

**ALLERGIC TO
ACCOUNTABILITY**

Big Education demands more and more money, with little to show for it.

THINKING MINNESOTA

ISSUE 19
SPRING 2020
\$4.95

HOUSING CRISIS

Out of House and Home

How the Met Council
and local governments
deny affordable
housing to the
working poor.

THINKING MINNESOTA • SPRING 2020



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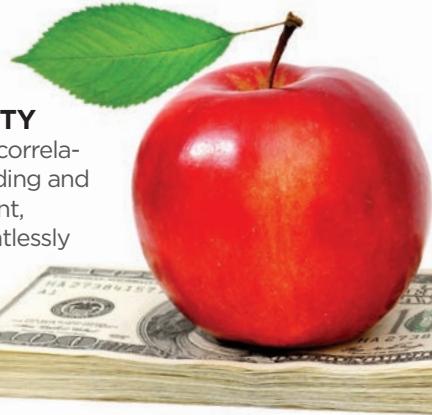
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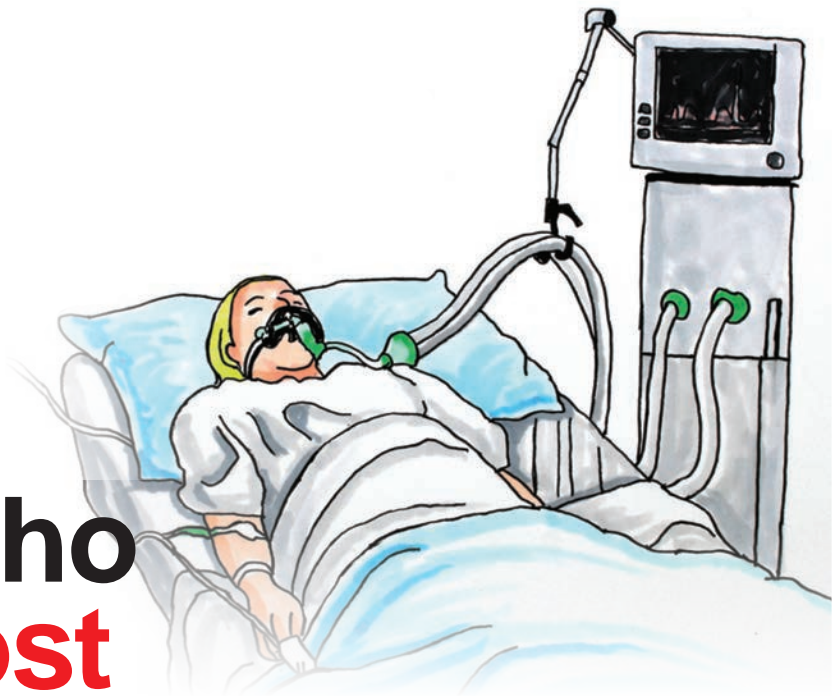


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Fighting for the protection of those who are the most medically vulnerable



As decisions for unconscious patients are increasingly being made for the sake of rationing medical resources, we can no longer assume health care professionals believe in the time-honored directive, "First Do No Harm" (Hippocratic Oath). Sadly, this has been supplanted—to an alarming degree—with, "There Are Lives Not Worthy to Be Lived."

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MARLENE REID, HALO BOARD MEMBER

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THINKING MINNESOTA

Center of the American Experiment's mission is to build a culture of prosperity for Minnesota and the nation. Our daily pursuit is a free and thriving Minnesota whose cultural and intellectual center of gravity is grounded in free enterprise, limited government, individual freedom, and other time-tested American virtues. As a 501(c)(3) educational organization, contributions to American Experiment are tax deductible.

STAFF

John Hinderaker
President

Mitch Pearlstein
Founder & Senior Fellow

Katherine Kersten
Senior Policy Fellow

John Phelan
Economist

Isaac Orr
Policy Fellow

Catrin Wigfall
Policy Fellow

Martha Njolomole
Economist

Tom Steward
Government Accountability Reporter

Peter Zeller
Director of Operations

Katie Fulkerson
Communications Director

Allison Payne
Communications Specialist

Micah Olson
Greater Minnesota Outreach Director

Kristen Sheehan
Development Director

Lydia Luciano
Donor Relations Coordinator

Kathryn Hinderaker
Event Coordinator

Mitch Rolling
Researcher

Jeff Johnson
Adjunct Policy Fellow

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CUSTOM PUBLISHING

Tom Mason
Publisher & Editor

Scott Buchschacher
Creative Director



NOTE FROM THE CHAIRMAN

REMEMBER PEP'S BAKE SHOP

The Senate Democrats reveal that 'One Minnesota' is a PR sham, but we wish it weren't so.

I detected a certain candor in the political mutiny in which Susan Kent (D-Woodbury) dethroned Tom Bakk (D-Cook) last month to become the Democrat leader of the Minnesota Senate. In one closed-door vote, the Democrats finally put the lie to the fairytale that they were somehow unified behind a notion of "One Minnesota."

For several years now, the sleight-of-hand Dems have used that slogan as a shiny political object to distract folks from realizing that Greater Minnesota represents only a *voting bloc* priority to these urban-oriented Big City liberals. (If you say it often enough, it must be true, right?)

And the presence of Tom Bakk as their leader helped them pull it off. Bakk is an affable former carpenter and union leader from the Iron Range who genuinely believes in One Minnesota. He's a consistent advocate for Iron Range priorities (jobs), and he understands that the price tag for things like a radical Green New Deal agenda will fall disproportionately on the pocketbooks of rural and blue-collar Minnesotans. He consistently fights for Greater Minnesota, for its fair share of road monies and access to health care, housing and affordable childcare. (If you

want to learn more, look at the "War on Greater Minnesota" in the Summer 2019 issue of *Thinking Minnesota*. Find it at AmericanExperiment.org.)

The trouble for the Dems was that nobody told Bakk he was supposed to be the frontman for a political PR stunt. Far from being just some outstate eye

candy for Big Government liberals, Bakk is a skilled legislator who frequently helps thwart proposals from the radical left because of how they affect rural citizens. In the end, frustrated liberals sacked him in favor of Woodbury's Susan Kent, who they know will provide a reliable rubber stamp for the Big City urban agenda. They put One Minnesota in their back pockets in favor of the

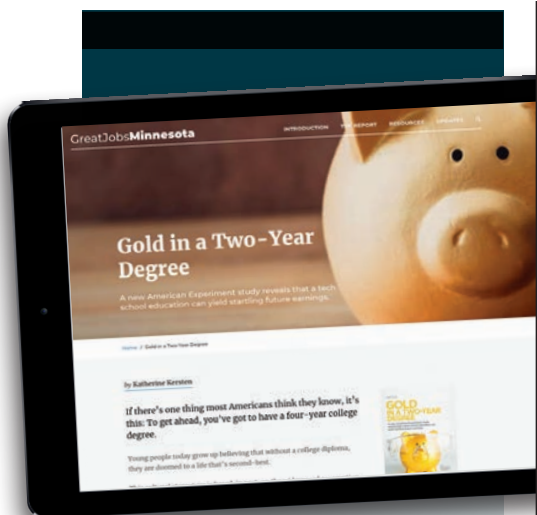


Ron Eibensteiner

Green New Dealers.

I thought about this when I read Isaac Orr's "Economic Energy," an analysis of how environmentalists' efforts to close the Boswell Energy Center would devastate the Iron Range economy (page 40 of this magazine). In addition to his reliable deployment of facts, Isaac also calls attention to people who would be affected by this closing. He interviewed Allison and Laura Collins, the mom and

continued on page 4



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continued from page 3

daughter team that runs Pep's Bake Shop in Eveleth. They told him how closing Boswell would put more than miners out of work. It would damage the whole regional economy. Isaac learned that because he went there and talked to them, something the urban enviros would never bother to do.

This all prompts a question I've been asking for years. What's the advantage of concentrating all this political power in St. Paul? Think about it. All the laws, rules and regulations coming from the state are devised, developed, enacted and implemented in an echo chamber of something like 35,000 state employees, most of whom work within three miles of the Capitol. And they all work in the

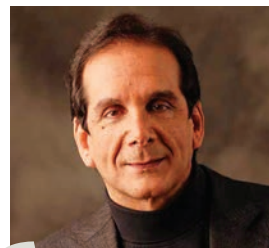
What's the advantage
of **concentrating all this
political power**
in **St. Paul?**

metro area. So why are we surprised when those laws, rules and regulations take on an urban bias?

What if we moved the headquarters of the Minnesota Public Utilities Commission—the organization that oversees the Boswell Energy Center—from St. Paul to Hibbing? Their kids would go to Hibbing schools, they'd sit next to their neighbors at church, they'd follow Bluejacket hockey games in the *Hibbing Daily Tribune*, and maybe they'd even pop over to Pep's for baked goodies on a Saturday. At the end of the day, maybe the newly-located PUC staffers would continue to worship at the altar of the Green New Deal, but they'd surely realize the human consequences of some of their actions.

In the same vein, why not relocate the Department of Agriculture to Willmar, in the heart of Minnesota's ag country; the Department of Health to

Ron's | Quote to Remember

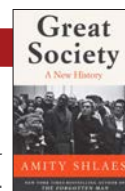


I was a Great Society liberal on domestic issues. People ask me, 'How do you go from Walter Mondale to Fox News?' The answer is, 'I was young once.' End of answer.

