



## BHI forum highlights Compassion Tax Credit

**T**he debate over welfare reform is far from over. The welfare reform act may have shifted the bulk of the nation's welfare policy from the federal government to the hands of the 50 governors, but no one sees this as the solution to the dependency crisis in America today. There is still the very real risk that the federal bureaucracy will have spun off 50 state clones set to repeat the failures of the past three decades.

What is needed is a commitment to go beyond devolution, to reconsider the problems of dependency, and to seek new ways to help those in need lift themselves out of poverty.

There are thousands of private charities throughout the country that are helping to change lives today and that could do more if they had the resources. Could providing new funds to private charities spur competition and innovation in the delivery of welfare services, encourage accountability and achieve cost savings?

Could infusions of new funds be the catalyst for private charities to do what the welfare bureaucracy has been powerless to do? The answers may be "yes."

In order to do more, private charities need additional resources. One method for providing these resources is the "compassion tax credit," un-

Participants included Senator Dan Coats, Congressman John Kasich and Congressman Joe Knollenberg as well as many of the nation's foremost authorities on welfare reform. Also speaking were Roger Allee and Avis Jones, who describe how they went from dependent to hopeful lives.

Syndicated columnist Arianna Huffington moderated a panel that examined qualities of successful private charitable organizations. She observed, "Here is an opportunity to say that all the problems that we are facing as a country—and there are many— need to revolve around a reinvigorated civil society; citizens who, once again, personally become involved in the solution of problems in their own communities. This is what the charitable tax credit ulti-



David Tuerck speaks at the forum. Shown (l-r) are John Fund, Wall Street Journal; Merrill Matthews, National Center for Policy Analysis; Robert Rector, Heritage Foundation; and Peter Ferrara, Americans for Tax Reform.

der which taxpayers receive a tax credit for contributions to qualified charities. The compassion tax credit represents a way of empowering private charities to apply innovative methods to the solution of the poverty problem in their own communities.

### Compassionate Welfare Reform: Empowering Charities and Private Citizens

On December 12, 1996, the Beacon Hill Institute and the David R. Macdonald Foundation co-sponsored *Compassionate Welfare Reform: Empowering Charities and Private Citizens*, the first national forum ever held specifically to consider tax credits for charitable giving. The forum was held in the Caucus Room of the Cannon House Office Building in Washington, DC. The message heard by the more than 200 attendees is that reform will not become reality until welfare is taxpayer funded and taxpayer controlled.

mately will do, reconnect citizens to those most in need."

Robert Woodson, president of the National Center for Neighborhood Enterprise, boldly stated the power of tax credits. "I say today that the charitable tax credit issue is to poor people what Brown v. Board of Education and the Voting Rights Act were to blacks. It is a fundamental issue of liberation. It is a fundamental civil right that we must see become law in order to change the stranglehold that the poverty industry has over programs to aid the poor."

Building upon an American tradition of private giving, a tax credit would greatly empower private nonprofit organizations. Lou Nanni, executive director of the Center for the Homeless in South Bend, In-

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## From the Executive Director

**C**ompassion tax credits, what we like to call “the next step of welfare reform,” received a thorough review at our December 12, Washington, DC forum, *Compassionate Welfare Reform: Empowering Charities and Private Citizens*. Thanks to superb speakers, a thoughtful audience and generous media attention, including coverage on C-SPAN, many more people now appreciate the compelling arguments in favor of the tax credit.

But the work continues. We are pressing forward with our family advocate pilot program. Our plan is to test the feasibility of compassion tax credits through a pilot program implemented at a state level. Theory is one thing; theory plus empirical evidence is better. The pilot program will provide much-needed information on what works and what doesn't work.

One desired pilot program site is, of course, Massachusetts. We are working toward this end.

