



# CASCADE UPDATE

Vol. 10, No. 3

Cascade Policy Institute • Portland, Oregon

Fall 2003

## Globalization is grrrreat!

By Tom G. Palmer, Ph.D.

In 2002, Oregon recorded over \$10 billion in foreign exports. To fixate on that figure, however, is to see the forest not the trees. The freedom to trade, whether across town or international borders, is a means to improving the quality of a person's life—on both sides of the transaction.

Just before this newsletter went to press, the World Trade Organization (WTO) held its Fifth Ministerial Conference in Cancun, Mexico. One could comfortably predict street protests in Cancun against "globalization," like predicting rain in Seattle, the 1999 site of the WTO's third such contentious conference.

This past spring, Cascade's research intern Joseph Coon organized an event at Portland State University for [Cato Institute](#) senior fellow [Tom G. Palmer, Ph.D.](#) Palmer's talk, "Globalization Is Grrrreat!" highlighted why free trade is efficient, moral and a natural facet of civilized societies. Below is a timely, abridged version of that presentation.

Many people have strong feelings about globalization, but I'm not going to talk much about feelings. I'll talk about reasons, logic, and evidence. It matters that the arguments make sense, that they be capable of being verified or refuted, and that we engage the heart through the mind. I hope to engage your minds so that you may engage your hearts on

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the side of humanity.

It's common for opponents of globalization to use the term as a catchall for all the features of human life that they don't like. I'll use "globalization" more precisely to refer to the diminution or elimination of state-enforced restrictions on exchanges across borders and the increasingly integrated and complex global system of production and exchange that has emerged as a result. The pressing questions are what the effects of globalization actually are and whether they're beneficial or harmful.

The core policy issue is whether a border should be used to stop transactions that would be allowed if both parties were on the same side of it. Should American wheat farmers be allowed to buy cell phones from people in Finland? Should Ghanaian weavers be allowed to sell the shirts and pants they make to German autoworkers?

I think that the answer is yes. Opponents



**"We are Mayan women.... We speak different languages and live in different villages, but are united by the common goal of becoming economically self sufficient while working with the materials and methods traditional to our communities." So states the web site for [Trama Textiles](#), a worker-owned Guatemalan weavers co-op, which sells to the world through the Internet.**

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## Blame politicians, not Measure 5

By Jamie Voytko

Over a decade ago, Oregon voters rallied to the polls and passed Measure 5 to grant themselves some much needed property tax relief. During the recent legislative session critics assailed Measure 5, blaming it for state and local government budget woes. However, a review of Oregon's finances tells a different story.

Until the recent recession, the General Fund never lacked revenue. Income tax receipts in the booming '90s played a principal role in elevating state spending to unsustainable levels. Legislators couldn't control themselves; they spent everything they could. Thus, rather than being a cause of Oregon's difficulties, Measure 5 (M5) helped prevent an even greater budgetary shortfall by limiting government revenues.

Taxpayers enjoyed—and are still enjoying—millions in savings each year thanks to property



**Cascade intern Jamie Voytko conducts research on Measure 5.**

tax limitations. From 1991 to 2000, M5 property tax savings were \$5 billion. That's \$5 billion not spent on never-ending entitlement programs and special interest legislation.

Nonetheless, property tax limitation alone has been insufficient to control the growth in government spending. To borrow an analogy used elsewhere in the literature on state budget growth, government spending is like a balloon; if you squeeze it in one place, the balloon bulges out somewhere else.

Oregon exemplifies this analogy. After voters passed M5, Oregon public officials raised charges and fees to compensate for shrinking property tax revenues, and it shows. Oregon is ranked the fourth most dependent on non-tax revenue among all states. Oregonians pay 6.7 percent of their income to "Charges and Miscellaneous" for a total of 30.2 percent of all state and local revenues. Oregonians have also consistently shouldered an income tax burden that

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# Hope in the aftermath

Mark Twain told us, no one is safe while the Legislature is in session. By that measure, Oregonians were the least safe in 2003, as we endured the longest legislative session in state history: 227 days. Unfortunately, tax laws passed during this session may keep most of us economically in danger long after the 90 politicians have gone home.

The biggest threat is the \$800 million “temporary” income tax surcharge Gov. Kulongoski signed into law the last day of the session. Kulongoski previously assured Oregonians he opposed such a general tax increase until faith in government had been restored.

Faith in government may be defined in various ways, but it clearly hasn’t been restored: The first statewide poll on the surcharge showed 65 percent of voters disapproving. Even Multnomah County voters (who in May enacted this state’s first-ever county income tax) registered a 60 percent

disapproval of the tax hike.

After legislators approved the tax increase an *Oregonian* editorial asked those who opposed it to say what they would have done differently. The editors could have read Rep. Wayne Scott’s op-ed in which he documented approximately \$800 million in “Other Funds” budgets that were constitutionally available to fill the so-called General Fund budget gap.

