



EDITOR'S LETTER

"Trust me."

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Policy in a Page

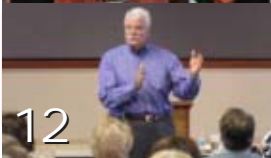


POLITICS & SOCIETY

Minimum Wage: Balancing Liberty And Equality

Is low-income America overdue for a raise?

- Q&A with U.S. Congressman Darrell Issa
"I think everyone agrees that our minimum wage policy hasn't been modernized."
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"Ideology cannot be allowed to trump common sense."



CITIZENS' ASSEMBLY

Cutting Out The Middle Men

California Assemblymen Keith Richman and Joe Canciamilla are saddling up for one last reform ride. This time, they're taking aim at the system itself.



ECONOMICS

U.S. Farm Subsidies: Billions And Billions Served

What's the real cost of an ear of corn?

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"Trust me."

America has come a long way since Abraham Lincoln spoke of a government of the people, by the people, for the people. Many would argue that it's of, by and for only a few privileged people now, and that's cause for concern.

A recent CBS News/*New York Times* poll found that 70% of Americans believe that deep-pocketed lobbyists paying bribes on Capitol Hill is just business-as-usual. Another by Fox News revealed that 65% believe their representatives craft policy for a few campaign donors rather than a majority of their constituents. What does this distrust add up to? In a representative democracy such as ours—in which the very structure of our government is designed to help maintain the public trust—it means that at some level, the system is broken.

If "structure dictates behavior," as California Assembly Minority Leader Kevin McCarthy told us last year, what then, is the answer? The most popular course of late has been to ignore and hope the problem sorts itself out. Come up with a new system? That's a tall order. So why aren't we hearing more about the people trying to fix it?

In this issue of *PT*, we shine a bright light on the bipartisan efforts of two California legislators who are trying to make a difference. With their proposed constitutional amendment for a "citizens' assembly" on electoral reform in California, Keith Richman and Joe Canciamilla are hoping to restore the public's trust in their elected officials. "We have a problem with our representative democracy," argues Richman, and the numbers cited above only prove his point. If we can't trust our elected officials to represent us, what kind of democracy do we enjoy?

At the end of the day, issues of structure, process and political culture are just as important as the political "hardball" that fills the evening news. And whether their citizens' assembly succeeds or not, legislators like Richman and Canciamilla should be commended for seeing the bigger picture.

Sincerely,



Frank Holland
Managing Editor

POLICY TODAY

POLICY TODAY sets forth in the belief that individuals can and do make a difference, and that principled decision making lies at the heart of republican democracy.

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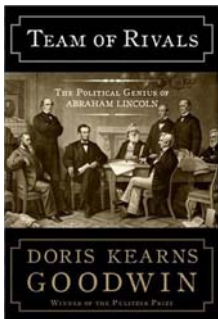
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BOOKS

A HEALTHY DEBATE

"Team of Rivals: The Political Genius of Abraham Lincoln"

by Doris Kearns Goodwin; Simon & Schuster; 944 pages; \$35.00



Given the invective exchanged between today's political parties, it's easy to forget that contention and suspicion have always been a part of U.S. politics. And while the early Federalists and Republicans may have laid the groundwork for today's ideological battles, Doris

Kearns Goodwin's latest tome illustrates something that has changed profoundly over the past century—the way politicians relate to their ideas.

Goodwin's paean to Lincoln's brilliance helps illustrate this departure. Under his reasoned stewardship, Lincoln's staff pushed personal ambition aside to steer the country through its darkest hour. It's a marked contrast with today, when politicians are most often seen entrenched along partisan lines or eating their own. All things being equal, *PT* still believes that the best policies begin with opposing viewpoints, but end with their principled reconciliation.



QUOTES

THOUGHTS ON THE SYSTEM

"For me, this is a second betrayal. First, my government misused and mismanaged the military in Iraq, and now my own party is afraid to support candidates like me." - Iraq War veteran and former U.S. Senate aspirant Paul Hackett, following his decision to withdraw from the 2006 senate race for the seat held by Ohio's Mike DeWine.

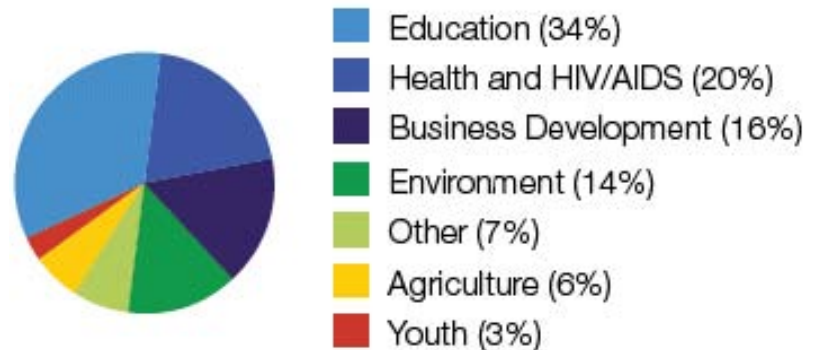
THIS MONTH IN POLICY HISTORY

MARCH 1, 1961: PEACE CORPS ESTABLISHED

With Executive Order #10924, President John F. Kennedy ushered in a new era of volunteerism. 45 years later, the Peace Corps continues to lure American youth to places like China, Burkina Faso, Turkmenistan and Vanuatu.