CHARLES KRAUTHAMMER

READ

John Hinderaker's Q&A with author Amity Shlaes about her new book, *Great Society*, on page 44.



Rochester, home of the Mayo Clinic; the Department of Employment and Economic Development to Alexandria, where city leaders know as much about job creation as anyone in the state; or the Department of Transportation to Brainerd, closer to where roads matter more than bike paths?

* * *

Not for nothing, we hear that the insurrectionist Kent has already become one of the most politically vulnerable members of the Senate. Mary Giuliani Stephens, the hugely popular mayor of Woodbury, has announced that she will run against Kent, and most observers see her as the favorite to win the race. After Kent loses in November, according to one Capitol veteran, history will place a double asterisk next to her name. One asterisk will commemorate the fact that she was the first-ever female leader of the Senate Democrats; the other will remember that she had the shortest tenure in office. ★



Praise for Chuck Denny

From the Winter 2020 edition article, “Reality Is Hard” I agree with the comments about Chuck Denny. I was an employee of ADC from 1992 to 2002 (wireless RF engineer at the Waseca, MN facility) and heard much about Mr. Denny, although I never personally met him. Most of my years at ADC were when Bill Cadogan was CEO and as I remember, Mr. Cadogan was well thought of, too. I much appreciate the *Thinking Minnesota* magazine.

What would happen if we went back to a stronger Blue Laws society? There are several businesses that wouldn’t NEED to be open on Sunday if people would just plan better. Then maybe church attendance would rise again. Maybe one of your policy fellows could research and write on Blue Laws?

Keep on keeping the conservative issues alive.

—Ron Wood
Waseca

Hitting a Nerve

Elaine Sloan’s letter, in the Winter 2020 magazine, hit a nerve. She claims to not be affiliated with any political party, but her words show her true liberal beliefs. The fact that she hasn’t learned something new, important, or useful from your magazine speaks volumes about our educational system and what conservatives are up against.

As for her wanting you to focus on creating solutions rather than criticizing, you can’t solve anything unless you first

identify the problem, which you always do with facts and details.

Keep it going!

—Cathy Schultz

Congratulations Catrin Wigfall

I became aware of your organization and its publications through John Hinderaker of Power Line, now president of CAE.

The particular piece that provoked this email is, “No, education spending hasn’t decreased; and no, more money won’t fix America’s schools.” It is excellent from start to finish.


Congratulations, Catrin Wigfall, and thank you. I am not surprised by any of the great information the article reveals—although my cynicism about the American “education” system would have continued strong.

“Students” in the American public “education” system are mostly anti-intellectual, with no genuine interest in critical thinking and analysis.

I happen to be a person who gave up a lucrative sales position for “teaching,” lasting only two school years in two different school districts, one in rural California and one in rural Wyoming. I feel justified in generalizing. “Students” in the American public “education” system are mostly anti-intellectual, with no genuine interest in critical thinking and analysis.

As a result of that awakening, I returned to a lucrative sales position, and our children were home schooled in circumstances that do not require the descendants of John Dewey to whine about funds for the “education” system.

—Luis Howard
Tucson, AZ



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UP FRONT

Cost of Energy

BELOW THE NATIONAL AVERAGE. REALLY?

Three things Xcel Energy doesn't want you to know about its massive proposed increase in energy prices.

Xcel Energy wants to impose a massive 15.2 percent increase in electricity prices in Minnesota over three years. For that, it intends to underwrite a \$466 million spending spree that will also erase customer savings from energy efficiency. However, the 15.2 percent increase is just an average. In fact, the government-approved monopoly utility is seeking to raise residential electricity rates by 17.75 percent, representing a massive increase in electricity costs for Minnesota families.

Here are three things Xcel Energy doesn't want you to know about its massive hike on electricity prices.

1. Residential electricity prices will be 29 percent higher than the national average

Have you ever noticed when products at the grocery store start to come in smaller packages, but the prices remain the same? This is what Xcel Energy is doing when it boasts about how electric bills for its customers were 22 percent below the national average in 2018.

This claim is technically true. But Xcel doesn't tell you that the reason bills were below the national average is that customers used 29 percent less electricity, relative to the national average in 2018. You can see these differences in Table 1.

No one would brag that he or she

spent 22 percent less on a container of coffee at the store if the container was nearly 30 percent smaller than the one your neighbor bought. Yet, this is what Xcel Energy effectively does in its TV and radio commercials.

Xcel's bait and switch makes its Minnesota customers feel like they are getting a deal on their electricity. This way, Xcel can keep raising prices. In reality, consumers pay 10 percent more per kilowatt-hour than the national average. This difference will grow significantly if Xcel is allowed to raise residential rates

by 17.75 percent.

Table 2 compares residential electricity prices for Xcel Energy after the rate increase with the national average. The table uses Xcel's 2018 rates as a base year, and assumes electricity consumption will remain at 2018 levels. You can see that this rate increase will boost electricity prices to nearly 30 percent higher than the national average and cause bills to increase by about \$200 annually.

TABLE 1: XCEL ENERGY VS THE NATIONAL AVERAGE 2018 (RESIDENTIAL)

	Xcel Energy	National Average	Difference
Electricity Price (\$/KWh)	0.1415	0.1287	10%
Average Monthly Usage (KWh)	645	914	-29%
Average Monthly Bills (\$)	\$91.30	\$117.63	-22%

TABLE 2: XCEL ENERGY VS THE NATIONAL AVERAGE AFTER 17.75 PERCENT RESIDENTIAL RATE INCREASE

	Xcel Energy	National Average	Difference
Electricity Price (\$/KWh)	0.16662	0.1287	29%
Average Monthly Usage (KWh)	645	914	-29%
Average Monthly Bills (\$)	\$107.47	\$117.63	-9%
Average Monthly Increase	\$16.17		
Average Yearly Increase	\$194.04		

2. Electricity bills will continue to set new record highs

Xcel claims this will increase customer costs by “only” \$110 per year, but a closer look reveals the actual cost of the proposal will be nearly \$200 per household per year. So, how can Xcel claim the increase will be so much lower than what we’ve calculated?

Table 3, which we obtained through emails with Xcel, shows average monthly bills increasing from \$85.66 in 2019 to \$94.70 in 2022, increasing by \$9.04 per month. Multiplying this dollar amount by 12 gives us the \$110 per year increase that has been reported in the newspapers.

This reporting does not account for the fact that Xcel is assuming electricity usage will fall by about 10 percent during this time. If household electricity use remains constant, Xcel customers will pay nearly \$200 more per year by 2022, resulting in record-high electricity bills.

The graph nearby shows that average monthly electric bills in 2018 for Xcel’s residential customers were the second-highest on record (the failure at Sherco 3 caused 2013 to be the highest year on record). Electric bills have increased by 11.6 percent even though electricity consumption fell by 8.3 percent. If electricity consumption had remained constant during this time, we would expect average monthly bills to be \$99.67, or nearly 22 percent higher than they were back in 2005, the first year Xcel was required to purchase renewable energy.

Xcel’s proposed rate increase guarantees that electric bills for families in its service territories will reach new all-time highs in the coming years. Efforts at energy efficiency will be unable to save customers money because Xcel will simply raise electricity prices again. In fact, this phenomenon is why Xcel is asking

for an additional \$135 million. According to Xcel’s rate case filing:

“Q. HOW DOES THE STAGNANT OR DECLINING SALES ENVIRONMENT IMPACT THIS RATE FILING?”

A. *Similar to our past two rate cases, declining sales necessarily mean that we must recover our investment over fewer units of sales, leading to a portion of our rate increase request.”*

3. The tip of the iceberg: Much larger rate hikes to follow

Xcel argues that it needs massive increases in prices to underwrite plans to spend \$466 million over the next three years. Plans include new wind facilities

and upgrades to its distribution system and nuclear power plants. All of this is in addition to plans to accumulate more corporate profits.

But what isn’t being talked about is the fact that Xcel’s current rate case does not include nearly \$1 billion in new spending on new wind facilities by 2021. These facilities include the Crowned Ridge, Blazing Star II, Freeborn, Mower, Jeffers, Community Wind North, and the Dakota Range wind projects. Many of these wind facilities will be in the Dakotas and will presumably require large investments in transmission infrastructure.