Why three out of every five legislators opted to saddle Oregonians with higher taxes, rather than use funds already in government coffers, baffles the rational mind. Then again, the words “rational” and “politics” don’t often roll off the lips in the same breath.

The issue is not simply about money. It’s about people being able to live their lives as they choose, to pick their path and follow it. Thomas Jefferson noted, if you control a person’s subsistence you control his life. As government takes more of our money, the

more control government exercises over our lives, and the less control we personally have.

Now, the good news: The Legislature’s actions have sparked interest in state government. For example, a referendum petition being circulated by Citizens for a Sound Economy-Oregon and the Taxpayers Association of Oregon seeks to give voters the opportunity to repeal the \$800 million tax increase. Interestingly, if sufficient signatures are collected by November 25, the referendum would take place next February. One year earlier, Oregonians rejected Measure 28—another legislative attempt to increase control over our lives through higher taxes.



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*Cascade Update* is published quarterly by Cascade Policy Institute, Oregon’s premier public policy research organization. Nothing in *Cascade Update* should be construed as an attempt to aid or hinder the passage of any legislation, or as an endorsement of any candidate.

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# HOT Networks: A transit solution

*By Robert W. Poole, Jr.*

Robert W. Poole, Jr. is director of transportation studies at the Reason Foundation in Los Angeles. He spoke at a July 15 Cascade Policy Institute breakfast before an audience that included Washington and Oregon state legislators, and representatives of TriMet, the Port of Vancouver, Federal Highway Administration, Clackamas Co. Dept. of Transportation and Development and City of Beaverton. The article that follows is a synopsis of his presentation.

The report cited, *HOT Networks: A New Plan for Congestion Relief and Better Transit*, can be read at [www.rppi.org/ps305.pdf](http://www.rppi.org/ps305.pdf).

The basic idea of HOT Networks is to marry two promising innovations in urban transportation—High Occupancy Toll (HOT) Lanes and Bus Rapid Transit (BRT). Instead of continuing to add carpool (HOV) lanes, metro areas would convert to the HOT concept, under which most users would pay a market-based toll to gain access. And, instead of continuing to pour billions into rail projects that handle at best a few percent of trips, there would be a shift to high-quality bus transit on these limited-access lanes.

Things are looking up for the concept. First, the country is in recession, and all public-sector budgets are under great pressure. The idea of a new funding source—toll-backed revenue bonds—is suddenly more appealing. Second, we have new data from San Diego indicating

public support for their I-15 HOT lane in the 70 to 80 percent range. The project is so successful that not only is the I-15 project to be quintupled in size (from 16 to 80 lane-miles), but San Diego’s long-range transportation plan now includes HOT lanes on most of the other freeways in the county.

But most important of all, we now have some plausible numbers to suggest what full-fledged HOT Networks would cost to build and how much of that cost might be covered by toll revenue bonds. Those numbers come from a Reason Foundation policy study, released last February, by Ken Orski and me. Ken and I based our work on the latest long-range transportation plans from the metropolitan planning organizations (MPOs) in eight of the most-congested metro areas.

We mapped out the extent of HOV lanes planned over the next 25 years and then filled in missing links and freeway-to-freeway connectors sufficient to establish a seamless network of what the Texas Transportation Institute now calls “managed lanes.” We used generic (but conservative) cost estimates to develop the total capital cost of building out each network. That was the easy part.

We set about estimating the potential toll revenue that might be generated. Here we had to face up to a policy choice. Thus far, HOT lanes have been operated with greater or lesser favoritism toward carpools. Houston’s two projects let HOV-3s go free, but require payment by HOV-2s. In California, Orange County’s lanes charge

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# Interview with an educational entrepreneur

“Within minutes of walking into [Northwest Academy](#) and talking to school founder Mary Folberg it’s evident she cares passionately about education and creating the best school possible,” states former Cascade education policy analyst Nick Weller. “It’s also quickly clear that her school is much different than traditional public schools, and she takes delight in those differences and the freedom she has in the private sector.”

Folberg started Northwest Academy in 1997 after three decades as an educator in the Portland Public School (PPS) district. Northwest Academy now enrolls 63 students at the high school level and 25 in the middle school. Her experiences in the district and as an education entrepreneur speak volumes about the systemic problems in education and possible solutions.

Prior to starting Northwest Academy, Mary Folberg taught for 28 years at Jefferson High School in North Portland. In the late 1960s and early 1970s she developed Jefferson’s dance program. She has worked professionally as a dancer and taught in the Oakland, California public schools. Folberg has a bachelor’s degree in English Literature and dance, and a graduate degree from San Francisco State University.

Weller conducted the following interview with Folberg in July.

**Cascade:** What are your best memories from the 28 years you spent in Portland Public Schools?

**Folberg:** Every kid had access to the schools. There were some really great teachers and a few equally good administrators. Kids are fun to work with, and they have similar problems and concerns regardless of their social or economic backgrounds. It was nice when I could do good work and be able to do it with kids regardless of their finances.