But other states could prove fertile. In February, I traveled to Arizona at the invitation of State Representative Mark Anderson to speak before the state legislature on tax credits. The Arizona poverty rate for 1995 logged in at 16.1% — nearly three points above the national rate. Like other states, Arizona has initiated welfare reform measures, but is paying serious attention to tax credits. I strongly urged the legislature to avoid tokenism in considering this idea — to use tax credits specifically to privatize a substantial part of its welfare budget or to adopt a serious pilot program, such as ours, to test the feasibility of full-fledged implementation.

Shortly, I will travel to Michigan to suggest that they consider a test of tax

credits through a pilot program. And reformers in Pennsylvania have also expressed an interest in an expanded state-level tax credit program.

This flurry of activity demonstrates that advocates of the compassion tax credit have no intention of working in the shadow of federal welfare reform.

It is an idea that has captured the imagination of policy makers and the media. (Recently, *The Economist*, the prestigious British weekly, ran a favorable profile of Sen. Dan Coats, who has filed charitable tax credit legislation on Capitol Hill.)

Under the guidance of Dr. William F. O'Brien, Jr., a BHI resident scholar, we surveyed the executive directors of private charities in six states that currently offer modest tax credits. We found that 88% of them believe that tax credits would help them help the poor. They also believe that a tax credit would increase voluntarism at their organizations.

Meanwhile, as the President and Congress mull targeted tax cuts and — believe it or not — capital gains tax cuts, the states are moving ahead with their own versions of tax relief. Using our STAMP tax modeling program, BHI recently advised the State of Oklahoma that by reducing workers compensation premiums by 10%, the state could increase per-capita personal income and create thousands of new jobs. Tax cutters in Iowa have asked us to examine the effect of a tax cut on employment in their state.

Social Security is no longer the third rail of politics. A number of recent publications and studies strongly suggest privatization of the nation's social insurance program. We're happy to review *Promises To Keep: Saving Social Security's Dream* by Marshall N. Carter and William G. Shipman. Shifting to a private system and empowering employees with personal savings accounts could be a boost to the nation's economy. Moreover, the Bay State's seasoned mutual-fund companies are well positioned to manage this new capital. That could mean more jobs for Massachusetts.



*The pilot program will provide much-needed information on what works and what doesn't work.*

The Beacon Hill Institute's website (<http://bhi.sclas.suffolk.edu>) continues to expand. For your convenience, we've included the transcripts of the entire proceedings from our December forum. Feel free to read and download the proceedings. And let us know what you think.

*David G. Tuerck*

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## Tax cuts: OK for Oklahoma

The state of Oklahoma could create 8,500 new jobs by cutting workers compensation premiums by 10%. It could increase per-capita personal income by \$319 per year and create 43,435 new jobs if it cut the top personal income tax rate by three percentage points. An equivalent cut in the state sales tax would increase per-capita personal income by \$467, lead to the creation of \$15,630 million in new capital and raise the average annual wage of Oklahoma workers by \$1,096.

These are major findings of a BHI study conducted for the Oklahoma Office of State Finance and released in January 1997. BHI applied its State Tax Analysis Modeling Program (STAMP) to Oklahoma in order to determine the effects of several proposed tax-law changes on the state's economy.

Why use a model developed for application to the Massachusetts economy? Because STAMP is one of the best of only a handful of computer-based models in the country designed specifically to determine the economic effects of state tax-law changes. It can determine how a state economy will respond if taxes are raised or if they are lowered. And with enhancements, STAMP can be applied to any state and can measure any tax-law change.

BHI developed STAMP in 1994; the impetus was the graduated income tax debate in Massachusetts. Before STAMP, there was no statistical framework for measuring the effects of a graduated income tax on the state economy, particularly as it would affect jobs and wages. STAMP changed that and became an important factor in the debate. It allowed voters to see how a major tax-law change such as the grad tax would affect job creation in Massachusetts. Since that time, STAMP has been used to estimate the effects of various proposals to change the corporate tax rate, to reduce the personal income tax, and to reduce the unemployment insurance rate in Massachusetts.