The continued success of the Peace Corps suggests that national service need not be such a touchy political subject. If you haven't already, check out the February 1 issue of *Policy Today* for more on the subject.

PEACE CORPS SERVICE SECTORS



Source: U.S. Peace Corps data

| | |
|--|----------------------|
| Total number of volunteers and trainees to date: | 182,000 |
| Total number of countries served: | 138 |
| Current volunteers and trainees: | 7,810 |
| Gender: | 58% female, 42% male |
| 2006 budget: | \$318.8 million |

MINIMUM WAGE: BALANCING LIBERTY AND EQUALITY

The federal minimum wage hasn't moved for nearly a decade. Is it time for a raise, or is an increase just problematic policy?

by Rosalyn Crain

The federal minimum wage just ain't what it used to be. In fact, when you factor in inflation, it's about 30% lower than it was in 1968. Is it a sign of the times, a symptom of Tom Friedman's flattening world? Or is the flat lined growth of the minimum wage simply bad policy?

The issue is often framed in terms of free market principles vs. government intervention, but the state has played a direct, if limited, role in the economy since the republic's early days. But the debate is not all dollars and cents. Deeper social issues come into play as legislators attempt to reconcile an individual's right to pursue his or her business with the best interests of an egalitarian society. As de Tocqueville noted, "liberty is not the principal and constant object of desire; what they love with an eternal love is equality."



Credit: AP Photo/Dennis Cook

Supporters of a federal minimum wage increase include the vociferous Senator Edward Kennedy.

Perhaps the search for answers on the minimum wage issue overlooks a more obvious solution: lowering the cost-of-living rather than artificially elevating wages. A globally competitive and emerging Indian middle class, for example, leads a comfortable life at roughly one quarter the wages of comparable American workers—because basic costs such as food, education and health care are a fraction of what they are in the United States. It's an idea, but is it achievable?

Social—not economic roots

President Franklin D. Roosevelt signed the Fair Labor Standards Act (creating the federally

mandated minimum wage) in 1938. It has been a flashpoint for debate ever since. Last set by the United States Department of Labor at rate of \$5.15 per hour for "covered" nonexempt employees, it hasn't budged for nine years. In that time, the country has experienced record economic growth and soaring CEO salaries, while a growing class of working poor has drawn the attention of legislators and economists alike.

Proponents of a minimum wage increase argue that a boost is essential for individuals and families struggling to secure life's most basic necessities. Opponents argue that raising the rate will wreak havoc on the American economy by pricing out

low-skill workers and adding unnecessary financial pressure to small businesses. And while the arguments persist in think tanks and congressional committees, homelessness, health care and affordable housing concerns continue to grow.

If the status quo hasn't changed since the last minimum wage increase in 1996-1997, it's not for lack of effort. Several minimum wage bills have been introduced—and shot down—in Congress. And with the federal government's attention on more pressing issues like the Iraq war and homeland security, matters like minimum wage

THE BENEVOLENT WEST



The west coast boasts some of the highest minimum wages in the nation, with Washington and Oregon leading the way at \$7.63 and \$7.50 per hour, respectively.

reform have largely fallen to the states. Several states are predicted to see increased policy activity on the issue. Ohio, Michigan and Arizona are expected to see initiatives on the ballot this year. Currently, 17 states and the District of Columbia have enacted state minimum wage laws higher than the federal rate and most recently on January 1, Santa Fe, New Mexico increased its minimum wage from \$8.50 to \$9.50 an hour, the highest in the country.

While burger flipping teens in Santa Fe may be better off than their peers in other cities, the policy issue remains: At \$9.50 an hour, how much can you charge for a milk shake and still stay in business?

Two sides of the same coin

Legislators—not surprisingly—are divided on the issue. In Kentucky, the state legislature is currently weighing legislation that would increase the state minimum wage from the federal level of \$5.15 to \$6.00 this year and \$6.50 next year. Representative J.R. Gray, who introduced the legislation, believes increasing the minimum wage will only benefit the state. "I believe an increase will have a positive effect. Lower wage earners that will benefit will plow the money right back into the economy."