**Cascade:** What types of problems did you notice at Jefferson and in the Portland district?

**Folberg:** Most of the problems were the same as other teachers faced; they were systemic. For instance, Jefferson was a magnet school for the arts, but we’d get teachers and administrators who didn’t support arts.

Portland public schools, and probably all big districts and bureaucracies, have a tendency to settle into a level of mediocrity. Administrators and the teachers union lacked a commitment to excellence, and there was strong resistance to real change. Decisions were rarely made according to what was best for students. Instead decisions were made based on politics, public perception, and hanging on to the status quo.

**Cascade:** Those problems seem to afflict the entire district, what were your specific

problems at Jefferson?

**Folberg:** The culture could be tremendously patronizing to students at Jefferson. There was a tendency to pat a kid on the back because he was a minority, even if he didn’t really earn the praise. It created a phony social system where kids knew they weren’t being rewarded for hard work or success. When you reward a minority kid over a white kid simply because the minority met some relatively low standard of success, you have a values problem.

Paternalism towards minority kids is both-ersome because it’s the most insidious form of racism. It tells them they aren’t really capable, but they are. We have minority students at the Academy and there’s no difference in standards. All the kids meet them.



**Northwest Academy founder Mary Folberg addresses students on the first day of classes.**

**Cascade:** Out of these problems and concerns, how did Northwest Academy come to be?

**Folberg:** I was frustrated with the way things were going at Jefferson and in the district. I wanted to start a program for bright, artistic kids whose needs were not being met. As a form of therapy I used to write about how I would build a model school. I wanted a structure that could support the high-powered, creative kids. Of all the drop-outs I saw, the ones that hurt most were the really bright kids who got bored or disillusioned in school.

I first spent a year negotiating with the PPS administration in the early 1990s about starting a school within the district. However, so many obstacles were placed in the way it was clear the proposed school would never succeed. For example, I would have had to hire instructors from the current teaching pool, and the people in that pool are often the worst teachers in the district. I would have been restricted to hiring certified teachers, regardless of their competence. I wouldn’t have had the freedom to mold or develop a different administrative system. Essentially there would have been little ability for me to cre-

ate a new school.

I then spent a year traveling to Salem, talking with legislators about charter schools, but that didn’t go anywhere. The charter school legislation passed in 1999 is too watered down to be effective.

*“As a private school we’re market driven, and public schools need to be more so.”*

—Mary Folberg  
Founder, Northwest Academy

**Cascade:** What is different about your school?

**Folberg:** We’ve eliminated age and grade levels. We work towards proficiency, regardless of age or grade level.

It would be more cost effective for PPS to throw out grade levels and put kids where they need to be using a continuum proficiency based system. That’s what the Oregon Legislature tried to lay out in its 1991 school reform act.

**Cascade:** Do you think public schools can ever achieve the goals and vision set by the legislature?

**Folberg:** Public education has systemic and political problems. It is not going to reform itself. It just can’t and won’t happen.

The political piece involves the Oregon Education Association and the stranglehold it has on the state, as well as the clout of the Oregon School Boards Association and administrators groups. The systemic part is, the people who make decisions, and are the highest paid, in most school bureaucracies have little or no contact with students or teachers. That’s backwards. The ultimate goal is providing a great education in the most cost-effective way possible; that can’t be dictated from far away. The highest paid person should be the master teacher who works with kids, develops teachers, and contributes to policy decisions.

Every school should be pretty autonomous. A master teacher and a business administrator could run the school. Let them find the best, most efficient solutions. A school should control its own budget. If it wants to hire a grant writer or curriculum person, it can pool with other schools. That way change happens from the ground up, not as a top-down process. Schools should have a council of master teachers who make education and policy decisions.

**Cascade:** How has the Academy changed over the years?

**Folberg:** This school started as a benevo-

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of globalization, from the left and the right, from Ralph Nader to Patrick Buchanan and Jean Marie Le Pen, say no. Before I explain why I say yes, let me emphasize that the debate is not about the interaction of numbers but about the interaction of real people, people of flesh and blood with bodies and minds and lives of meaning and significance.

To put some of that flesh and blood on the formal arguments, let me tell you a story. Last year a Mayan friend who teaches anthropology in Guatemala took me to the Mayan highlands. He told me that anthropologists from Europe and the United States who want to “study” the Indians complain that many Mayan women don’t wear their beautiful and laboriously handmade indigenous clothing every day. That garb is increasingly reserved for special occasions, such as christenings and weddings. The reaction of the visitors is almost uniformly one of horror. The Mayans are being robbed of their culture, they say. They are the front-line victims of globalization and cultural imperialism.