STAMP determines how a proposed tax-law change affects the average marginal tax rate paid by state taxpayers and shows how a change in this tax rate affects employment, the capital stock, the average wage rate and government tax revenue. It determines how changes in state personal, payroll or corporate income tax law affect state employment, wage rates, investment, production and tax revenues.

In Oklahoma, the BHI study was particularly useful in demonstrating how a high workers compensation insurance rate has become a drag on the state economy. Said State Finance Director

Tom Daxon, "Because taxes penalize work, saving and capital formation, lower taxes expand economic activity, while higher taxes have the opposite effect. The ques-

tion, then, is by how much a given tax cut would expand economic activity and in what fashion. The BHI STAMP application to Oklahoma represents a first step in the direction of attempting to better understand the answer to this important question."

*STAMP is one of the best of only a handful of computer-based models in the country.*

## BHI examines tax cut for Iowa

Following on the success of its modeling of the Oklahoma economy, the Beacon Hill Institute has moved on to Iowa.

At the request of the Iowa legislature, BHI put its econometric skills to work on a proposed 15% cut in the state income tax. At 9.98%, Iowa's top marginal tax rate is the fifth highest in the nation. One of the consequences of this is rapid tax-revenue growth combined with sluggish economic growth. According to the Tax Foundation, over the period 1985-1995, Iowa ranks eighth among all states in terms of average annual growth in tax revenues relative to personal income.

Using methods applied successfully to Massachusetts, BHI estimated the effects of the proposed tax cut on Iowa jobs, production, capital spending and tax revenue. Preliminary results show that the proposed tax cut would prove a powerful stimulus to the Iowa economy.

## BHI and State Tax Policy

*For several years, the Beacon Hill Institute has been a key player in the debate over taxes in Massachusetts.*

- **February 1997.** *Cutting Unemployment Insurance Tax Rate Would Create 13,080 Jobs*, BHI FaxSheet.
- **July 1996.** *The Mass. FY 96 Budget Surplus: Why the Good News Isn't So Good and How to Make it Better*, BHI FaxSheet.
- **July 22-28, 1996.** *Mass High Tech*, "Tax rate cut would be best."
- **June 1996.** *Unemployment Insurance Cut Would Add 15,000 Jobs to Massachusetts Economy*, BHI FaxSheet.
- **February 1996.** *Personal Income Tax Cut Would Mean More Jobs, Increased Wages*, BHI FaxSheet.
- **November 7, 1995.** *Boston Globe*, "Tax break for all firms needed."
- **October 1995.** *Corporate Proposal Would Mean More Jobs, Higher Wages for Massachusetts Workers*, BHI FaxSheet.
- **October 23, 1995.** *State Tax Notes*, "Modeling State Tax Policy: Making an Example of Massachusetts."
- **May 1995.** *Ensuring More Jobs for Massachusetts*, BHI FaxSheet.
- **November 1994.** *Questions 6 & 7 proposing a graduated income tax structure in Massachusetts are defeated by voters.*
- **October 31, 1994.** *State Tax Notes*, "The Massachusetts Graduated Income Tax: Winners and Losers."
- **September 1994.** *An Economic Model of Massachusetts Tax Policy*, policy study.
- **July 1994.** *The Graduated Income Tax: Winners and Losers*, policy study.
- **July 24, 1994.** *Boston Sunday Herald*, "Questions loom around grad tax."
- **June 5, 1994.** *Boston Herald*, "Tax proposal nabs more of the middle class."
- **April 1994.** *The Grad Tax Debate: Down the Slippery Road to Serfdom*, policy study.
- **December 1993.** *Tax Policy in Massachusetts: Mainstream Economics Versus Political Rhetoric*, policy study.