Gray also emphasizes current economic conditions, the effects of cost-of-living increases on the working class. "People have to make tough choices between health care, heating their home and paying for their groceries. Part of my motivation for this is the belief



Kentucky Representative J.R. Gray

that everyone should have the opportunity to make a decent wage to take care of their families". While he agrees that there are other policy solutions to consider, he maintains that raising the minimum wage is "one of the most immediate actions that can be used" to help low- and moderate-income families.

New Mexico Representative Ted Hobbs disagrees. If New Mexico's pending minimum wage bill passes, it would increase the state minimum wage from the federal rate to \$6.00 an hour next year and \$6.75 in 2008. Hobbs has spoken out fervently against the measure. "We are a very poor state and there is no question that an increase to the

minimum wage will negatively impact businesses and employment." And according to Hobbs, there are other inadvertent consequences to an increase.

"Another side issue is the unintended consequences to health care and other fringe benefits offered to employees." To accommodate an increased wage, Hobbs explains that employers may have to cut benefits. Ironically, he cites a concern for low-wage earners in his opposition to increasing the minimum wage. Hobbs stresses education as the critical tool in improving the lives of the working poor, explaining that increased skill increases an individual's marketability. "In the end, the market should set wages," he argues.

The experts weigh in.



*New Mexico Minority Leader
Ted Hobbs*

Like politicians, researchers love to debate the minimum wage issue as well. Using various theories and economic models, their conclusions when stacked against one another—are at best inconclusive. According to research from the Economic Policy Institute, effects from an increased minimum wage to businesses are minimal to nonexistent. And when specifically examining employments, a 1998 study conducted by the EPI "failed to find any systematic, significant

job loss associated with the 1996-97 minimum wage increase," and that following the increase, "the low-wage labor market performed better than it had in decades."

Other studies show divergent results. According to research from the Cato Institute, an increased minimum wage will present an "artificial barrier" to low-wage workers rather than increasing their job mobility. The free-trade think tank contends further that increased wages result in lost worker mobility as employees lose incentive to bolster their skills. Finally, Cato submits the law of demand, arguing that if the price of labor increases, then the demand for workers—especially of the low-skilled variety—will decrease.

A matter of principle?

Ultimately, the debate over the minimum wage alludes to a greater ideological trade-off: free markets and limited government versus social responsibility. Policy makers on both sides of the aisle express similar concern for low-income families, racial minorities and small businesses, but the ideological divide prevents consensus public policy from emerging from the forge. And as the global market continues to change the rules, politicians—and the Americans they represent—may be better served by framing the issue in its broader terms—and looking for more creative solutions. Since this could mean massively reducing costs rather than benefits, our legislators may find themselves reexamining the billions of dollars spent on the Iraqi war or misspent on the graft worked into the Katrina clean-up. Perhaps



Raising the minimum wage would help many low-wage workers, but there could be unintended consequences.

these dollars could have been better directed to defraying medical insurance premiums for the middle class, boosting teachers' salaries at inner city schools or building lower-cost housing in under-populated rural areas.

About Rosalyn Crain

Rosalyn Crain is a freelance writer and policy associate for a Washington, D.C. trade association.



Common Cause is a national network of active citizens who fight to ensure that powerful institutions in society - including government, corporations, and the news media - serve the public interest, not narrow special interests.

Learn more at
www.commoncause.org.

"I THINK EVERYONE AGREES THAT OUR MINIMUM WAGE POLICY HASN'T BEEN MODERNIZED."

PT talks to Darrell Issa, U.S. Congressman from California and sponsor of H.R. 3732 and H.R. 4505—two bills that would reform the federal minimum wage policy—about health care, the "American standard of life" and the challenges of a global marketplace.

PT: You've introduced legislation to reform the federal minimum wage standards. Talk a little bit about your bills, and the policy issues you had to consider in drafting them.

Issa: When we look at minimum wage, whether people agree with the given level or not, I think everyone agrees that it hasn't been modernized to deal with real revenue received by individuals. If you look at minimum wage simply as what you get on your pay stub, you forget whether or not there are other benefits like tips or health care. Someone could make \$40 an hour in tips and still be subject to minimum wage—and that's really the issue.

I looked at health care benefits first. We have an estimated 44 million Americans without health care, and a large portion of them are working

at or near minimum wage. I realized that we need an incentive program—something that gives employers an incentive to provide some kind of medical coverage. By adjusting the minimum wage upward over time and giving a credit to those who provide medical benefits, we're giving employers an incentive to support their workers while simultaneously taking people out of our emergency rooms and off of public health care.

"Nobody can live on minimum wage and have a typically American type of life."

PT: There are several other bills floating around that address the federal minimum wage. What makes your plan different?



"I'm seeking to modernize the minimum wage."