Even if we assume these new wind facilities will require zero transmission expenditures, \$1 billion for wind projects

TABLE 3: AVERAGE RESIDENTIAL BILL IMPACTS

	Usage	Monthly Bill	Cumulative Change from 2019 Bill		YoY Bill Change	
2018	645	\$91.30				
2019	613	\$85.66				
2020 Interim	602	\$87.72			\$2.06	2.4%
2020 Proposed	602	\$90.47	\$4.81	5.6%	\$4.81	5.6%
2021 Proposed	585	\$91.73	\$6.07	7.1%	\$1.26	1.4%
2022 Proposed	581	\$94.70	\$9.04	10.6%	\$2.98	3.2%

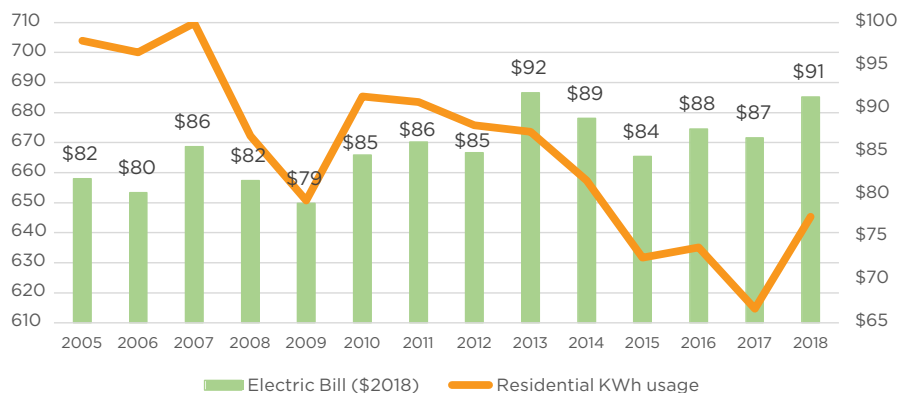
The breakdowns in rates by class over the three-year period are:

Residential: 17.8%

Commercial and Industrial: 13.5%

We have proposed increasing the residential fixed charge \$1.50, and that increase is reflected in the bill amounts we shared above. Residential customers served by overhead lines currently pay \$8.00 per month, and those with underground lines pay \$10.00, so the new proposal is \$9.50 and \$11.50, respectively.

Xcel Avg. Monthly Electric Bills (\$2018) vs. Avg. Monthly Residential KWh Usage



is more than twice as large as the \$466 million Xcel wants to spend over the next few years, prompting their proposed 15.2 percent rate hike.

If we assume the next residential rate increase is twice as large as this one, and use 2018 as a base year, we could see residential electricity prices increase by 53 percent between 2018 and 2025—assuming Xcel spreads the cost over three years, as it did in this rate case. If these assumptions prove accurate, Xcel Energy customers could be paying an additional \$580 per year, without accounting for federal subsidies for wind.

Renewable advocates will likely cry foul at this analysis for excluding the effect of the wind Production Tax Credit (PTC), but excluding the subsidies makes sense for two reasons: 1) Subsidizing a product doesn't change its price, it

Xcel's proposed rate increase guarantees that electric bills for families in its service territories will reach new all-time highs in the coming years.

merely changes how it is paid for. Rather than seeing the entire price increase in their electric bill, Minnesota families will bear the costs in the form of higher taxes (or higher deficits); 2) The costs of building wind are front-loaded in electricity rate increases, with ratepayers expected to foot the bill of the upfront

construction costs for the promise of lower fuel costs in the future.

While state mandates were the initial driving force behind Xcel's renewable energy installations, the company has been on track to meet its 30 percent renewable energy mandate for some time. Now, it is Xcel's own rent-seeking that is driving the rush to renewables. The company's pursuit of higher corporate profits is why it wants to build unnecessary wind and solar facilities and why it wants to prematurely shutter its coal-fired power plants and generate 60 percent of its electricity from wind and solar by 2030.

Xcel's current rate increase constitutes a major cost increase on Minnesota families, but unfortunately, this will feel downright affordable compared with what is to come in the very near future. ★

—Isaac Orr

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Musings

In Defense of David Hasselhoff

A new memoir, *Rocking Toward a Free World*, depicts how American pop culture helped accelerate the fall of Communism.

On New Year's Eve 1989, television personality and recording artist David Hasselhoff dangled from a crane above Berlin and sang his song, "Looking for Freedom." The star of TV shows *Knight Rider* and *Baywatch* has since claimed that this gig played a role in bringing down the Berlin Wall, which might sound like a self-aggrandizing memory, since the wall had already been down for nearly two months. But a charming new memoir by András Simonyi—*Rocking Toward a Free World*—lends The Hoff some credibility.

Hungary's former ambassador to the United States, Simonyi was born in Budapest in 1952 and grew up in communist Hungary. Thanks to some of the finest farmland on earth, the Hungarians managed the rare feat of not going hungry under socialism. Even so, it was a grey, depressing place. To convey this to a contemporary American audience, Simonyi imagines New York under the socialist policies of 1950s Budapest:

All banks and privately owned businesses are nationalized, and their owners pushed to the fringes

This is one in a series of occasional columns by American Experiment policy experts.



John Phelan is an economist at Center of the American Experiment.

of society.... Times Square, once spectacular, is now dimly lit and covered in drab ads—approved, of course, by the Party.... Picture the once grand apartments on Fifth Avenue now confiscated by the city council, sliced up into small flats, the marble cracked, the furniture broken.... Imagine that most of the theatres on Broadway have been shut down and the few that remain open are told which acts can perform.

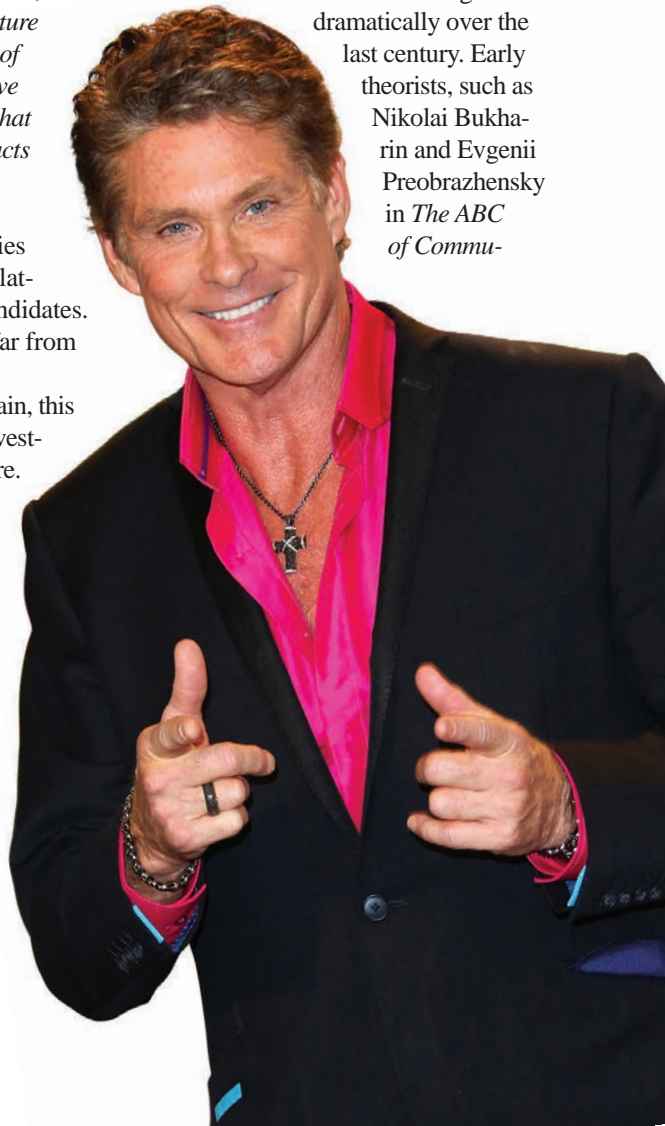
One is struck by the similarities between this dystopia and the plat-forms of certain presidential candidates. Indeed, New York may not be far from it now.

But even behind the Iron Curtain, this grim world was illuminated by western, largely American, pop culture. Whether it is *Superman* comics,

the music of Elvis or The Beatles, the movies of Michelangelo Antonioni, Levi jeans, Coca Cola, or a 1959 Chevrolet Biscayne, the brief glimpses of life in the West offered a vision of vitality that the communists just couldn't match. "The East was dull, full of sorrow and poverty," Simonyi writes. By contrast, "...America was a mythical place to most Hungarians. Especially young Hungarians to whom it was a beacon of hope, a symbol of all that was worthwhile." It was so seductive that Hungarians would furtively pass around copies of the Sears catalog "just to look at a world that was closed to us."

Communist attitudes to such materialism have changed dramatically over the last century. Early theorists, such as Nikolai Bukharin and Evgenii Preobrazhensky in *The ABC of Commu-*

When communist functionaries railed against the decadence and indecency of western music and films, a growing number of their citizens, especially the younger generation, thought, "That sounds quite fun, actually."



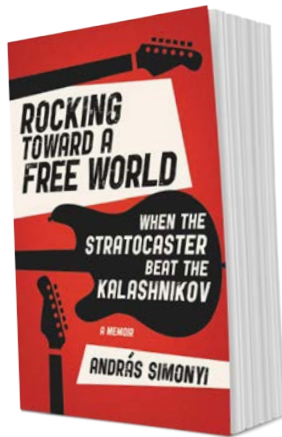
nism promised that the elimination of wasteful capitalist competition would mean more material goods for everybody. But citizens in the Worker's Paradise found themselves queueing ever longer for ever more with ever less at the end of it, and this promise was proved hollow.

Being a communist means never having to say you're sorry. If communism couldn't meet the people's demands then it must be those demands, not communism, that are at fault. So, another idea took hold. The desire for a nice house, clothes, a car, music, something entertaining on your TV, a pleasant restaurant, demonstrated "false consciousness," or the pursuit of what Lenin called "momentary interests." Such interests distract from "the permanent, important and fundamental interests of the proletariat" which he, of course, knew better than the proles themselves.