## Survey: Tax credits are a good idea

**P** private charitable organizations aren't ready to claim full responsibility for welfare programs, but they assert overwhelmingly that they should have a key role in providing assistance to the poor. And they are in strong agreement that charitable tax credits are a good idea.

In November 1996, BHI surveyed the executive directors of 250 nonprofit organizations in six states (Colorado, Idaho, Indiana, Michigan, Missouri and Kansas) that offer tax credits for targeted charitable contributions. These states were selected because, though their tax credit programs are small, their impact on nonprofit organizations is instructive as is the way they are viewed by private providers.

BHI received a 33% return rate – well above the normal 10% rate expected from anonymous surveys. Most returned surveys included full answers

to all questions. State agencies responsible for certifying credit-eligible participants, usually departments of revenue, provided the names of nonprofit organizations. Survey participants thus represented a wide array of nonprofit organizations: from the YWCA to community foundations to food pantries.

Among the strongest responses:

- 88% of nonprofit organization executive directors think tax credits for charitable contributions are a good idea.
- 84% say charities and nonprofit organizations should provide assistance to the poor, yet only 16% think nonprofit organizations should be the sole providers of welfare programs.
- 49% think their budgets are too small.
- 92% think their organization uses resources efficiently.

Concerning personal responsibility:

- 62% think welfare recipients should work for their benefits.
- 75% think fathers of unwed mothers should be forced to support their children.

*Executives clearly believe there is a strong role for nonprofits to play in providing welfare-type services.*

- 44% are ambivalent about forcing families to stay together, reflecting the dysfunctional families that many nonprofit organizations serve.
- 87% think some individuals need constant assistance.

BHI conducted the survey to fill a void in our knowledge about providers' feelings toward the compassion tax credit. The survey suggests that welfare reform needs to continue to stress work and personal responsibility. The executives clearly believe there is a strong role for nonprofit organizations to play in providing welfare-type services, but there must be enough funding for them to be effective. A compassion tax credit can provide this role.



John Fund, Wall Street Journal editorial board member (l) chats with Congressman Joe Knollenberg (c) and David Tuerck, BHI executive director (r).



David Tuerck (l) with Arianna Huffington (c) and BHI senior advisor Ray Shamie (r).



Taking a break: Congressman John Kasich (l) and Senator Dan Coats (r).



Conference co-sponsor David R. Macdonald (l) with Senator Coats (c) and Ray Shamie (r).

### COMPASSIONATE WELFARE REFORM

EMPOWERING CHARITIES AND PRIVATE CITIZENS

Thursday, December 12, 1996  
Caucus Room, Room 345,  
Cannon House Office Building  
Washington, D.C.



Senator Dan Coats and Avis Jones.

## What charitable organizations have to say about volunteers

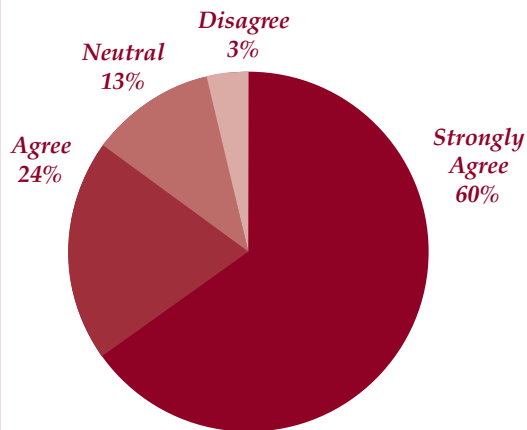
When BHI surveyed the executive directors of private charitable organizations in states that offer modest tax credits, the role of volunteers was of prime interest. How important are volunteers to charitable organizations?