Issa: We're addressing places only in which there is a minimum wage greater than the federal minimum wage. The idea is to provide for a "soft takeoff," so to speak. As states like California choose to raise their minimum wage, one-ninth of Americans would enjoy the benefits of the changes. Government actions often create undesirable changes in the public sector, so the changes would be measured and phased in naturally. Success in reducing the amount of uninsured in California after we raise our minimum wage would increase national recognition of the incentive plan's merits.

PT: Can't the debate on the minimum wage be reduced to a fundamental conflict between economic and social principles?

Issa: *The minimum wage has been a reality for a long time, and we're in the midst of the longest period we've ever gone without raising the federal level. I believe that it will inevitably be adjusted to reduce or eliminate abuse. People used to talk about illegal aliens getting paid less than the minimum wage—well, no. Today, illegals get minimum wage because it's low enough that it is the bellwether for an incredibly reduced amount. And I think that's the whole point; I think people*

realize that nobody can live on minimum wage and have a typically American type of life. By modernizing it, I think we'll keep it more relevant as a bellwether for what the poorest among us receive.

PT: You've raised two very salient points there. First, that we've gone the longest stretch ever without raising the federal minimum wage, and second, low-wage earners' inability to lead an American-style life on minimum wage. How much of this is a direct reflection of today's global marketplace?

Issa: *That's a good point. In a sense, our immobile minimum wage recognizes that the minimum wage in Mexico is \$16 a day; we're in a global market where our work must compete. But as Americans, we decide that there is a base point, and we do it in a variety of ways. Realistically, if you work on minimum wage you're receiving the wage, plus food stamps, plus an earned income credit and sometimes subsidized housing.*

Whether you factor in all of those other adjustments or not, the minimum wage is a valid reference point, and I don't seek to change it. Other people can battle over how much to raise it, but I'm seeking to modernize it and to make it more effective. I want minimum wage to reflect the same real contribution

to somebody's livability whether or not they have medical benefits. That's the whole idea of the bill. If you're going to pay all cash, that's fine, but if you're going to pay cash in benefits, there should be some credit for that.

PT: Let's stay with the global market phenomenon. Are U.S. minimum wage policies swimming against the current of our bilateral and multilateral trade agreements when we don't demand the same environmental and labor safeguards of our trading partners, in part making it cheaper for goods to be produced there?

Issa: *The effective minimum wage from country to country is always going to be a challenge for the United States. On the one hand, we want ours to be higher, but we also want to be able to produce competitively. I do think that our free trade agreements have gone a long way toward including things like environmental and labor standards that push other countries to reform.*

The United States has done a great job at trying to get those agreements, but we've done a terrible job of enforcing compliance with them. Whether it's intellectual property concerns, environmental issues or human rights abuses, Russia and China top the list in virtually every category when it comes to not keeping their agreements. They're happy to make them, they're just not happy to keep them. It's really an issue of enforcement.

Darrell Issa represents California's 49th Congressional District. He is chairman of the Government Reform Committee's subcommittee on Energy and Resources.



"The idea is to provide for a 'soft takeoff,' so to speak."

"IDEOLOGY CANNOT BE ALLOWED TO TRUMP COMMON SENSE."

PT talks to George Miller, U.S. Congressman from California and sponsor of H.R. 2429, a bill that would boost the federal minimum wage.

PT: At the end of the day, is the minimum wage debate actually a conflict between economic and social principles? Can it be reconciled?

Miller: *When it comes to raising the minimum wage, we actually do well by doing good. It is wrong that in 2006 a person can work full-time, all year, in the richest country in the history of the world, and still not earn enough to make ends meet in even the most basic ways. That is wrong, and it is immoral. It's also bad policy. By putting more money into the pockets of people who will go out and spend it, we will boost the economy. Even Wal-Mart CEO Lee Scott acknowledged as much, when he said that raising the minimum wage would actually help his business.*

PT: We are in the middle of the longest stretch ever without a minimum wage increase. How

much is this a reflection of the new global marketplace, and what other factors are in play?

Miller: *This is a reflection of one thing, and one thing only: the fact that Washington Republicans' priorities are totally out of sync with the rest of the country. Surveys regularly find that Americans support an increase in the minimum wage. But Washington Republicans have consistently put the powerful special interests ahead of American workers.*

The legislation I have proposed is modest: it would raise the minimum wage from \$5.15 to \$7.25 in three steps over a little more than two years. It would also extend the minimum wage to the



"Nothing is perfect, and that includes free markets."

Commonwealth of the Northern Mariana Islands, a U.S. territory. Research has consistently shown that such a modest increase would not affect employment levels.

PT: What is the ultimate policy goal of raising the minimum wage, and what other policies are being pursued in Congress to make this goal a reality?

Miller: *America should make a deal with all Americans. Here's the deal: if you work hard and play by the rules, then you will be able to have a*

decent standard of living. You will be able to have affordable health care, safe and decent housing, enough nutritious food to eat. You will have financial security in your retirement. In the richest country in the history of the world, this is a fair deal. The minimum wage is one step toward making this deal a reality. Pension reform, universal healthcare and universal childcare are other steps toward it.

