, and does a disservice to taxpayers.

As we have said many times before, government, even good government, is messy. But it is messy by design. It is messy because the legislators, the voice of small segments of the public, must be heard.

By acting too quickly, Daniels is excluding the most important part of state government: the people.

## Focus: Budget

President's next-to-last budget more of the same

Scrapps Howard News Service

President Bush's \$2.9 trillion budget rests on several optimistic — many would say unrealistic — assumptions. One assumption — that Congress would embrace the president's proposals for divvying up the federal pie — was quickly dashed. The chairman of the House Budget Committee, Rep. John Spratt, D-S.C., warned, "I doubt that Democrats will support this budget and, frankly, I will be surprised if Republicans rally around it, either."

Spratt is right about the Republicans. They were unable to agree on a budget last year when they controlled Congress, and this budget is quintessential Bush in that it preserves his pet programs — tax cuts, defense spending — while basically freezing Congress' own pet programs. This will not make for an easy year.

As has become a ritual, Bush is promising to balance the budget in five years, even calling for a \$61 billion surplus, but that assumes that the Alternative Minimum Tax, which Congress patches almost annually, will be patched only once in that time. The White House itself concedes that the AMT is "misguided policy." It also assumes that Congress will put the clamps on popular domestic programs.

This budget does something that should have been done much earlier and includes spending on Iraq and Afghanistan as part of the regular budget and not as a series of less-scrutinized one-shot emergency spending bills.

The White House budgets \$141.7 billion for those wars in fiscal 2008, less than the \$170 billion for the current year. Curiously, the administration budgets only \$50 billion for Iraq and Afghanistan in fiscal 2009, but budget director Rob Portman cautions against reading any strategic significance into those numbers.

The budget was accompanied by the usual gloomy charts showing government revenues being swamped by Social Security, Medicare and Medicaid, which already account for more than half of all spending.

Bush extended an offer to work with Congress to forestall the impending tsunami of red ink. He offered to meet with the lawmakers with no preconditions, and to put all options on the table. The possibility that this might work could be the most optimistic assumption of all.



## Assistance efforts thwarted by culture of corruption

Do we obey laws because we fear punishment? Or is it simply a habit that we acquired that we don't otherwise give much thought?

Either way, it is a good thing for our communities, our governments and our entire society that so many of us are, generally speaking, law-abiding. One can scarcely imagine the chaos that would be caused if 300 million people lied, stole and murdered our way through the day without giving it a moment's thought.

It's good for the economy as well. The expectation of honesty in all things dealing with market transactions — the truthfulness of information, the genuineness of assets and currency and the sanctity of property rights — is the glue that holds all forms of commerce together.

The fact that there are so many honest dealers out there makes the effective enforcement and prosecution of crooks and frauds feasible, which, in turn, helps us trade and invest with confidence.

Of course, that confidence is occasionally shattered by stories of corruption and fraud. It exists, of course.

But in most places and on most days in America, paychecks don't bounce, bank deposits don't disappear and the government doesn't show up at your door and seize your assets.

That's not the case in other parts of the world.

In some countries the glue is weak or missing altogether, and the economy suffers for it.

And, sadly, it's having an



Patrick Barkey

impact on a tragic situation in our own country as well.

An interesting little study by our friends at the National Bureau of Economic Research throws a new light on the timeless problem of fraud and corruption. To investigate the questions posed at the beginning of this column, they investigated parking violations of United Nations diplomats working in New York by country.

Since prior to 2002 their diplomatic status gave them immunity from prosecution, enforcement of parking restrictions on these individuals was impossible, yet bureau researchers found that those who came from countries generally regarded as having low levels of corruption, such as Norway or New Zealand, tended to obey them anyway.

But diplomats from Nigeria and Indonesia — countries from the other end of the rankings spectrum — piled up mountains of traffic tickets.

Perhaps that comes as no surprise, but it does reveal that the lessons taught to us about how to behave, and not merely laws and their enforcement, explain our willingness to act in ways that support commerce and exchange.

This observation puts a decidedly different spin on the events still unfolding in the much-maligned efforts of the federal government to rebuild the Gulf Coast areas that were so devastated by the hurricanes of 2005.