Consider the following results of the survey:

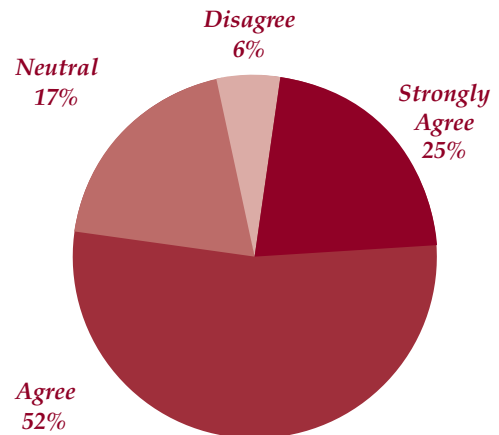
- 90% say volunteers save organizations money and are therefore crucial for increasing efficiency.
- 84% believe that volunteers are necessary if they are to fulfill their mission of helping those in need.
- 77% say they can count on volunteers.
- 73% believe that the time spent organizing and training volunteers is worth the effort.

The executive directors believe strongly that volunteering is essential to the functioning of their charitable organizations and volunteers will play a vital role in an expanded private charitable sector.

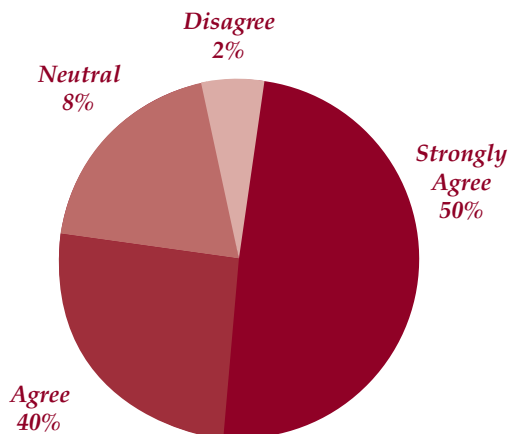
### VOLUNTEERS ARE NECESSARY FOR HELPING THOSE IN NEED



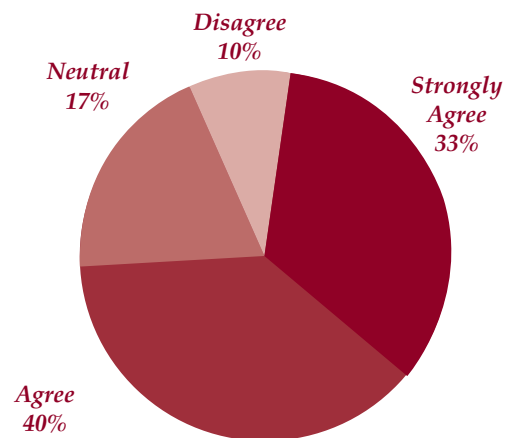
### VOLUNTEERS ARE RELIABLE WORKERS



### VOLUNTEERS SAVE OUR ORGANIZATION MONEY



### ORGANIZING VOLUNTEERS IS WORTH THE EFFORT



## BHI initiates Tort Law Project

According to the Insurance Information Institute, "The American civil liability system cost \$161 billion in 1995, or 2.3 percent of the nation's gross domestic product (GDP), compared with 1.4 percent in 1970, and 0.6 percent in 1950." This fact reflects a growing concern in Massachusetts and throughout the country of the increasing burden that tort law is imposing on the economy.

In response to this concern, BHI has initiated a Tort Law Project aimed at assessing the effects on jobs, capital spending, tax revenues and other economic indicators that the tort law system imposes on Massachusetts businesses. The methodology is similar to, and based on, that used to evaluate the effects of taxes on the state economy. In-

sofar as tort law imposes a tax of about 2.3% on production, limitations on that law can be expected to have effects similar to a cut in taxes.

Since 1986, almost all states (including Massachusetts) have adopted some kind of tort reform legislation. Bill 896, now before the Massachusetts legislature, would further reform state tort law by, among other changes:

- limiting to 15 years the period of time that a producer is liable for product defects;
- making manufacturers responsible only for existing knowledge and science, rather than knowledge and science that appears after a product is manufactured;
- imposing sanctions on frivolous lawsuits; and
- changing the statute of limitations on slip-and-fall cases from three years to one.