PT: Ultimately, the debate over the minimum wage alludes to a greater ideological conundrum: free markets and limited government versus government intervention and social responsibility. Does this necessarily prevent consensus public policy on the issue, and what are the best (practical) opportunities to strike a compromise?

Miller: *Ideology cannot be allowed to trump common sense. America owes much of its economic strength to free markets, and to the entrepreneurialism and innovation and spirit of the American people. But nothing is perfect, and that includes free markets. Protections against the worst excesses of the free markets—protections like wage standards and labor unions—helped spread the wealth and create the American middle class. Now, with those protections being constantly eroded, the middle class is shrinking. More and more Americans are joining the ranks of the working poor, while the richest Americans are growing even richer—beyond anyone’s wildest dreams. That growing inequality threatens our social fabric and our whole way of life.*

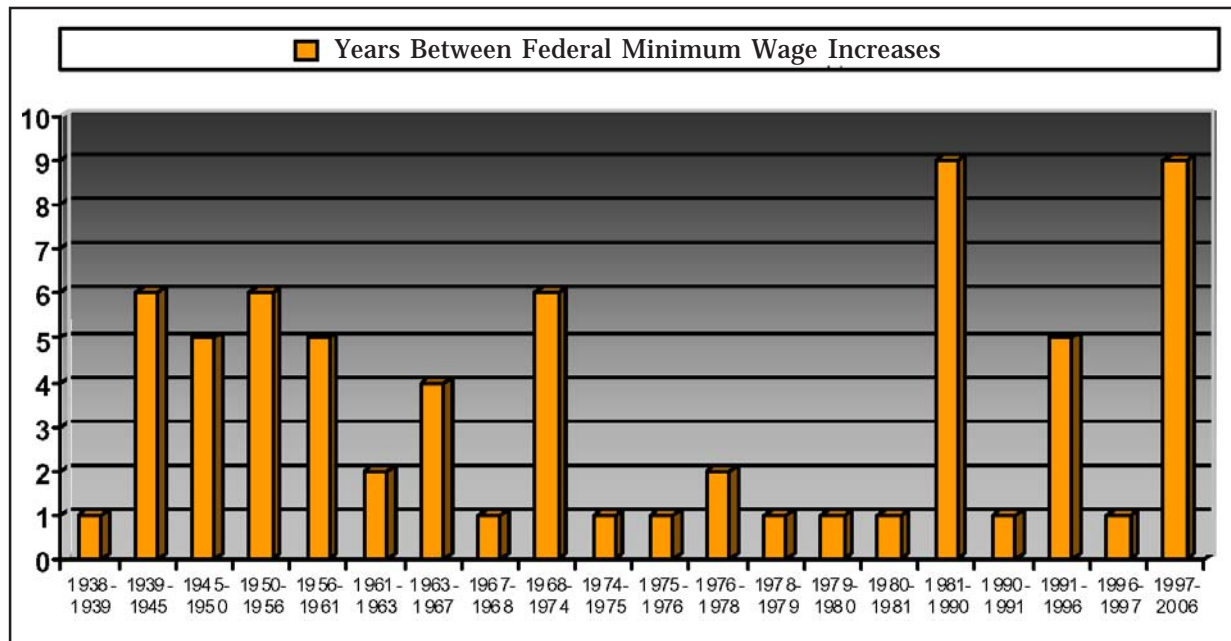
PT: Realistically, what are the odds that we’ll see some movement on minimum wage legislation in 2006?

Miller: *Democrats will continue to fight every day to raise the minimum wage. But Republicans control the White House, the House, and the Senate, so this will be an uphill battle.*

George Miller represents California’s 7th Congressional District. He is chairman of the Democratic Policy Committee and the top ranking Democrat on the House Education and the Workforce Committee.



“Surveys regularly find that Americans support an increase in the minimum wage.”



CUTTING OUT THE MIDDLE MEN

California Assemblymen Keith Richman and Joe Canciamilla are saddling up for one last reform ride. This time, they're taking aim at the system itself.

by Raheem Hosseini

Assemblymen Joe Canciamilla and Keith Richman are leaning back on the last legs of their termed-out assembly seats, but they have a doozy of a closing act in the offing.

In a time when true bipartisanship is something of a pipe dream, Canciamilla and Richman are throwbacks to more cooperative days. Founders of "The Bipartisan Group" in the California Legislature, they're now setting their sights on an issue dear to every politician's heart: electoral reform. And to do the heretofore impossible—change the way politicians are brought to power—both men are turning to a most unlikely source of inspiration: British Columbia.

That's right, in this era of Freedom Fries and Liberty Pig Strips (Canadian bacon for the uninitiated), Canciamilla and Richman have looked to our

neighbors to the north for ways to fix an electoral process that both say is broken.