To the casual observer, this may look like just another story of bungled bureaucracy, perpetrated by incompetent agencies that can't spend the money Congress appropriated to get the rebuilding job done or even started.

But the environment in which these projects are taking place is relevant.

Mississippi and Louisiana, particularly in their public sectors, have consistently ranked among the most corrupt states in the nation.

Louisiana's longest serving governor, Edwin Edwards, is currently serving a 10-year prison sentence for racketeering.

An FBI sting in the mid-1980s led to the convictions of 55 of Mississippi's 410 county supervisors, as well as two state highway commissioners, on bribery, extortion and other felonies.

In short, the presumption of dishonesty that underlies the oversight, delay, and reporting red tape of federally supported rebuilding programs in the Gulf states is borne out by experience.

When criminal behavior is the norm, the cost can be high, and that is a tragedy for those struggling to rebuild.

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## As 2008 presidential candidates debate 'universal' health, let's cover children

America desperately needs a universal health insurance plan, but political realities suggest that Congress will move toward it incrementally.

The demand for universal coverage, quality improvements and cost containment is mounting across the political spectrum, and every 2008 presidential candidate will have to have a plan.

The demand is fueled by the steadily increasing ranks of the uninsured, now numbering close to 47 million, continuously rising insurance costs that burden U.S. businesses in global competition and a quality crisis that kills tens of thousands of Americans yearly.

But ideological splits between Democrats favoring government-dominated health care and Republicans emphasizing consumer-driven cost-containment almost certainly will block enactment of any plan in the next two years.

Instead, Congress and the White House need to reauthorize and expand the State Children's Health Insurance Program, and Democrats should give a fair hearing to President Bush's proposal for a standard tax deduction for the purchase of health insurance.

After years of funding freezes, Bush's new budget, out next week, is expected to include a modest increase in the insurance program's funding — probably just enough to keep 1.5 million children from losing coverage over the next five years because of rising costs.

Bush budget officials would not tell me what their number will be, but health experts say it will cost about \$14 billion over five years to keep 5 million children covered under the program.

That still leaves 9 million to 10 million children uninsured — 6 million to 7 million of whom are eligible for the program but are not enrolled mainly because



Morton Kondracke

states don't reach out to them.

To cover them would cost an additional \$50 billion over five years.

And to cover all children in families with incomes less than \$66,000 for a family of three — twice the federal poverty line — would cost \$20 billion on top of that.

One top administration official told me that the program is "a train roaring down the tracks that we expect a lot of cars to be attached to," indicating Bush was not prepared to pay the cost.

But it's worth noting that Bush not only agreed to — but sponsored — a Medicare prescription drug bill for seniors that will cost an estimated \$400 billion over five years.

Administration officials argue that providing drugs to seniors is a major way of preventing disease and holding down costs. The same argument can be made for preventive care for children, for whom coverage is cheaper than for adults.

Moreover, as part of the 2004 Medicare Modernization Act, the administration won authority for other steps — such as pay-for-performance experiments and expansion of Medicare HMOs and health savings accounts — that contribute to quality improvement and long-run cost savings.

The children's insurance program's reauthorization could be used as a vehicle for more reforms from the GOP side, even as Democrats try to expand the program to guarantee coverage

for all children and even low-income parents.

A number of initiatives to cover all children have been proposed, including one by Sen. Hillary Rodham Clinton, D-N.Y., Rep. John Dingell, D-Mich., and a coalition of 16 disparate groups including the liberal Families USA, the conservative U.S. Chamber of Commerce and America's Health Insurance Plans.

A restraint on Democrats' ambitions will be their "pay-as-you-go" requirement that any new spending be offset by savings elsewhere, though last week a Blue Dog Democrat, Rep. Marion Berry (Ark.), and a moderate Republican, Rep. Heather Wilson (N.M.), appealed to the House Budget Committee to clear funding to cover children up to 200 percent of poverty.

But Bush's proposal to grant a standard tax deduction of \$7,500 per individual or \$15,000 per family for the purchase of insurance was declared dead on arrival by Dingell and Rep. Pete Stark, D-Calif., chairman of the House Ways and Means subcommittee on health.