Changes such as these would reduce the "tort tax" on Massachusetts businesses and individuals and would bring about predictable increases in production, employment, tax revenues and other indicators of economic activity. BHI's first report is due to be released in March.

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### Forum highlights

diana, said private funds enable his group to serve people more effectively. "Eighty percent of our funding comes from the private sector. Though we could easily access more, we have philosophically said that we do not want more than a 20-percent match from the public sector." One reason is that private sector funding helps stimulate voluntarism and volunteers are crucial. Said Nanni, "When was the last time you heard of somebody volunteering at the welfare department?"

Observed *Wall Street Journal* editorial

board member John Fund, "In order to help people most you need to combine warm hearts with hard heads; compassion must be married with personal responsibility." Fund moderated a panel on implementation of compassionate welfare reform.

The compassion tax credit offers clear incentives to taxpayers to increase their support of qualified nonprofit charitable organizations. And unlike the current standard of deductions, tax credits would be available to everyone. "It makes the provision of charity more democratic," said David Tuerck, BHI executive director. "It opens up greater participation by low-income taxpayers and by nonitemizers in the provision of welfare services."

While there was general consensus in support of tax credits, one panelist voiced concerns. Robert Rector, senior policy analyst at the Heritage Foundation, suggested, "In reality, most of the money that will go into this credit will go by name recognition and most of the money, probably 80 percent of it, is going to go to organizations like United Way and Catholic Charities."

These organizations place a high value on voter registration. They lobbied Congress against last year's welfare reform measures. Their thinking, he said, "is actually 20 years behind the public sector."

However, Peter Ferrara, chief economist for Americans for Tax Reform, said such criticism underestimates the consumer choice

embodied in tax credits.

"The key factor here is that this is a power-to-the-people proposal. And that's why the approach will work. It's the taxpayers who choose which one of these groups gets these funds."

Congressman Kasich, in his luncheon speech, offered the following.

"The tax credit helps us to reclaim our country. It helps us to reclaim our community and it says to us, 'You don't have to build a gate, you don't have to have all the security systems.' It helps us to reach out and knit our communities together. The strength of America is a knitted, strong community. That's what it is and that's what the charitable tax credit does."

*"When was the last time you heard of somebody volunteering at the welfare department?"*

*Lou Nanni*

## Unemployment insurance rate cut would mean jobs

The Massachusetts economy would benefit greatly if the state legislature cut the unemployment insurance (UI) rate by 7.43%. A rate cut would create 13,080 jobs, according to BHI's State Tax Analysis Modeling Program.

Reducing the tax rate from the 1996 UI rate would induce employers in Massachusetts to create more jobs by reducing the cost of adding workers. STAMP found that employment in the state is significantly and negatively related to UI rates.

Massachusetts employers face the second highest UI costs per employee in the nation — partly because benefits in Massachusetts are more generous than in other states. Governor Weld and Lt. Governor Cellucci filed legislation for a rate cut earlier this year. The legislation is supported by House Speaker Tom Finneran and a majority of the House.

Despite reform and a growing economy, the cost of doing business in Massachusetts continues to place the Bay State at a competitive disadvantage.

The proposed UI tax rate reduction, the first since 1986, would save Massachusetts businesses \$82 million in 1997.

## To ensure its promise, Social Security should look to Wall Street

*Promises To Keep: Saving Social Security's Dream*  
by Marshall N. Carter & William G. Shipman  
(Regnery Publishing, 1996)

Reviewed by Frank Conte

**F**ixing Social Security is not a new act in Washington. Over the course of its 62-year history, Social Security has seen more than its share of fixes, usually in the form of tax hikes.

Unfortunately, the tax hikes failed by destroying jobs and ultimately by failing to solve Social Security's fundamental problems.