But the proles, like young András Simonyi, weren't buying it. When communist functionaries railed against the decadence and indecency of western music and films, a growing number of their citizens, especially the younger generation, thought, "That sounds quite fun, actually."

Simonyi set aside his guitar and became an economist. He is clear about the link Milton Friedman traced between economic and personal freedom: "I was interested in the relationship between economics and politics,

between a market economy and a democracy." But note the direction of travel went from appreciating the products of western popular



**Lennon and
McCartney played
a bigger role in
winning the
Cold War than
Hayek and Friedman.**

culture to understanding its philosophic underpinnings. *Sgt. Pepper's Lonely Hearts Club Band* led more people to *The Constitution of Liberty* than vice versa; Lennon and McCartney played a bigger role in winning the Cold War than Hayek and Friedman.

This story offers a couple of warnings. First, while people may support freedom in the abstract, what motivates most is the material benefits it brings. If a free economy is thought to be failing to deliver these benefits, that support can ebb.

Second, the proletarians of the Soviet Empire eventually rose up and liquidated one of the greatest military powers in history because they wanted a Big Mac and fries, *The A-Team* on a color TV, and Michael Jackson's *Thriller* on CD. Do we expect the contemporary poor of Africa, India, or China to refuse the trappings of materialism just as they come within reach in the name of achieving global carbon neutrality? Do we expect the citizens of the rich world to make themselves drastically poorer in pursuit of the same goal? The strength of the desire for "momentary interests"—strong enough to overwhelm the "evil empire"—suggests not. We might think these things highly desirable, but that does not make them more likely.

The Bible tells us that Joshua brought down the walls of Jericho with the blast of seven trumpets. András Simonyi tells us how the opening bars of "You Really Got Me" put a chink in the Iron Curtain. Maybe The Hoff's claim to have had a hand in bringing down the wall of Berlin with "Looking for Freedom" isn't so fanciful after all. ★

—John Phelan



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TOM STEWARD

YOU CAN FIGHT CITY HALL

Supreme Court rules that Bloomington taxpayer group was disenfranchised over mandated trash collection.

Bloomington taxpayers have proved—again—that you can fight city hall, even if it takes years and means going all the way to the Minnesota Supreme Court. The state high court ruled on February 12th that the city of Bloomington effectively disenfranchised thousands of residents by rejecting their petition in 2016 to put a ballot measure before voters over whether to implement organized trash collection.

“The significance is people still have rights against their city government. This means that people’s rights don’t

Finally, after four years of litigation, the plaintiffs expect to get their day at the polls come November.

just get trampled,” said attorney Greg Joseph, who represented Bloomington residents pro bono. “This reminds rogue city governments that you have to honor the law. It may be inconvenient, but you’ve got to do it.”

The Bloomington city clerk ruled the petition submitted by the grassroots group Hands Off Our Cans met the legal criteria. But acting on the advice of then City Attorney Sandra Johnson, Mayor Gene Winstead and the Bloomington City Council nevertheless refused to put the issue on the ballot in November 2016. Instead, city hall



Tom Steward

proceeded to impose a system called organized garbage collection, eliminating competition between providers and choice for residents.

A news release from Hands Off Our Cans underscores the implications for local governments of the court’s ruling.

“The City Charter in Bloomington reserves for voters the broad powers of Initiative, Referendum, and Charter Amendment power,” the group said in the release. “The Court found that the ballot measure was a valid expression of citizen legislative power, and that the City Council’s refusal to place it on the November ballot was not a proper exercise of its authority. The Bloomington Charter reserves for its people broad

power to enact and change legislation, the majority held.”

The city of Bloomington has not yet announced how the decision will play out in the state’s fourth largest city. For now, it’s status quo while city officials ponder the potential impact on the organized hauling system that has already cost taxpayers several million dollars to implement.

“The City is reviewing the opinion and evaluating next steps. There will be no change in collection services in Bloomington at this time,” Bloomington City Manager Jamie Verbrugge said in a statement. “The City’s contract for the organized collection of garbage and recycling remains in place. Residents should continue to place their garbage and recycling out using the current collection services.”

The high court did not order Bloomington to put the issue on the ballot this fall. But the plaintiffs insist it’s time for city hall to honor the spirit of the law and give citizens their say in a vote that’s years overdue.

“The ruling means that the Charter Amendment, which will give the voters the power to choose their preferred system of trash collection in the City, must be placed on the ballot, at which time the voters can make their voices heard,” the plaintiffs said.

The decision marks the second time the grassroots activist group has triumphed over the city at the Minnesota Supreme Court. In a unanimous 2018 ruling, the court upheld the right of residents of home rule charter cities

to place legislation on the ballot for citizens to vote on.

Finally, after four years of litigation, the plaintiffs expect to get their day at

The Court found that the ballot measure was a valid expression of citizen legislative power, and that the City Council's refusal to place it on the November ballot was not a proper exercise of its authority.



the polls come November.

"This is over, this is done," Joseph said. "We're looking forward to the voters finally being heard." ★



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The Cost of High Taxes

Economist John Phelan says government policies undermine Minnesota's need to replenish its workforce. Here's a snapshot of his report.

Minnesota is a hard-working state with a low-productivity economy. We achieve above average levels of GDP or Personal Income per capita because of the above-average number of people participating in the labor force. As the number of Minnesotans in the labor force is forecast to fall to 64.6 percent by 2035, the state will need its remaining workers to become more productive to continue raising its per capita incomes. Sadly, Minnesota's economic policies run in the opposite direction. Minnesota needs to retain the skilled workers it has and attract new ones, but the state's high rate of personal taxation compounds this challenge. Our top rate of income tax is higher than all but three other states. But it is not just "the rich" who are taxed heavily; Minnesota's lowest tax rate is higher than the highest tax rate in 25 states.

Minnesota lags in investment and entrepreneurship.

In 2017, the average American worker had \$581 of venture capital behind him; in Minnesota, that figure was just \$185—68.2 percent less. Between 2002 and 2018, Minnesota's inflow of venture capital increased by 74 percent in real terms, compared with a 427 percent increase nationally. In 2014, new and young businesses made up 30 percent of all businesses in our state compared to 34 percent nationally. This poor showing is the consequence of Minnesota's high corporate income taxes, the fourth highest in the U.S.



Find Phelan's full report online at AmericanExperiment.org.

Per-worker performance is concerning.

Minnesota's GDP per capita was \$65,640 in 2018, 14th highest in the U.S. and 4.6 percent higher than the national average of \$62,641. By contrast, our GDP per worker was \$123,348 compared to \$131,571 nationally. Our state ranked 20th in the nation on this measure, 6.7 percent below the national average. If we look at GDP per worker for the private sector, we see that in 2018 Minnesota's workers produced an average GDP totaling \$119,671—8.1 percent below the national average of \$130,261. On a GDP per hour worked basis, the story is the same. In the goods producing sector, Minnesota's workers produced \$82.45 of GDP

per hour, 4.7 percent below the national average of \$86.52. In services, our state's workers produced \$67.63 of GDP per hour worked in 2018, 6.9 percent below the national average of \$72.66.

A hardworking workforce.

In 2018, Minnesota's Labor Force Participation rate was 69.7 percent, the third highest in the country. As we have a greater share of our labor force working to produce GDP or Personal Income, so we have a greater GDP or Personal Income to divide among the population. Minnesota's above average figures for household incomes reinforce this point. Median household income in Minnesota was \$71,817 in 2018, 18.8 percent above the national average of \$63,179. However, households with two workers accounted for 34.0 percent of households in Minnesota that year compared to just 28.6 percent nationally. Minnesota also had a smaller portion of households with one worker or no workers

Minnesota needs lower taxes.

Higher taxes are exactly what our state does not need. Minnesota needs to maximize the share of the younger workers in our labor force. Minimum wage policies prevent young workers from joining the labor market. Excessive rates of personal taxation push productive workers out and deter others from moving to Minnesota. High rates of business taxation deter investment, entrepreneurship, and the formation of small businesses. ★

—John Phelan

Local Swamp

Command and Control

St. Olaf College ‘requires’ student teachers to join union’s organization.

Students enrolled in St. Olaf College’s teacher program “MUST join EMAE” [Education Minnesota Aspiring Educators] if they are licensure candidates completing field experiences or student teaching with the Education Department, according to the school’s website.

Education Minnesota—the state’s teachers’ union—runs Education Minnesota Aspiring Educators, a pre-professional organization for college and university students who plan to be teachers. Students are eligible for the student membership if they are enrolled in an Education Minnesota affiliated post-secondary school as an undergraduate or graduate. Annual dues are \$25 (\$15 for the National Education Association, \$10 for Education Minnesota) and then whatever dues the campus chapter charges.

But joining a union or financially supporting a union is not required to get or keep a job in the public sector, teaching included. Nor is it required to become a licensed teacher.

In fact, under the U.S. Supreme Court’s 2018 decision in *Janus v. AFSCME*, teachers and all other public employees cannot be forced to be union members or pay money to a union if they choose not to. ★

—Catrin Wigfall



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BE ALERT

Minnesota liberals are determined to undermine First Amendment rights.