"Whether you're talking about education, the state's fiscal situation, the lack of infrastructure investment, health care, affordable housing or energy, there is a long list of problems and issues that the Legislature has not addressed," says Richman.

Power to the people?

The two maverick legislators saw a potential remedy in the "British Columbia Citizens' Assembly on Electoral Reform." As advertised, it's a body formed by 160 average voters, randomly selected from their districts and brought together for a year of meetings, research and public hearings as they try to find out what happens when things stop being polite and start getting political. Assigned a very narrow mandate—in this case, electoral reform—the group gets to work, consulting experts and conducting research on its way to placing a referendum before voters.



Credit : AP/Rich Pedroncelli

The governor's reform efforts fell flat in 2005. Could Richman (left) and Canciamilla (right) gain traction with a citizens' assembly?

But wait a second. Average Joes and Janes making recommendations about our electoral process that will actually be put on the ballot? Isn't that what politicians are for?

"No," say Canciamilla and Richman.

"It is designed to bypass the Legislature because we believe that there is an inherent conflict in the Legislature making decisions over how its own members are elected," reasons Canciamilla. And while many in Sacramento wring their hands at just how woeful the system has become—the corrupting influence of money, lobbying groups and partisan politics are favorite targets—few will admit that handing over control to the people is an appetizing notion.



Assemblyman Tim Leslie

"The idea that you would try to gather people together that didn't know anything what they were talking about and putting them into a group to come up with reforms, I'm not convinced that would work real well," says Assembly Member Tim Leslie, (R-Roseville), the senior member of the Legislature. "Caring about government isn't necessarily enough to understand the operations of it."

But Canciamilla points out there's nothing that particularly qualifies politicians to make such decisions either, except the desire to serve and the access to resources that comes with the title. "Well, how do we make sure the Legislature's qualified to do that?" chuckles Canciamilla. "Part of it is simply trusting that we can make good decisions based on good information and common sense."

Some would argue that the California Legislature's recent track record proves Canciamilla's first point. His second is illustrated better by others. David Wills, a computer systems consultant in British

Columbia, served as co-chair of his province's citizens' assembly when it was formed in 2004. He says he was part of a large group of assembly members learning on the job. The two things that distinguished them, he says, were a propensity toward community involvement and an openness to ideas.

"There was a very strong feeling, a lot of excitement actually, that hey, we can do this," Wills says. He's not alone in his sentiment. "There have obviously been comments about average folks making decisions, but I have a lot of trust in the people," says Richman. "The process in British Columbia was a real validation of that."

Making it work

The three-pronged process began with three months of research, followed by 50 public hearings held throughout the province. The group then sifted through 1,600 written submissions before getting together for another six weekends to hammer out recommendations. Was getting 160 people to agree on a single recommendation difficult? Surprisingly not, says Wills. "I think it was fair to say that there were some people in the assembly that were quite expert (at electoral reform)."

While the assembly's recommendation fell short at the polls—the referendum needed 60% to pass and mustered 57.6%—Wills blames that on a non-existent education campaign and the high threshold set by his government. The former has already been addressed by Canciamilla and Richman's proposal.

Education is actually a key part of it, says Rob Dickinson of Californians for Electoral Reform, the group that wrote the legislative proposal the bill is based on. Roughly \$20 million is set aside for the proposal, with some \$5 million being spent on organizing and funding the assembly, leaving about \$15 million for public outreach and education. "And that's a lot of money," says Dickinson.

Money for outreach is crucial, says Dickinson, because electoral reform issues can be tenuous

"I think it's a way to reengage the citizenry."

beasts to grasp, with redistricting initiatives failing in both California and Ohio last year. "People don't know much about electoral systems in the United States," he says. But when the funds are put into outreach and education campaigns, "the people generally get it."

The 60% threshold set in British Columbia, Wills believes, was "a political price that had to be paid to get the government to agree to the citizens' assembly." Whether the same thing will happen here remains to be seen. In fact, it remains to be seen whether Assembly Constitutional Amendment No. 28 can even get a hearing.

An uphill battle

"It's a very interesting new idea," says Ted Muhlhauser, chief of staff to Assembly Member Betty Karnette, (D-Long Beach), who sits on the

Committee on Elections and Redistricting. But it's one of many bills on the committee's docket that Muhlhauser says the assemblywoman hasn't had a chance to review. Canciamilla and Richman seem reconciled to the fact that they have an uphill battle ahead of them. Asked about the influence this election year may have on scheduling a hearing, Canciamilla says, "It won't matter if it's an election year or not; this is the kind of political issue that I think would be problematic no matter when it was introduced."