In 1977, President Carter said his tax hike would make Social Security "sound" for another five decades. He was wrong. In 1983, President Reagan said his bipartisan reforms would protect "the financial integrity of Social Security." House Speaker Tip O'Neill then said, "This is a happy day for America." Both men, raised on FDR's grand promise, were wrong.

Since its birth in 1935, Social Security has benefited from more than 20 tax increases all in the name of sustaining its solvency, all in response to continuing crises. Much as FDR intended, Social Security's reputation as a pay-as-you go system lends itself to such patchwork and late-night stop-gap measures. "We put those payroll contributions there so as to give the contributors a legal, moral and political right to collect their pensions," FDR said. "With those taxes in there, no damn politician can ever scrap my Social Security program."

Guardians of the system were reassuring. "What you get from the Government plan will always be more than you have paid in taxes and usually more than you can get for yourself by putting away the same amount of money each week in some other way," declared one Social Security bulletin in 1940 when there were 42 workers for every beneficiary.

Today there are three workers for each beneficiary. By 2030 the ratio will be two to one. The Great Reckoning will arrive.

Late last year, the 1994-1996 Advisory Council on Social Security proposed three remedies to what will avail the system in 2020 when the trust balance begins to decline. The first option, Maintenance of Benefits (MB), calls for a "small increase in the contribution rate" sooner and a 1.6%

payroll tax increase later — proving that a tax-to-fix strategy hasn't been fully extinguished.

The advisory council offers a second idea: constrained, publicly-held individual accounts. And, pushing the envelope further, the advisory council's third option, Personal Savings Accounts, is a two-tiered system that would rely on the markets.

While the advisory council could not agree on a unifying solution, it examined the role equity markets can play in bringing the program into balance. Even the MB option examines how Social Security can secure a higher return than by the current practice of investing only in government bonds. To underscore the point, Robert Ball, the former Social Security commissioner, is backing a plan for the government to invest an inflation-adjusted \$800 billion of Social Security funds in the market.

In making such a call, America's premier social insurance plan is now turning to Wall Street in what is the most significant paradigm shift in public policy since the inception of Social Security itself.

This shift is due mostly to the kind of intellectual groundwork laid out in *Promises to Keep: Saving Social Security's Dream*, by Marshall N. Carter, CEO of State Street Bank in Boston and William G. Shipman of State Street Global Advisors. Shipman is co-chairman of the Cato Institute's Project on Social Security Privatization.

The authors are part of a growing movement that's not only sounding the alarm but crafting a market solution to the wobbly leg of America's three-legged retirement stool. Their assessment of the problem is accurate; their compassion toward current recipients is laudable.

Their bottom line is clear: Over time, the markets have done much better than the contributions workers make to the current system. And given market history, even with wild fluctuations, the market is the best bet for future retirees.

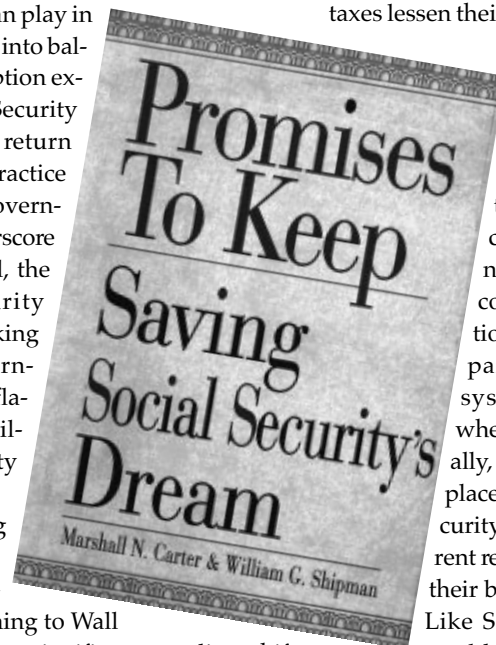
Carter and Shipman reject out of hand the conventional wisdom of raising payroll taxes. Such taxes depress wages and employment. A family earning the national median of \$52,039 that pays 40.5% of its income in taxes simply cannot pay more. This form of taxation strongly discourages savings. "Americans are trapped in a classic Catch-22. Social Security's high taxes lessen their ability to invest wage income in earning assets for retirement savings."