In Minnesota, when you want to speak, liberals pass laws to stop you. When you don't want to speak, liberals pass laws to force you. Here is a short report on two recent examples of local officials exceeding their authority and how the Minnesota Voters Alliance (MVA) put an end to their unconstitutional acts in federal court.

The most serious challenges to the integrity and credibility of election results come not from Russians. The major threats come from the Minnesotans in charge of administering elections.

On a cold November day in 2010, I was cast out of my Eden Prairie polling place for trying to vote while wearing a T-shirt with "Don't Tread on Me" printed on it. The Tea Party movement was in high gear and Ramsey County elections manager Joe Mansky was determined to do something about it. So, he rushed together a policy banning certain apparel in polling places



PHOTOGRAPH PROVIDED BY MINNESOTA VOTERS ALLIANCE

based on Minnesota Statute 211B.11, which empowered individual election judges to apply their biased judgments on what messages would be permitted.

Mansky cited "Election Integrity Watch" and Tea Party apparel as examples of prohibited speech. Secretary of State Mark Ritchie then seized on Mansky's brilliant policy, added some token left-wing examples such as MoveOn.org, and distributed it throughout the state. Make no mistake, Ramsey County and the state were taking aim at conservatives and their growing impact on politics.

After initial victories over the MVA in federal district and appellate courts, the state's luck ran out in May 2018, when the U.S. Supreme Court ruled

7-2 that the offending sentence in 211B.11 violated the First Amendment free speech rights of Minnesotans. At oral arguments, Justice Alito famously illustrated the absurd offensiveness of the law. He elicited from the Hennepin County attorney an admission that apparel with the First Amendment printed on it would be acceptable to wear but not the Second Amendment.

While the state was defending its policies aimed at preventing voters from speaking, Minneapolis and St. Paul city councils decided to attack the First Amendment from the opposite direction, passing ordinances forcing landlords to "speak" by requiring them to hand out voter registration applications and other materials to new tenants.

In February 2019, the MVA sued both cities in U.S. District Court, challenging the constitutionality of their ordinances. We argued that the U.S. Constitution prohibits "compelled speech" whereby

Andrew E. Cilek is executive director of the Minnesota Voters Alliance, a government-watchdog group that focuses on voter advocacy and election integrity issues. The Alliance recently prevailed in a case at the U.S. Supreme Court, *Minnesota Voters Alliance v. Mansky*.

private citizens are forced to act as couriers of the ideology of city government officials. The view that encouraging people to vote is a good thing cannot justify the government's use of its powers to compel law-abiding citizens to promote that view.

In both cities, many renters are ineligible to vote, especially because the sanctuary status of Minneapolis and St. Paul encourages illegal aliens to live there. Landlords objected to being forced to promote voter registration to



ineligible persons as well as to tenants who may have opposing views on public policies such as rent control. The cities are perfectly capable of distributing their materials without threatening landlords with fines and loss of their licenses.

On March 3, 2020, U.S. District Court Judge Wilhelmina M. Wright concluded that the ordinances are “facially unconstitutional” (that is, their plain language violates the rights of landlords in all instances and conditions in which the ordinances might be imposed) and “permanently enjoined [the cities] from enforcing” them.

We don't know at this time whether the cities will appeal but, at least for now, this victory should put an end to efforts in the Minnesota legislature to extend those ordinances statewide.

A few useful lessons from these lengthy legal battles come to mind: liberals can be counted on to encroach on freedoms, the First Amendment is alive and well within the federal court system, and we should all be on alert for future attempts by the left to abuse their power. ★



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Absent Without Leave

After giving themselves a 250 percent pay raise, park commissioner no-shows force the board to cancel meetings.

The Minneapolis Park and Recreation Board regularly makes news for all the wrong reasons.

A while back, the board's chaotic public meetings routinely made headlines for being disrupted and even shut down by activists, some of whom were ejected by police and even issued citations. More notably, backlash ensued after newly elected activists-turned-commissioners voted to give themselves a 250 percent pay raise for a position traditionally viewed as a public service. And just last month, the board paid out a \$170,000 discrimination

settlement to four Somali teens who were detained by park police.

Now the Park Board has come full circle by yet again calling off the panel's public meetings. But it is not because of activists taking over the proceedings. Rather, too few of the activists (now on the board) have shown up to meet the legal requirement for holding a meeting.

The February 21 edition of the *Star Tribune* described how a scheduled meeting of the Minneapolis Park and Recreation Board was canceled for the second time this year because too few of the commis-

sioners bothered to show up.

"It has to stop," board Vice President LaTrisha Vetaw told the *Strib*. "People voted for us to do the work, to make the hard decisions, and attendance is important."

The Park Board controls an annual budget of \$126 million. Some suggest "petty politics" may be behind skipping the meetings, effectively preventing the board from conducting park business.

The *Star Tribune* noted that "the canceled meetings have pushed back board approvals for contracts, invasive aquatic species work and a new lease for Superintendent Al Bangoura's residence in south Minneapolis." ★

—Tom Steward



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Standing Up

Thomas Jefferson Said What?

Victoria mayor exposes radical 'equity' training in government and schools.

The mayor of the western Twin Cities suburb of Victoria has pulled back the curtain on the radical agenda being promoted under the guise of equity in local government and schools. In a letter to the Chanhassen Villager, Mayor Tom Funk said he was shocked by a supposed "training" program staged for local and county government staff that functioned more as an indoctrination session than education.

Funk wrote his letter after he and other community leaders and staff attended a GARE training session—Government Alliance on Race and Equity—hosted by Eastern Carver County School District 112.

"I was stunned when instructors told us that Thomas Jefferson's famous words from our Declaration of Independence, 'All Men Are Created Equal,' actually mean that only white male property owners can vote. They said the phrase 'Under God' in the Pledge of Allegiance is an example of our 'Christian Privilege.' They similarly twisted Abraham Lincoln's 'Gettysburg Address.'"

The radical rhetoric did not go over well with Funk, whose 16-year career in Army intelligence helped frame his concept of America.

"I know just how great our country is. I took issue with these 'equity' views that delegitimize the meaning of our Founding Fathers," he said. "They are directly attacking America by perverting

our history."

Funk left the training session early, "upset with the anti-American indoctrination."

Wondering whether the "nonsense" had made its way into district classrooms, Funk looked into GARE and discovered that it's not just local and state government employees who are subjected to this revisionist history at taxpayer expense.

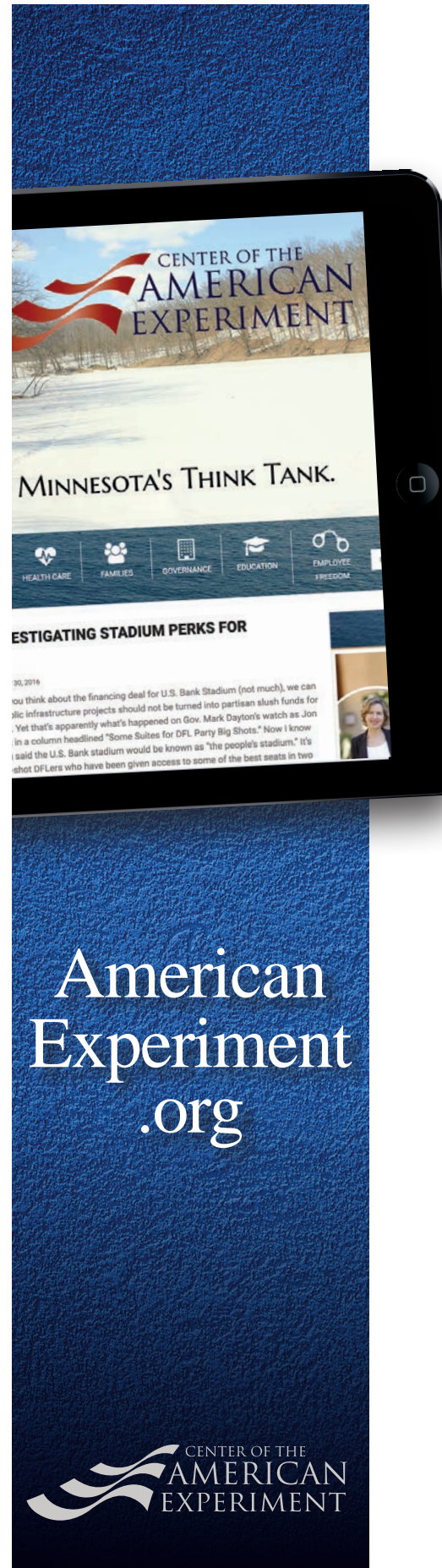
The District 112 Equity Advisory Council (EAC), a council hand-selected to facilitate an equity agenda into the Carver County schools, showed interest in adopting the tenets of GARE.

In his role as mayor, Funk asked to attend an EAC meeting but was denied admission, being told the meetings are closed to the public.



"Yet the EAC meeting minutes show that Minneapolis community activists along with other outside community members attended EAC meetings (summer 2019)," he said. "Wow—what are they trying to hide? Where is the transparency?" ★

—Tom Steward



Agreement

Whether We Need It or Not

Xcel exec testifies that customers pay triple the cost of solar energy ‘in an unlimited quantity.’