## *“Free trade is ...a human right.”*

The visitors don’t bother to ask the Mayan women why many of them don’t wear traditional clothing, but my friend does. The women tell him that they don’t wear their handmade clothes because they have become *too expensive*. Now, what does it mean for handmade clothes to become too expensive? It means that the labor of a Mayan woman *has become more valuable*. Instead of spending hours and hours at a handloom making a shirt to wear, she can spend that time making the same shirt to sell to a lady in France and use the proceeds to buy three outfits—and eyeglasses, or a radio, or medicine against dengue fever. Or women can make something else and still be able to buy more of the things they value. They’re not being *robbed*. They’re becoming *wealthier*. And from their perspective, that’s not a bad thing. But from the perspective of what my friend calls the anti-globalization “poverty tourists,” who like to take pictures of colorful poor people, it’s a big disappointment.

So when we discuss globalization, let’s keep in mind the women who make garments that are now becoming too expensive for them to wear every day. Those are the flesh and blood people whose fates will be decided, for better or for worse, by the debate over globalization. Will they become

richer or poorer—will their lives be longer or shorter—as a result of wise or foolish policies?

## *Myths about Globalization*

**Globalization eliminates jobs.** Trade policy doesn’t affect the number of jobs, but it does affect the kinds of jobs people have. If protectionism increases the number of jobs in import-competitive industries, it correspondingly decreases the number of jobs in exporting industries, that is, in the industries that produce goods that *would have been* exchanged for the goods that *would have been* imported but are now made more expensive by tariffs or excluded by quotas. Exports, after all, are the price we pay for imports, as imports are the price foreigners pay for our exports, so if you cut down on the value of goods imported through a tariff, you diminish the value of goods exported to pay for those imports. That means job losses in exporting industries.

**Globalization directs capital where wages are lowest and exploits the poorest workers.** If it were true that capital flows where wages are lowest, we would expect Burkina Faso and other impoverished low-wage countries to be awash in foreign investments. The claim has testable implications, so we can check. During the 1990s, 81 percent of U.S. foreign direct investment went to three parts of the world: desperately poor Canada, impoverished Western Europe, and starving Japan. Developing nations (with rising wages) such as Indonesia, Brazil, Thailand, and Mexico accounted for 18 percent. And the rest of the world, including all of Africa, shared the remaining 1 percent. Investors put their capital where it will yield the highest return, and in general that is where wages are highest, not lowest. Further, enterprises set up by foreign investors tend to pay higher wages than domestically owned enterprises, because the foreigners want to attract and retain the best workers.

**Capital is exported from rich countries to the Third World creating sweatshops, which then export lots of cheap goods to richer nations, generate trade surpluses, and undercut manufacturing in rich countries, so all are made worse off.** I hear that kind of story on college campuses frequently. It’s so confused it’s hard to know where to start. First, it’s not possible to have both a capital account surplus and a trade surplus at the same time. If you export more than you import, you’re getting something in exchange for your exports, and what you’re getting is ownership of assets—or net investment—in the countries to which you’re exporting. If you

import more than you export—as the United States has done for some decades—you have to sell something to the foreigners who are sending you their products, and what you’re selling is assets, such as shares in companies. The fundamental accounting identity is Savings – Investment = Exports – Imports. Most of the scare scenarios conjured up by opponents of globalization rest on simple ignorance of the most basic elements of international trade accounting.

**Globalization causes a race to the bottom in environmental and labor standards.** Another fallacy is that capital flows where environmental and labor standards are lowest. But check the facts. Investors invest where returns are greatest, which tends to be where labor is most productive, which is where people are correspondingly richer—and richer people tend to demand better, not worse, environmental amenities and working conditions. The two cases most commonly cited as examples of allegedly negative environmental effects of trade agreements—the “tuna/dolphin” and “shrimp/turtle” cases—show a race to the top, not to the bottom, as other countries have adopted U.S. legal standards to protect dolphin and sea turtles.

The same is true of working standards. Jobs in foreign-owned enterprises are usually greatly sought after, because they both pay higher money wages and offer better working conditions than the domestic alternatives.

**Globalization creates a homogeneous American culture around the world.** It is indeed true that the United States is a cultural attractor and that some people—usually elites—oppose that. But consider the craze that has taken the entire world by storm, the little English wizard Harry Potter, or the craze that swept through seven-year olds the world over a few years ago, the Japanese Pokemon phenomenon, as well as Japanese Animé, India’s “Bollywood” film industry, and so many other contributions from non-American cultures, all of which are enriching us and each other. Not to mention Thai food, or the ability to listen to songs recorded in virtually every language spoken on the planet. If cultures are kept hermetically sealed and unchanging, they cease to be human cultures; they become museum exhibits. Globalization is culturally enriching.

**Globalization creates inequality.** The causes of rising or falling inequality are complex, but there is substantial truth to the claim that globalization causes inequality: the wealth gap between countries that have closed economies and those that have free trade keeps growing. That’s not the inequality the anti-globalizers have in mind. Within

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countries that have opened their economies to trade and investment, middle classes have grown, which means less income inequality, rather than more.