It deserves resuscitation and revision — possibly to provide for a refundable tax credit to enable more low-income workers to afford health coverage. The main Democratic objection to Bush's plan — an alleged "tax increase on the middle class" — could be ameliorated by phasing it in.

America needs to have everyone covered to bring down the average cost of insurance and keep everyone healthier. But how to deliver that service — through the government or the private insurance market, with price controls or consumer choice — is a subject for a presidential debate.

For now, let's cover the kids.

Morton Kondracke is editor of Roll Call, the newspaper of Capitol Hill. Send comments to letters@thejournalnet.com.

## YOUR VIEWS

### Increased minimum wage harms more than helps

To the editor:

After the November elections, with the return of a Democratic majority in the U.S. Congress and the Indiana Statehouse, the minimum wage is receiving maximum attention.

Applauded as everything from an effective poverty-fighting tool to the epitome of economic justice, a higher minimum wage is popular with politicians and the general public. But economists point to the demographics of the lowest-paid workers and note that small-business owners may be unwilling to pay higher wages for the same productivity.

Under House Resolution 2, the House passed an increase in the federal minimum wage from \$5.15 to \$7.25 over the next few years. (The Indiana state minimum would rise to \$7.50 under House Bill 1027.) A 40 percent increase provokes concern about unemployment for those whose wages have been artificially increased.

Although only 0.38 percent of all workers earn the minimum today, many workers earn wages between the current \$5.15 and the proposed \$7.25. About two-thirds of the states have 10 percent of hourly workers paid less than \$7.25, so the unemployment effects would not be trivial.

Of course, there are significant differences in the cost of living between various states. Thus, a \$7.25 minimum will be felt differently in Massachusetts than in Mississippi.

Consider also the case of the American territories. Congress may hold American Samoa to the minimum wage standard for the first time. The average hourly wage in American Samoan canneries such as StarKist was \$3.60 in 2004. What would happen to those jobs if workers are forced to demand that their wages be doubled?

Puerto Rico was originally excluded from the minimum wage, when its average wage was less than the minimum wage. Today, about one-third of its workers are paid less than \$7.25. Clearly, a federal one-size-fits-all minimum can cause a lot more damage than a state-determined minimum based on cost-of-living.

In any case, the punch line is that some poor people would be helped at the expense of other poor people — a curious attempt at economic justice and a less-than-impressive poverty-fighting tool.

Those who keep their jobs would be better off while others would lose their jobs.

Sadly, the latter would lose what they most need, an earned income and an opportunity to build job experience and skills. Ironically, the minimum wage steps on some of the most vulnerable in trying to help others.

The larger issue is that the minimum wage is poorly targeted as a mechanism for helping poor households. Of workers currently earning the minimum, about 40 percent are at least 25 years old; two-thirds have never been married; and only 17 percent work 40 or more hours per week.

Thus, many minimum-wage workers are young, part-time or single. It is said that the minimum wage helps the poor, but it mostly hits middle-class teenagers and part-time workers.

Fortunately, much better ideas exist. Kentucky has decreased its taxation of the working poor in recent years. But the Bluegrass State still remains No. 1 in the nation at taxing two-parent families with two children and incomes 125 percent of the poverty line — \$24,951 in 2005.

It's good to see Kentucky No. 1 in something.

If both parents worked 46 hours per week in minimum wage jobs, Kentucky took \$858 from them that year. (Indiana is further down the list at \$455.)

Likewise, and far more painful, federal "payroll taxes" (for Social Security and Medicare) — 15.3 percent of every dollar earned — result in the same family losing \$318 every month to Uncle Sam. One obvious way to help the working poor would be to quit taking their money.

Beyond doing no harm, if the government is going to try to help, then an expansion of the Earned Income Tax Credit and directed subsidies (e.g., for child care) would be far better targeted and would not result in damaging those you want to help.

The minimum wage is popular. Unfortunately, it doesn't work well.

Do politicians know this? If so, they need to summon their courage and embrace more helpful policies.

If not, they need to sign up for Economics 101.

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