David Wills

Lawmakers may have done themselves no favors by foregoing earlier, less threatening drafts written up by Dickinson. "By and large it's the same idea, but they took it a step further," Dickinson commends. "They made the bill a constitutional amendment bill...which I didn't do because politically, it would make it harder to find authors."

By making it a constitutional amendment, any recommendation made by the citizens' assembly would automatically be put to a referendum for the people to vote on, something Wills says was crucial to the integrity of British Columbia's assembly. Otherwise, the citizens' assembly is just another political feint meant to appease an ever-cantankerous public. "I think it's a way to reengage the citizenry in what's going on," says Richman. "Right now the citizens of California are disillusioned with their government."

While Canciamilla says there's no Democratic agenda when it comes to shaping recommendations by the citizens' assembly, Leslie thinks the uproar over corrupt reapportionment is much ado about very little. "I don't necessarily think there needs to be a goal of electing moderates. What we need to do is elect people that really care about doing a good job," he says. "I think that what's missing on the understanding is that there are some very important issues involved and there are some really honest differences of opinion about them. And it seems like everyone's eager to find a

"The real question is whether the politicians believe in democracy. Do they want to take a chance on democracy?"

way that we don't have to argue with each other." In other words, governance is supposed to be difficult. But should it be tortuous?

The "partisan gridlock" Richman refers to is the fault of "legislators who are unwilling to compromise and break out of the agendas that are set by the special interest groups on either side." Interestingly enough, Leslie is somewhat in agreement, saying the longer he stays in the Legislature, the more he notices the corrosive influence of money and special interest groups. "And I don't know what to do with that, exactly," Leslie says. "The only thing you would accomplish by denying people the right



The British Columbia Citizens' Assembly convenes.

to associate with one another to present ideas to the Legislature is that you would weaken every profession so that they wouldn't be able to stand up for their beliefs."

And while a citizens' assembly comprised to discuss electoral reform would have no say about campaign financing, its recommendations could still have an impact. In British Columbia, for instance, while there are no current plans for another citizens' assembly, a repeat referendum has already been scheduled for 2008 because of the close vote this time with an education campaign. "The real question is whether the politicians believe in democracy," says Wills. "Do they want to take a chance on democracy?"

As they have throughout their tenure in the Legislature, Canciamilla and Richman are taking that chance. Whether their legislative colleagues and fellow Californians choose to follow is another story.

About Raheem F. Hosseini

Raheem F. Hosseini is a reporter and columnist living in Folsom, California.

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U.S. FARM SUBSIDIES: BILLIONS AND BILLIONS SERVED

What's the real cost of an ear of corn?

by James Pethokoukis

It sounds all too familiar. A New Deal-era government program that many critics assail as misdirected and in need of fundamental reform—or perhaps irreversibly broken. Social Security? You bet. But that description seems just as relevant for America's farm subsidy and price-support programs. But unlike Social Security reform—a go-to-the-mattresses cause for only conservative Republicans and free-market think tanks—U.S. agricultural policies have somehow managed to draw heavy flak from both the Left and the Right.

"Look, I think we need something of a safety net or support for farmers, but the one we have right now is taking us in the wrong direction," says Ken Cook, president and founder of the Environmental Working Group in Washington, DC. "Whether it's from a fiscal-conservative perspective or an environmental perspective, the whole thing is out of kilter."

Only a cursory examination of U.S. farm policy is needed before sensing that something is askew. Budget expert Steve Stanek of the free-market Heartland Institute in Chicago, recalls reading

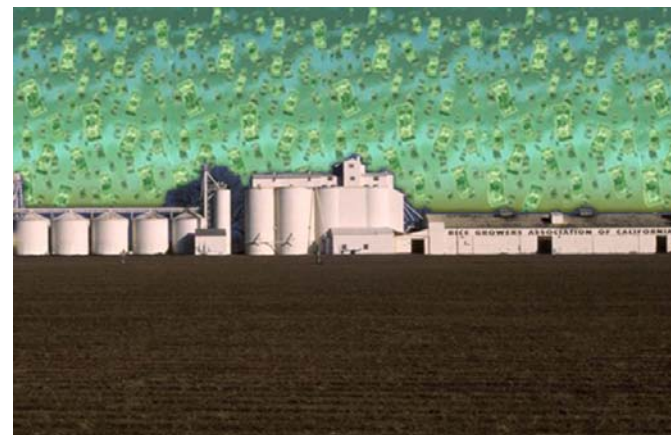
several years back how reporter Sam Donaldson of ABC News fame had received nearly \$1,000,000 in government payments for raising Angora goats for mohair. "This raises at least two questions," says Stanek. "Why was multi-millionaire Sam Donaldson receiving a taxpayer subsidy for anything, and why should mohair, of all things, have been subsidized? Was there a mohair crisis that demanded taxpayer funding to solve?"