*“Global trade is the fastest route to the elimination of child labor and its replacement by child education”*

## Benefits of Globalization

**Globalization leads to peace by diminishing the incentives for conflict.** Protectionism is based on a mentality and a corresponding set of policies that emphasize the opposing interests of nations. Free trade, in contrast, links nations together in peace. There’s an old adage: when goods cannot cross borders, armies surely will.

**Trade creates wealth.** Imagine that someone created a machine that would allow you to push through one door things you can make cheaply and through the other door would come things you’d like to have but that cost you more to produce. Australians could herd sheep in one door and out the other door would come cars and photocopiers. And Japanese could push VCRs and stereos through one door and pull petroleum, wheat, and aircraft through the other. The inventor of that machine would be hailed as a benefactor of mankind—until Ralph Nader or Pat Buchanan

showed that it was . . . a port! Then, instead of being hailed as a benefactor, the “inventor” would be vilified as a destroyer of jobs—and unpatriotic, to boot. But what’s the difference between such a marvelous machine and trade?

**Trade leads to benefits for all.** The most common error of protectionists is to confuse absolute advantage with comparative advantage. Even if the person in the front row is better at *everything* than I am, we each benefit from trade if he specializes in what he does best and I specialize in what I do best. The old example of the typist and the lawyer applies across borders as well as within offices. The lawyer can both write legal briefs and type better than the typist, but both benefit by the lawyer specializing in writing legal briefs, which cost less in terms of lost typing output, and the typist typing them up, which costs less in terms of lost legal argumentation, since the typist is better at typing than at arguing law. Total joint output is higher and each receives more income. That’s one reason why trade is so closely connected with peace, as well. It’s because people can see their fellow humans as partners in mutually beneficial cooperation, rather than as deadly rivals, that human society is possible in the first place. Trade is at the very foundation of human civilization.

*“If cultures are kept hermetically sealed and unchanging, they cease to be human cultures; they become museum exhibits.”*

**Free trade is the fastest route to the elimination of child labor.** Around the world approximately 250 million children labor. The percentage of children who labor has fallen—not risen—with rising trade and globalization, and for pretty obvious reasons. Poor countries are not poor because children work. Children work because they are poor. When people become richer through production and free exchange, they send their children to school, rather than to the fields. Global trade is the fastest route to the elimination of child labor and its replacement by child education.

**Trade, openness, and globalization support accountable, democratic government and the Rule of Law.** As trade barriers have fallen, the share of world governments classified by Freedom House as democracies has increased dramatically. Of the top 40 percent ranked according to economic openness in *Economic Freedom of the World*

(copublished by the Cato Institute), 90 percent are rated “free” by Freedom House. By contrast, in the bottom 20 percent, that is, the most closed economies, fewer than 20 percent are rated “free” and more than 50 percent are rated “not free.” Mexico is a good case in point; the opening of the Mexican economy through the North American Free Trade Agreement made possible the victory of President Vincente Fox and the breaking of the monopoly on power of the Institutional Revolutionary Party. Supporters of democratically accountable government and the rule of law should support globalization.

**Free trade is a fundamental human right.** The anti-globalizers and protectionists start with the assumption that they have the right to use force to stop you and me from engaging in voluntary exchange. But fundamental rights should be equal for all humans, and the right to engage in trade is a fundamental right, one enjoyed by all humans, regardless of on which side of a border they may live. Free trade is not a privilege; it is a human right. Trading is distinctively human. It distinguishes us from all the other animals. It’s based on our faculty of reason and our ability to persuade. As Adam Smith noted in a lecture on March 30, 1763, “The offering of a shilling, which to us appears to have so plain and simple a meaning, is in reality offering an argument to persuade one to do so and so as it is for his interest.” As he noted, other animals may cooperate, but they don’t trade, and they don’t trade because they don’t employ reason to persuade.

Not only is trade distinctively human, it is also a distinctive feature of civilization, as Homer observed in *The Odyssey*. In Book 9, when Odysseus tells of reaching the land of the Cyclops, he offers some thoughts on why the Cyclops is a “lawless brute.” Odysseus observes that

*The Cyclops have no ships with crimson prows,  
No shipwrights there to build them good trim craft  
That could sail them out to foreign ports of call  
As most men risk the seas to trade with other men.*

The Cyclops is a savage because he does not trade. He lives in the preferred world of the anti-globalizers, a world without trade, a world in which all production is local. Protectionism should be rejected not merely because it is inefficient. It should also be rejected because it leads to conflict and war, because it is immoral, and because it is uncivilized.



Summer research intern Joseph Coon sends duplicate Cascade library books to the Foundation for International Studies, which distributes literature on liberty to schools and other organizations in developing countries.

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Single Occupancy Vehicles and HOV-2s, but let HOV-3s go for half price. And San Diego lets both HOV-2s and HOV-3s go free. Because our objective was to finance as high a fraction as possible of the capital cost from tolls, we decided to model HOT Networks with only “super-HOVs” allowed to go free and all other vehicles paying the market price. We defined super-HOVs as buses and vanpools only. (This policy also makes enforcement much simpler, because nobody has to count people; all vehicles must have transponders, and enforcement can be entirely electronic.)