Carter and Shipman's vehicle is the Personal Social Security Account (PSSA), not unlike the advisory council's third PSA option. PSSAs would run parallel to the existing system up to the point where they would eventually, over the long term, replace government Social Security as we know it. Current recipients would receive their benefits.

Like Social Security, PSSAs would be mandatory. And while they would be "forced," participants would invest their FICA taxes in financial assets — stocks, bonds or mutual funds — solely for the purpose of retirement. Given the ability of investors to hedge their funds with global investment opportunities, and given the immense personal computing power in the hands of individuals, such private accounts are less risky than they appear.

Not to be discounted is the massive surge in productive investments. "A larger capital supply means lower borrowing rates for businesses and entrepreneurs wanting to expand, modernize, undertake research and development or introduce new products or services," write the authors.

The strength of an idea is of-



*continued on page 8*

## In Point of Fact

D

oes Europe's "Pyramid Scheme" sound familiar?

"In 1960, Western Europe still had a population pyramid with a broad base of young and a narrow cap of old people; in 1995 the "age" tree has become a pumpkin with few young people, many mid-lifers (still in the active labor force) and a growing, though not yet dominant number of retirees. After 2020, we will have a mushroom; very few young, few mid-lifers, many old people. The pyramid will stand on its head! ... By about 2030, there will be one pensioner for one active worker with the consequence that the worker's pension payroll tax would, on average, equal the average pension."

Wilfried Prewé, *Welfare State to Social State: Empowerment, Individual Responsibility and Effective Compassion*, Center for the New Europe.

*The ERA of 1993: Strike One - poor test scores; Strike Two - special education!*

"Massachusetts' above national average spending to send above average numbers of children to special education programs

is placing \$1.3 billion worth of education reforms in 'jeopardy,' school superintendents told lawmakers."

Dan Boylan, "Why does special education cost so much?" State House News Service, February 12, 1997.

*Yes, Virginia, taxes do count: "Look at DC," says the Brookings Institution.*

"The [district's] tax structure ... is dysfunctional here, and the tax collection system is broken and does not work. You are not going to get [any growth] from the District economy unless you make the cost of doing business [lower]."

Carol O'Cleiracain, Brookings Institution, in the *Washington Post*, December 14, 1996.

*Look Ma, no busy signals!*

"There should be well over 1 billion Internet users before the end of the decade. By the end of the decade there will be more than 1 million networks connected. Traffic in the network will exceed telephone traffic. There has never been any technology or innovation in human history that comes close in speed of adoption, significance and impact."

Dan Tapscott, *The Digital Economy: Promise and Peril in the Age of Networked Intelligence*, 1996.

*continued from page 7*

## Bookmark

ten measured by hostile reaction to it. Already, adherents of Social Security are preparing to mount a counter-offensive.

"Even if [favorable returns] were achievable, do you trust your retirement security to the buyout bandits, merger maniacs, derivative speculators, downsizers, deindustrializers, and take-back artists who have brought workers and the labor movement to their present sorry state?" asks Michael Eisenscher, a 25-year veteran union organizer. "Organized labor played a critical role in the struggle to establish the Social Security system. It must now play a leading role in the struggle to defend and improve it, not to turn it into yet another source of capital for speculation and profiteering."

Such reaction is sure to be deafening in the months ahead. Social Security, bulwark of the modern welfare state, is incapable of meeting the demographic, technological and global challenges ahead. That it is called into question by advocates of rational alternatives such as Carter and Shipman's highlights the twilight of the entitlement mentality in American politics.

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