Good policy—once upon a time

When Congress enacted the Agricultural Adjustment Act back in 1933, there was a crisis that seemed to call for taxpayer attention. Farmer incomes throughout the country were collapsing as the Great Depression deepened. But today's farm situation isn't going to remind anyone of the hardscrabble scenes famously depicted in

"Why should mohair, of all things, have been subsidized? Was there a mohair crisis that demanded taxpayer funding to solve?"

John Steinbeck's *Grapes of Wrath*. According to a subsidy database compiled by the EWG, American taxpayers spent a staggering \$143.8 billion on direct farm subsidy payments from 1995 through 2004. Of that amount, more than \$104 billion—72%—went to just 10% of recipients, including large farming operations, cooperatives, partnerships and corporations such as Archer Daniels Midland and Tyson Foods. And nearly a quarter of that dough, or \$33.7 billion, went to



California rice farmers are awash with government subsidies.

just 31,294 recipients. Each of them got an average check for just over a million dollars.

What crops are benefiting most? Some 90% of subsidies are paid to producers of the so-called "white" commodities—cotton, dairy, sugar and rice—as well as soybeans. But out of more than 400 domestic crops, few receive subsidies. "Most fresh produce you see in grocery stores gets to market without taxpayer subsidies," says Stanek. "And those foodstuffs—tomatoes, lettuce, onions, potatoes, mushrooms, grapes—generate enough profit to keep their producers in business."

Direct payments are probably the most notorious subsidies, but they aren't the only ones. The government also employs tariff rate quotas, which allow only a limited amount of certain commodities to be imported by selected foreign producers at low or zero tariff rates. Any imports above the quota get whacked by a higher tariff rate. A 2000 study

by the General Accounting Office estimates that Americans coughed up over nearly \$2 billion a year extra for sugar because of import quotas. "Sugar is a perfect example of an industry where a small group of producers reaps huge gains from a program where the costs are borne by an unsuspecting public," says Daniel Griswold, director of the Center for Trade Policy Studies at the libertarian Cato Institute. And all those billions can really add up. In 2004, according to the Organization for Economic Cooperation and Development, total government support for farm production in the United States came to nearly \$47 billion.

The ripple effect

And it's not just consumers who get hit. Non-subsidized farmers suffer, as well. After all, they have to compete for land, fertilizer and other agricultural inputs against those "sectors being artificially promoted by the government," says Griswold, who adds that inflated commodity prices here at home can also indirectly squeeze companies and their workers. He points to the example of Kraft, which in 2002 announced it was closing a Lifesavers factory in Holland, Mich., and relocating production to Canada. There, the company could buy sugar at world market prices half that of domestic rates.

To many, the whole farm subsidy system looks like a classic case of government intervention, driven by powerful interest groups and their lobbyists, gone awry. But the program has its apologists. When President Bush proposed cuts to agriculture subsidies in his most recent budget, members of

the House Agriculture Committee responded with a litany of reasons to keep the dollars flowing. "Agriculture producers and their lenders need the stability promised in the 2002 farm bill," argued Congresswoman Marilyn Musgrave (R-CO). "Current market conditions make it unwise to implement further changes this year." Protests came from across the aisle as well. "We need to remember that farmers feed the nation, and the percentage of disposable income we pay for food in this country is the lowest in the world," says Congressman Leonard Boswell (D-IA). But does our cheap rice come at the cost of logical policy?



Corn is another heavily subsidized U.S. crop.

Talk about unintended consequences. A country with a supposed belief in the power of free markets, says Stanek, has created a system that encourages farmers to grow crops that have price supports, resulting in overproduction that drives down the open market prices. As a result, larger subsidies are required to ensure that end prices hit government-guaranteed minimums. Meanwhile,

there are other farm programs that pay farmers to take land out of production. "There are thousands of businesses and industries in this country that must sink or swim on their own. None that I can think of is more protected than agriculture," he says.

Another unintended consequence of American farm policy is its contribution to depressed global commodity prices, which exacerbate poverty in places such as sub-Saharan Africa and Central Asia. Griswold points to cotton as a prime example. He notes that in 2002, according to the poverty agency Oxfam, the U.S. government provided \$3.4 billion in subsidies to domestic cotton growers. That's nearly twice the total amount of U.S. foreign aid sent to sub-Saharan Africa and more than the GDP of Benin, Burkina Faso and Chad, the region's main cotton producers. "This has a damaging effect on America's reputation around the world," he says. It also undercuts our moral authority, he continues, when the U.S. demands—as it has been doing in the recent Doha Development Round of world trade talks—that the EU dismantle its farm subsidy programs.

Will efforts at farm policy reform fare better than Social Security reform? Cook, like many observes, is at least mildly optimistic: "You have such diverse sources of opinion who agree the system is broken that I expect there will be the strongest effort at reform that we have ever seen."

About James Pethokoukis

James Pethokoukis is a senior writer for US News & World Report.



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