Given that operating model, we looked very closely at the HOT lane project that comes the closest: the 91 Express Lanes in Orange County. And we realized their problem during peak hours is not “Can we attract enough traffic?” but rather, “How much do we have to charge to keep traffic from overwhelming our lanes?” This type of facility does not seek the average driver, which is what conventional toll-demand studies measure; rather, it is appealing to the niche market of very time-sensitive users. Both 91 Express and I-15 have given us quite a lot of data about this market and their willingness to pay.

Drawing on that data, we estimated peak-period traffic levels and toll rates for our hypothetical networks in the eight large metro areas (Miami, Atlanta, Dallas, Houston, Seattle, San Francisco, Washington, DC and Los Angeles). In addition to each day’s peak-pe-

riod revenue, we took a cue from the 91 Express, which manages to get people to pay more modest amounts to use its lanes at off-hours and on weekends, and added in another chunk for off-peak revenue. We then converted these baseline annual revenue amounts into toll revenue bond issues.

The results were pretty encouraging. The individual networks ranged in cost from \$2.7 billion (Miami) to \$10.8 billion (Los Angeles and Orange County). The majority of that cost is money the MPOs hope to spend over the next 25 years just adding carpool lanes—but the reality is, most of them cannot identify real funding sources for a lot of it. On the revenue side, our hypothetical system-wide bond is-



**SR-91 in Orange County, California provides Express Lanes for a toll. Rates vary depending on time and day, with discounts offered to carpools.**

issues ranged in size from \$1.2 billion to \$9.2 billion. On average, two-thirds of the capital costs of these expansive networks could be covered by toll revenue bonds—if the networks are operated as we proposed.

That’s pretty good news. It means that at a time when everyone is wringing their hands about insufficient investment in our nation’s urban transportation system, we have identified \$29.4 billion of net new capital investment to help fund expansions that are already largely in MPOs’ (unconstrained) long-range transportation plans. With up-front bond funding, these major projects could be done in more like a decade, rather than the 25 to 30 years (if ever) it would take using conventional (gas-tax) funding sources. These seamless networks would give every driver in the metro area a kind of “congestion insurance,” available on the whole freeway system. And they would provide an uncongested guideway for region-wide express bus service far surpassing anything available today.

Will this promising idea make it into the federal Transportation Equity Act-21 reauthorization? That remains to be seen. But a good sign that the concept has broad appeal is the range of speakers who took part in our Capitol Hill news conference. Joining Ken and me to unveil the report were representatives of the American Automobile Association, Environmental Defense, the Progressive Policy Institute (the New Democrats’ think tank), and the Washington, DC-area MPO.

## Measure 5 . . .

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ranks in the top five among all states, often ranking first in personal income taxes as a percent of personal income.

This government spending balloon had so many taxpayer dollars inflating it that despite being squeezed by Measure 5, state spending still grew 151 percent from 1989-91 to 2001-03. Money poured into education, health care, and public safety programs as abundant income tax revenues padded government coffers.

The facts make it difficult for Oregonians to ignore the inevitable conclusion. Lacking a clear-cut, explicit, and stringent limitation on spending growth, the state legislature has spent more than a decade hemorrhaging taxpayer money. Every year, program budgets expand, often with little to show in terms of productivity or efficiency gains.

Oregon needs a strong, effective constitutional spending limit. Though Oregon has had a spending limitation (tied to personal income growth) on the books since 1979, it has clearly proved incapable of restricting state govern-

ment growth.

However, Oregonians have a shining example of fiscal responsibility nearby. Colorado has the single most effective tax and expenditure limitation currently on the books. The Taxpayer Bill of Rights (TABOR), passed in 1992, has three key provisions that are crucial to its success. First, it places a stringent limitation on spending; yearly spending increases cannot exceed the growth rate of population plus inflation. Second, it mandates that all surplus revenues be immediately refunded to the taxpayers. Lastly, it is constitutional as opposed to statutory and thus largely protected from legislative override.

The savings enjoyed by Colorado taxpayers are proof of its efficacy. From 1997-2001 Colorado reduced taxes more than any other state, totaling \$3.2 billion in rebates over the five-year span. In 2000 and 2001 TABOR tax refunds were over \$925 million each year.

Other states are looking at TABOR and liking what they see. Arizona’s Goldwater Institute did a report on how a TABOR-style limitation could benefit that state’s residents. The report found that had Arizona enacted a similar spending limit in 1995, tax

refunds from 1995-2002 would have totaled \$4.2 billion.

What would TABOR have done for Oregon? The 1989-91 General Fund budget was \$4.532 billion. The first legislatively adopted budget for 2001-03 was \$11.371 billion, a 151 percent increase. Over roughly that same period, 1990-2002, population growth plus inflation amounted to 77 percent. Had Oregon passed a TABOR-style limitation in 1990, the 2001-03 General Fund budget would have been roughly \$8 billion. This conservative estimate translates into more than \$3 billion in taxpayer savings.