We have our policy disagreements with Xcel Energy, but it is important to give credit when credit is due. In late February, Rick Evans—director of regional government affairs at Xcel—testified about the huge inefficiencies related to the Community Solar program. Evans made many of the same arguments Center of the American Experiment makes about wind and solar every day.

Clearly, Xcel understands that the value of solar is far lower than the price paid for it. However, it isn't just community solar that drives up costs for consumers, it is all solar.

“Our customers are required to pay triple the cost of solar energy, in an unlimited quantity, that comes on to our system regardless of whether we need it or not,” he said.

“First of all, the financial transaction is extremely regressive; it takes money from the poor and gives it to the rich. That’s just the way the money flows. It wasn’t the design, it wasn’t the intention, but it’s the way the money flows.”

Evans added that about 20 percent of Xcel’s residential customers are low-income customers, “but they all pay, they all pay three times the cost, three times

the market cost, of solar energy.”

Clearly, Xcel understands that the value of solar is far lower than the price paid for it. However, it isn’t just community solar that drives up costs for consumers, it is all solar.

Using recently-released data from the Federal Energy Information Administration, American Experiment calculated the levelized cost of energy from solar facilities and found it would cost about \$60 per megawatt hour (MWh), which is nearly twice as expensive as the electricity generated at Xcel’s Sherburne County coal facility that Xcel wants to shut down several years before the end of

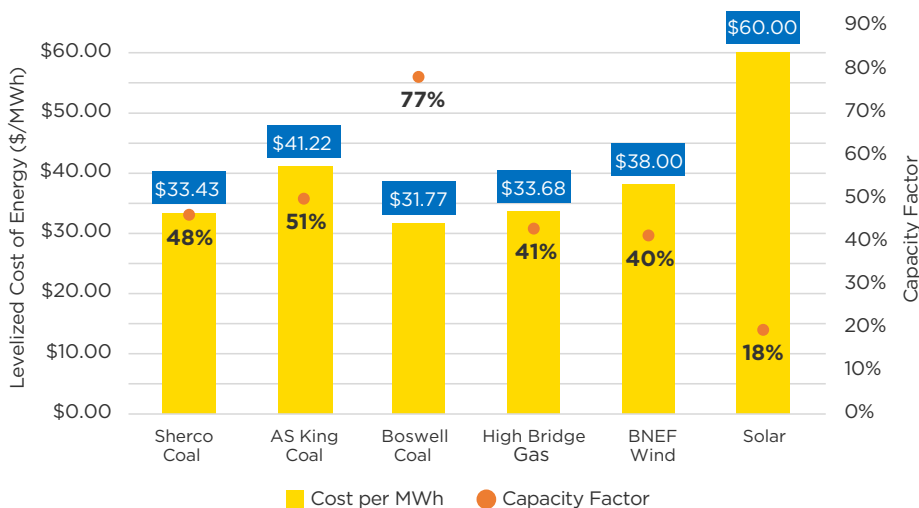
its useful lifetime. The graph below was made using data from the Federal Energy Regulatory Commission (FERC).

The graph shows that Xcel wants to close down a more affordable source of electricity for a more expensive one. Furthermore, the cost of solar does not accurately reflect its value because it is far less reliable than coal-fired power plants.

It is encouraging to see Xcel take a strong stand for its ratepayers against overpaying for electricity generated at Community Solar facilities, but this same logic must also be applied to any solar project. ★

—Isaac Orr

2018 Plant LCOE (\$/MWh) vs. Capacity Factor



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Population

Minnesota's Migration Problem

Repelling the middle class and high wage earners is not a sustainable strategy for any state.

On net, in every year from 2001 through 2016, Minnesota lost residents to other states. This was a source of much discussion in our state, prompting fears of slower economic growth and a lost congressional seat.

So there was some celebration when, in 2017 and 2018, the Census Bureau found that there were net in-migrations of people into Minnesota from other states, in the net amounts of 7,941 and 6,769, respectively.

Unfortunately, that uptick of migration into Minnesota has proved to be temporary. Figures for 2019 show that in-migration dropped essentially to zero,

If Minnesota wants to prosper in the 21st century, we must attract, rather than drive away, highly productive citizens.

a positive net of 65 people. And another new data set provides more cause for concern.

The Internal Revenue Service maintains a database that allows us to track the movements of individuals between states. Unlike the Census Bureau's numbers, the IRS database supplies both age and income information about interstate migrants. This gives us a picture of which people we are attracting, and which we are driving away.

As Center of the American Experiment noted in our previous report, "Minnesotans on the Move to Lower Tax States," the IRS database showed that our state



had been losing residents to other states, on net, since 2001-02—matching the Census Bureau numbers. It also showed that, as of 2016, the outflow of residents went overwhelmingly to lower-tax states.

The IRS database has just been updated with the addition of two more years of statistics on the movement of taxpayers across state lines, covering the years 2016-17 and 2017-18. Unfortunately, these new data show that the trend that existed as of 2016 continues: Minnesota gains low-income residents from other states, but loses middle- and upper-income residents, generally to lower-tax states.

In fact, the IRS data show that Minnesota, on net, lost \$900 million in income to other states between 2016 and 2018.

Specifically, in 2016-17, the state lost \$223 million in adjusted gross income reported by tax filers who moved in and out of Minnesota—the least, adjusted for inflation, since 1995-96—before seeing the net loss increase again to \$673 million in 2017-18.

This is down from the peak outflow of 2013-2014, when former Governor Mark Dayton's tax hike apparently prompted an egress of taxpayers from the state. As Dayton himself said while discussing tax breaks intended to encourage investment, "Incentives do make a difference."

In Minnesota, we often hear talk about whether our high tax rates drive away "the rich." Unfortunately, that is only one of our problems. The IRS database

shows that Minnesota was a net loser of residents in every income category from \$50,000 up in 2017-18. Out-migration is very much a middle-class issue. By contrast, the state attracted a net inflow of domestic migrants with incomes of \$25,000 or less.

Minnesotans sometimes assume that the residents we lose are mostly the elderly, moving to warm-weather retirement destinations. Unfortunately, that's not the whole story, either. Between 2016 and 2018, Minnesota, on net, lost residents to other states in every age category from 45 upward; thus, including many people in their prime working years.

There are, moreover, two aspects to Minnesota's migration problem: the first is the one we can see, Minnesotans who leave for greener pastures in other states. The second, the one we can't see, is equally important—the people who never come to Minnesota in the first place because they have better job opportunities in other states or because they don't want to pay our high taxes.

In the long run, repelling the middle class and high wage earners is not a sustainable strategy for any state. How can Minnesota do better? High taxes are an obvious culprit. The large and growing body of evidence on the effects of taxation on migration was summarized recently by economists Henrik Kleven, Camille Landais, Mathilde Muñoz and Stefanie Stantcheva. They found “there is growing evidence that taxes can affect the geographic location of people both within and across countries.”

If Minnesota wants to prosper in the 21st century, we must attract, rather than drive away, highly productive citizens. Whether we like it or not, we are competing with other states for jobs and taxpaying residents. Our climate doesn't give us a leg up in that competition, so we can't afford to compound our problem with poor tax policy. ★

—John Phelan

This article first appeared in the Star Tribune.

Real Numbers

What Just Happened?

Pay increases for teachers will far exceed the bump in their new contract.

The Saint Paul Federation of Educators and its members walked off the job in March to strike for the first time since 1946. For months, the teachers' union and the Saint Paul Public Schools district (SPPS) had failed to make progress at the bargaining table over the union's 31 contract proposals, which included a demand for teacher salary increases over the two-year life of the collective bargaining agreement.

After three days of striking, the teachers' union reached an agreement with the school district, stating it “settled” for the district's wage increase proposal of 1.5 percent this year and 2 percent next year.

But these percentage increases only tell part of the story. While the proposed increases do represent new money teachers will get, many in the general public are not aware that these increases are *on top of* built-in pay hikes based on teachers' education level and experience. Most St. Paul teachers will receive at least an eight percent increase over the life of the two-year contract. On average, St. Paul teachers are paid \$75,199, second only to Edina in Minnesota.

Commonly called the “step and lane” progression, pay increases are built into the salary schedule for the first 20-or-so years of a teacher's career. Step and lane schedules remain the most common salary structure for teachers. The “steps” in a teacher salary schedule are the number of years a teacher has been teaching, and the “lanes” are the level

of education the teacher has. Under union salary schedules, teachers earn automatic raises for each additional year of experience up to the top of the scale and can also earn more money by pursuing additional education credits and degrees.

This is not to say that teachers don't have the right to ask the school district for higher wages and make their case to taxpayers, parents, and the school board. However, the way the union frames its wage increase demands is misleading. St. Paul residents and taxpayers deserve transparency around the actual increases teachers will see on their paychecks—increases that account not only for new money but the built-in salary boosts as well. ★

—Catrin Wigfall

Increases are on top of built-in pay hikes based on education level and experience. On average, St. Paul teachers are paid \$75,199, second only to Edina in Minnesota.



Past is Prologue

Aspirational Page-Kashkari constitutional amendment will fail.
Handing control of education to the courts always does.

Minnesota schools, like schools across the nation, have been striving for decades to shrink the stubborn racial learning gap. The frustration caused by repeated failure accounts, in large part, for the support behind the latest proposal: the Page-Kashkari constitutional amendment that would make a “quality” education a “fundamental right.”

Unfortunately, the amendment is virtually certain not to produce the desired academic improvements. Instead, its adoption would likely lead to a loss of democratic control over education, coupled with mind-boggling financial outlays and continued low performance.

The amendment’s noble-sounding, aspirational language is appealing at first glance. It purports to give “all children” a “fundamental right” to a “quality public education” that “fully prepares them” for “participation in the economy, our

democracy, and society.”

Retired Minnesota Supreme Court Justice Alan Page and current Federal Reserve Bank of Minneapolis President Neel Kashkari say they hope to stimulate legislative reform. But the amendment’s powerful legal buzzwords make clear it was crafted to open the way for enhanced judicial control of Minnesota’s educational policy and funding. This course has failed, at great cost, in other states that have tried it.

The amendment carries such potential for mischief, in part, because it would create a “positive” right. It would not just limit government power, as a right to free speech does, but would require the state to guarantee that every child achieve a specific educational outcome. That’s like purporting to give all children a constitutional right “to be a successful high school athlete” or “to have a happy,

healthy life.”

Put another way, the amendment mandates an outcome we don’t know how to achieve and doesn’t specify how we are to accomplish it.

Moreover, the amendment would make ensuring this new “fundamental right” our state’s “paramount duty.” In legalese, that means K-12 funding would always get “first dollar,” crowding out vital priorities such as higher education, public safety and health care in hopes that someday “quality” schools will be achieved.

Virtually no other state has produced enduring academic gains or significantly narrowed the racial gap by turning education over to the courts. In New Jersey, for example, in the late 1980s the state Supreme Court ordered lavish funding in low-income districts for reforms ranging from universal pre-K to massive new

(Page-Kashkari) would require the state to guarantee that every child achieve a specific educational outcome. That’s like purporting to give all children a constitutional right “to be a successful high school athlete” or “to have a happy, healthy life.”



construction and social services, funded by the largest sales- and income-tax hike in state history. Today some districts spend as much as \$34,000 per student. Yet a recent study revealed that academic performance has not significantly improved, and in some cases has fallen.

Some claim the Page-Kashkari amendment would boost academic achievement in Minnesota, because it requires student performance to be measured against “uniform achievement standards.”

The amendment mandates an outcome we don't know how to achieve and doesn't specify how we are to accomplish it.

Yet who would define these standards, and determine whether students were achieving them? Our state has a dismal track record of jettisoning meaningful academic standards—precisely because some kids fail to meet them. Paradoxically, this is often done in the name of “equity.”

For example, in 2013, after a years-long effort by standards advocates to create reading, writing and math standards with consequences, the Legislature dropped required minimum test scores for a high school diploma because too many students couldn't meet them. Today, graduation rates are rising for low-income and minority students, but a diploma has become virtually meaningless.

We struggle even to keep basic skills tests for teachers, for the same reason. These tests are no longer required for new teachers. Now Governor Tim Walz's 2020 education agenda proposes to eliminate basic skills tests for all teachers.

Ditto for minimal standards of student behavior. In the name of equity, in 2017 the Minnesota Department of Human

Rights threatened to take 43 school districts and charter schools to court unless they modified discipline policies to eliminate racial differences in suspensions, regardless of actual student misconduct. As a result, students are finding it difficult to learn in increasingly chaotic classrooms.

Is it realistic to believe the Minnesota Supreme Court can turn this around? When it comes to education reform, courts know how to do one thing: hand out money.

How we can do better? Mississippi, of all places, is showing the way. In 2019, it ranked No. 1 in the country for gains in fourth-grade reading and math on the National Assessment of Educational Progress. Mississippi spends far less per pupil than Minnesota, and 75% of its students—vs. 37% of ours—get free or reduced lunch. Yet today, its low-income students are third in the nation on fourth-grade reading, while Minnesota's are 40th.

Mississippi owes its progress largely to an intense early reading policy of identification, intervention and monitoring. As a last resort, third-grade students who can't read are retained for a year of enriched, individualized instruction. Our educational establishment has rejected many elements of the approach that accounts for Mississippi's success.

Rather than producing academic gains, the Page-Kashkari amendment would open a Pandora's box of lawsuits. Plaintiffs would sue to compel their own vision of “quality” education, ranging from universal public-school preschool for the very youngest children, to comprehensive sex education, to racial quotas for students and teachers in every classroom.

Raising academic achievement requires not court mandates but a commitment to hard work by educators, students and parents. So long as we believe our racial learning gap is the result of a flawed state Constitution, we will fail. ★

—Katherine Kersten

This article first appeared in the Star Tribune.



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Allergic to Accountability

BY CATRIN WIGFALL

Despite no proven correlation between spending and student achievement, Big Education relentlessly demands—and gets—more and more money.

Imagine this scene: On a cold January morning, a mom listens to the local radio station to hear the latest weather report, then bundles up her son in a coat, hat and mittens before sending him off to school. And as she does this, she has a sense of pride. Why? Because even on the coldest winter mornings this mother, like many Minnesotans, is certain of one thing: the school

she sends her son to is a good one. And she knows, even if not everyone agrees, that Minnesotans pay a lot to have one of the finest education systems in the country. National rankings, after all, don't lie. Nor do test scores.

Or do they?

What if I told you everything in the conventional narrative about Minnesota's

education system is believed by facts that point to a different conclusion from what we've been told?

Hailed as having one of the best public education systems in the nation, the reality of Minnesota's public schools is that behind those high rankings are educational disparities and shortcomings that have not disappeared despite decades of increased spending.

And yet, unrelenting claims by spending advocates and teachers' unions that our education woes are caused by insufficient spending drive policymakers and state leaders to dedicate billions of dollars—over 40 percent of the state's budget—to education funding.

Unfortunately, Minnesota taxpayers have little to show for their investment. The all-too-familiar trend of mediocre performance and declining test scores

Outside of the education “reforms” that have been tried ad nauseam, our education system will not get the lasting change it needs and all our students will not get the education they deserve.

paired with a persistent achievement gap is unacceptable, and continuing to pour more money into a broken system is bad policy.

Are we really that good?

According to the most recent *Thinking Minnesota Poll*, 59 percent of registered voters in the state grade Minnesota's public schools an “A” or “B.” When asked specifically about the public schools in their local community, 66 percent of respondents gave them an “A” or “B.”

Minnesotans take pride in their public schools. They read state rankings like those published by *Education Week*, that ranked Minnesota 7th nationally in 2019 for K-12 achievement, and *U.S. News & World Report* that ranked Minnesota 12th nationally in 2019 for its pre-k-12 education system.

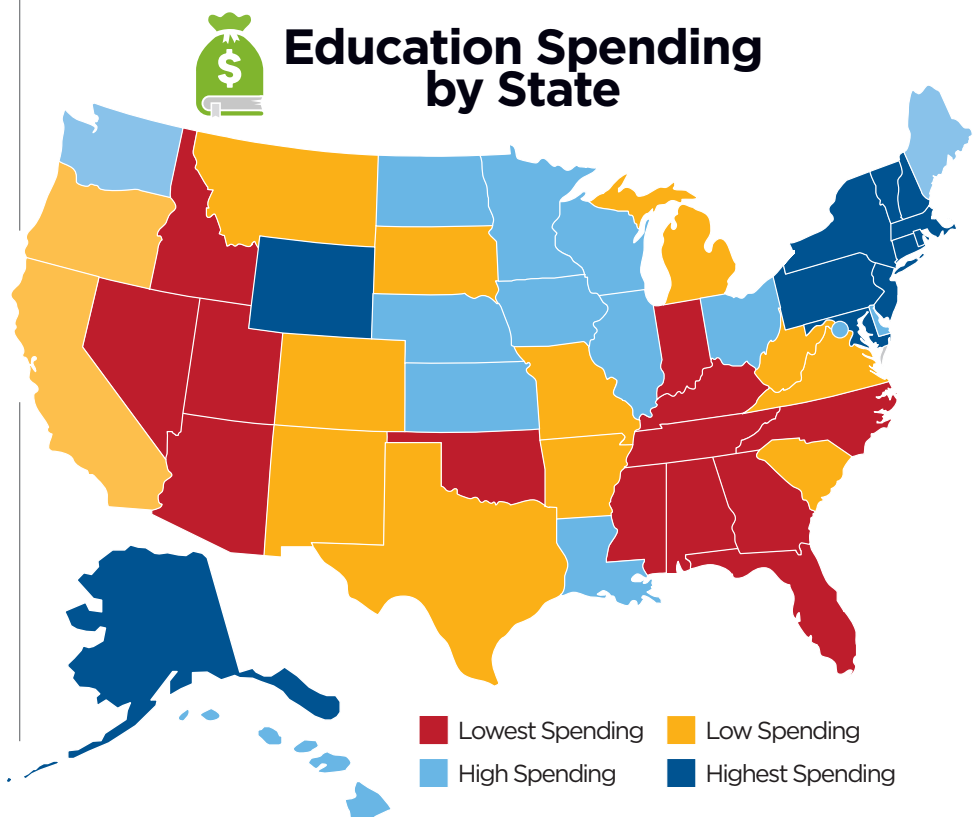
But these popular reports can be misleading because they fail to provide an “apples to apples” comparison between states. “By treating states as though they had identical students, they ignore the substantial variation present in student

populations across the states,” say authors Stan Liebowitz and Matthew Kelly in a report published by the Cato Institute. “Conventional rankings also include data that are inappropriate or irrelevant to the educational performance of schools. Finally, these analyses disregard government budgetary constraints.”