A stringent spending limitation in the 1990s could have kicked Oregon’s economy into overdrive. Imagine \$3 billion circulating through the private sector, encouraging investment and expansion. Today’s legislators should have thought about encouraging future economic growth, instead of putting an \$800 million tax yoke on the economy. When it comes to government, less often gets us more.

**Jamie Voytko is a research intern at Cascade Policy Institute.**

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lent dictatorship. We're transitioning to a faculty council that makes the decisions. Gradually the council will make all policies and eventually it will decide who replaces me. I had to find like-minded people who believe in our system and are master teachers. The council makes for terrific cohesion on the staff. In public schools principals make decisions and teachers don't always know why. At Northwest Academy, decisions are made by those who are in the classroom and work with kids.

It's fun to do it this way. It's so much easier and cleaner to make decisions when the only criteria are what's best for kids and can we pull it off. Politics don't get in our way.

**Cascade:** What else makes your school effective?

**Folberg:** The other thing we have is my ability to let people go who aren't great teachers.

As a private school we're market driven, and public schools need to be more so. We listen to parents and teachers. I have an open door policy on feedback about teachers. We get as much feedback about good teachers as bad teachers. Having kids involved the way we do is unheard of and that is too bad, because kids who are vested in their education do better. Students have suggested many elective courses here.

Our small size is also a big asset. We are better able to deal with the social and emotional needs of students. When schools get too big it severs the connection between teachers and students. This is probably most important in middle school where students start to create their own value systems. In typical public schools there's a huge disassociation between kids and teachers because they move between staff and lose connections. This is one of the problems with the big schools we have. It doesn't mean a high school can't have 1,500 kids, but there has to be a way to break it down into smaller groups.

At Northwest Academy we have weekly meetings about student progress. They serve as a way for all teachers to see how certain students are doing and get feedback on student growth. In my 30 years in public schools I never had that with other teachers.

**Cascade:** How does the proficiency system enhance student learning?

**Folberg:** It makes it comfortable for kids who want to go either slower or faster through school. A kid came up to me and said he'd passed geometry but didn't think he really got it and wanted to take it again. That's great. It means he's thinking about what he knows, not what his grade is. We want students to recognize when they're ready to move on and when they need more experience. With a proficiency

system you don't really have failures. You have kids who need more time. It's a no-fail system. Meeting the proficiency is an incentive for the student to meet a goal, not simply attend school.

***"We have countless great teachers in the state, but we risk losing them, and we'll never draw outstanding people into education, without systemic change."***

**Cascade:** What is your perspective on teacher certification?

**Folberg:** We are successful because I can hire outside the ranks of the certified. I have the freedom to hire MAs and PhDs from colleges. I have a brilliant English professor with a background that includes Stanford, the University of Washington, and University of Alabama. A few years ago he called the Oregon Department of Education and said he'd like to teach at the secondary level in this state; the department's response: you're not qualified to teach in our schools. He does amazing work for us and teaches these kids college level material, but he's not state certified.

I'm certified. I have certified people here, but they're not here because of their certification. As a matter of fact, I've had to let more certified people go than non-certified people. Certification is a neutral thing; it doesn't tell me if someone is a better teacher than a non-certified person.

**Cascade:** What is needed to make significant improvement in Oregon's schools?

**Folberg:** If we want schools to change

we're going to have to turn them inside out. Our school system needs more incentives for kids and more competition for schools. Often when I think about schools I'm amazed that some students do succeed. Their success is a tribute to their families and those dedicated hard working teachers who toil in a dysfunctional system.

As for vouchers, I'm uncomfortable with them for religious schools, but I don't have a problem with secular schools educating students through a voucher system. Independent education should be something that everyone can afford. Vouchers would help us move in that direction.

I have nothing to lose and students have everything to gain by people talking about change. Right now, you can't be a liberal Democrat and support vouchers! That's the most worrisome piece: discussion and dialogue don't take place. The unions, good old boys, and much of the press have made it almost blasphemous to talk about systemic reform. Good for Cascade Policy Institute for pushing this debate. Oregon is a small enough state that we could turn our school system around and have world-class schools. We have countless great teachers in the state, but we risk losing them, and we'll never draw outstanding people into education, without systemic change.

**Cascade:** After more than 30 years what still inspires you to work in the education field?

**Folberg:** I'm inspired by the magic of education that happens when the student is on fire and the master teacher is there to poke them, help them see new concepts and ideas. We want our seniors to not need us very much, to get to the point where they are their own teachers for life. The ultimate goal of good teachers is to eliminate themselves from the process.

## Cascade at large



Erin Middlewood of *The Columbian* interviews Cascade senior policy analyst John A. Charles after his August 7 talk to the Greater Clark County Rotary (Vancouver, WA) on alternatives to light rail. Rotarian Bob Kaleta listens.



Nearly 150 liberty lovers ate, drank and were merry at the annual Lazy Fair BBQ held August 10 near Gresham. The BBQ was co-sponsored by Cascade, *Brainstorm* magazine, the Executive Club, Oregon Tax Research, Oregonians in Action, and Taxpayer Association of Oregon.

# Events

**October 7** – “Health Care Solutions!” An evening dinner forum at the Toledo Community Center. Featured speaker: David C. MacDonald, D.O., president, Liberty Health Group, and co-founder, SimpleCare.

**October 8** – David C. MacDonald, D.O., president, Liberty Health Group, addresses “Health Care Solutions!” before the Toledo Rotary.

**November 8** – “What does freedom mean in America?” A day-long forum in Lake Oswego organized by Freedom Seminars. Featured speakers: Richard Ebeling, Ph.D., president, Foundation for Economic Education, and Sheldon Richman, senior fellow, The Future of Freedom Foundation.

# Publications

- **The Mythical World of Transit-Oriented Development: Steele Park in Washington County, Oregon**, Michael L. Barton, Policy Insight No. 125, September.
- **Is Oregon Really the Hungriest State in the Nation?** John A. Charles, Policy Perspective No. 1023, September.
- **Blame politicians, not Measure 5**, Jamie Voytko, Cascade Commentary 2003-26, September.
- **Fair thee well!** Joseph Coon, CC 2003-25, August.
- **TOD: A solution in search of a problem**, John A. Charles, CC 2003-24, July.
- **Prosperity or Portland?** Steve Buckstein, CC 2003-23, July.
- **One hundred years of Orwellian thought**, Joseph Coon, CC 2003-22, July.
- **Just the spending facts ma’am**, Nick Weller, CC 2003-21, July.
- **Phreemarketeers following Phish**, Aaron Davis, CC 2003-19, June.
- **Equality before the law for Boy Scouts and gays**, Clint Bolick, J.D., CC 2003-18, June.
- **Sailing competitive seas**, William B. Conerly, Ph.D., CC 2003-17, June.

Publications and event details are online at [www.cascadepolicy.org](http://www.cascadepolicy.org), or call (503) 242-0900.

# Justice comes to the Pacific NW

The pro-liberty legal cavalry has arrived in the Pacific Northwest! This year the national **Institute for Justice** opened a Washington Chapter and filed its first lawsuit there to advance economic liberty. The Institute also has chapters in Arizona and North Carolina.

*The Wall Street Journal* calls them the “new civil rights activists.” The Institute for Justice (IJ) web site simply states, “We are in courts across the country preserving freedom of opportunity and challenging government’s control over individuals’ lives.” IJ’s “vision is one of individual initiative and opportunity, not group rights and entitlements.” The Institute’s attorneys work for entrepreneurs who are trying to make an honest living; parents who want school choice; individuals who exercise freedom of speech; and others.

IJ is perhaps best known for its 1998 victory over Donald Trump in a case highlighted in *Doonesbury*. New Jersey’s Casino Reinvestment Development Authority sought to condemn parcels of private property—a home owned by an elderly widow and two thriving businesses—and turn them over to Trump, who wanted the properties for his casino. A New Jersey Superior Court judge ruled this was not a “public purpose,” and IJ secured an important victory for property owners in New Jersey and across the country.

IJ-Washington filed its first lawsuit in May on behalf of Joe Ventenbergs and Ron Haider against the City of Seattle. Haider’s construction company previously used Ventenbergs’ waste removal service because it was reliable,

fast and inexpensive. The problem: In October 2002, the City granted an exclusive regional monopoly to the area’s two largest waste hauling companies.

Thus, the City made it illegal for Haider to use Ventenbergs’ services, and outlawed the majority of Ventenbergs’ business. The parties are presently engaged in the discovery process. IJ-WA executive director William R.

Maurer wrote, “This lawsuit is the first step in IJ-WA’s comprehensive effort to restore judicial protection for economic liberty—the right to pursue a business or profession free from arbitrary or excessive governmental regulation.”

Institute for Justice vice president Clint Bolick, who has spoken at several Cascade events, was victorious in defending Cleveland’s and Milwaukee’s school choice programs, thereby allowing low-income students to receive a better education. IJ president William J. Mellor and

director of communications John E. Kramer were named winners of Cascade’s 1996 *Better Government Competition* for their report, *Opening Portland’s Taxi Market*. Their report helped push the City of Portland to allow two new cab companies to enter the market, the first in more than 20 years.



**Thanks to the Institute for Justice, Vera Coking continues to enjoy her home of more than 30 years.**

**To learn more about the Institute for Justice Washington Chapter, contact executive director William R. Maurer at (206) 341-9300 or [wmaurer@ij.org](mailto:wmaurer@ij.org). See also: [www.ij.org/washington](http://www.ij.org/washington).**



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