Measures such as graduation rates that *U.S. News* and other organizations use to rank K-12 education systems do not measure actual learning. For example, Minnesota requires a certain number of credits in core courses to earn a high school diploma. But high schools often provide course credit based on hours of class time rather than knowledge of, let alone mastery of, core concepts. Even with strong coursework requirements, the learning needed to pass courses can vary from district to district, allowing students who don't demonstrate basic proficiency to still accumulate graduation credits. Furthermore, student demographics can disguise educational outcomes; a state like Minnesota whose student body is nearly 65 percent white might do well on state rankings due to its socioeconomic composition rather than any great achievement by its education system

because state rankings do not account for student diversity.

Education rankings like *U.S. News* include average scores on tests administered by the National Assessment of Education Progress (NAEP)—the only assessment that measures what students know and can do in various subjects across the nation and states—but these rankings ignore student heterogeneity despite NAEP results providing demographic breakdown of student scores by state. This omission skews the rankings in favor of states with fewer socioeconomically challenged students. Researchers Liebowitz and Kelly reconstructed the 2018 *U.S. News* state rankings using the same 2017 NAEP test score data as *U.S. News* but included scores from *all* subjects tested within the four major ethnic groups (whites, blacks, Hispanics, and Asian/Pacific Islander)—which *U.S. News* omits—and excluded factors such as graduation rates that don't measure learning—which *U.S. News* includes. By using all of the NAEP data instead of only part of it, the differences in rankings are substantial: Minnesota's education system that *U.S. News* ranked 7th nationally in 2018 dropped to 33rd.



Spending is not down

Liberal politicians and school-spending advocates portray “insufficient” spending as the main problem with Minnesota’s public education. According to Education Minnesota President Denise Specht, Minnesota needs to spend about \$4 billion more every two years to “fully fund” public schools. But if there was a magic number for making schools better, wouldn’t we already be spending

enue per pupil has consistently increased since 2003—both adjusted for inflation and not adjusted for inflation. According to the U.S. Census Bureau, Minnesota spends on average \$12,647 per student each year.

But misleading rhetoric leaves the general public believing Minnesota spends far less on education than we actually do. According to the most recent *Thinking Minnesota Poll*, the median

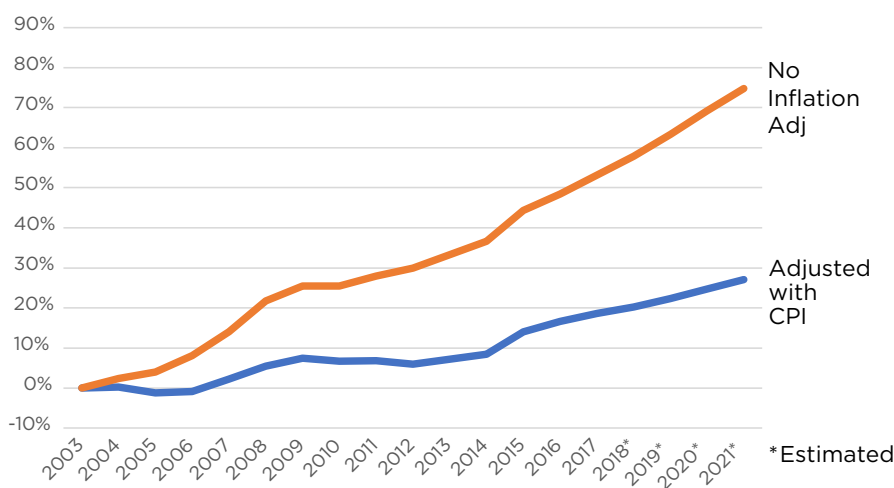
single spending increase in that budget. By 2022-23, the SCRFA has estimated education spending will increase to nearly \$21 billion or 4.4 percent above fiscal year 2020-21.

The money is spent on classroom instruction (teachers’ salaries and benefits), support services for students and teachers, school administration, transportation, food services and facility operations, early education, capital costs (building and maintaining facilities), and state agencies, to name a few. Nearly \$600 million a year (\$551 million in fiscal year 2018) is sent directly to school districts across the state to pay for the educational needs of students who do not meet performance standards appropriate for their age. In addition, federal Title I funds for low-income students and other state funding (“achievement and integration” aid, early education money, rural school money, etc.) are also designated to move the achievement gap needle.

Minnesota has multiple streams of funding going into education, and yet disparities continue to plague our state.



Percent Change in Total Revenue per Average Daily Attendance Since FY2003



Source: Minnesota Department of Education

that amount? Data show that there is no apparent correlation between increased spending and improved academic outcomes. The false narrative that inadequate funding is the root of our education problems paints Minnesota as a state allergic to accountability. Minnesotans spend more money for education year after year, yet they fail to get the most bang for their buck. And our students are paying the cost: too many are being left behind in the shadow of success.

The chart above shows that total rev-

dollar amount Minnesotans guessed the state spends per pupil was \$3,000.

There is clearly a disconnect between rhetoric and fiscal reality.

Minnesota has also continued to appropriate more money for education spending, with current education expenditures for fiscal year 2020-21 at \$20.1 billion, according to the Senate Counsel, Research and Fiscal Analysis Office (SCRFA). Last year’s two-year budget deal gave a \$540 million boost to the education fund—the biggest

Lackluster academic outcomes

Minnesota test results over the last decade reveal a familiar tale of woe for the state’s public schools: academic outcomes stagnant or in decline, and an achievement gap that won’t budge.

The state measures student academic achievement primarily through the Minnesota Comprehensive Assessments (MCAs) that are given once a year. The reading MCA is administered in grades 3-8 and grade 10, and the mathematics MCA is administered in grades 3-8 and grade 11. Science knowledge is assessed in grades 5, 8, and once in high school. As reading and mathematics are the primary assessments Minnesota uses to meet state and federal accountability requirements, these are the test results that will be discussed below.

Minnesota student achievement is also measured by NAEP scores. The NAEP test results that will be referenced below are mathematics and reading scores from grades 4 and 8. Participation in NAEP is required by federal law, and it is admin-



Catrin Wigfall is a Policy Fellow at Center of the American Experiment. She is the director of EducatedTeachersMN and EmployeeFreedomMN. Catrin spent two years teaching 5th grade general education and 6th grade Latin in Arizona as a Teach for America corps member before using her classroom experience to transition back into education policy work.



There is clearly a disconnect between rhetoric and fiscal reality.

istered to a sample of students who represent the student population of the states and nation. It is the only objective student learning outcome measure available to compare states' academic performance.

Test scores

Test scores are not the only indicator of success, but they play a key role in evaluating learning because they are objective, standardized measures of student achievement on academic or proficiency standards. Tests can also place healthy pressure on schools, helping identify which schools are struggling to meet the minimum academic expectations.

The MCA assigns four levels of achievement: Exceeds the Standards (proficient), Meets the Standards (proficient), Partially Meets the Standards (not proficient), and Does Not Meet the Standards (not proficient). Students receive an achievement level based on their scale score.

According to the 2019 MCA math test results, 44.6 percent of students assessed statewide—in grades 3-8 and grade 11—are not performing at grade level. In reading, 40.4 percent of students assessed statewide—in grades 3-8 and grade 10—are not performing at grade level. And the results are even more discouraging when broken down by race/ethnicity. Around 45 percent of Asian students, nearly 68 percent of Hispanic students, 72 percent of

American Indian/Alaska Native students, and 72.2 percent of black students are not proficient in math. And even among white students, over 100,000 are not performing at grade level, equating to nearly 53 percent of the total student body that is not proficient in math. But our educational disparities are not confined to race. Low-income white students significantly trail higher-income white students across Minnesota.

The passage of time has not been kind to our hope for improved academic progress. Math scores have declined since 2016 and reading proficiency has been stagnant.

But what about students who opt out of standardized testing? Doesn't that skew the data?

The percentage of students who opt out of the MCAs is not significant enough to affect overall proficiency scores. On the 2019 MCAs, 2.5 percent of students opted out of the math assessment, and less than 2 percent opted out of the reading assessment.

Minnesota students have also declined in both reading and mathematics on NAEP tests. The average math NAEP score for fourth-grade public school students in the state declined from 249 in 2017 to 248 in 2019. In reading, the average fourth-grade score was 222 in 2019, down from 225 in 2017. For

eighth-grade students, the average math NAEP score declined from 294 in 2017 to 291 in 2019. Eighth-grade reading scores dropped to 264 in 2019, compared to 269 in 2017.

And while these drops in scores may not seem significant, digging into the numbers reveals more of the story, and reveals Minnesota students' performance relative to students in other states. Recall that these test scores are averages, and they do not take into account the impact of student heterogeneity. Disaggregating groups of students gives a better picture of a state's academic performance and helps put to rest the claim that more spending necessarily improves student performance.

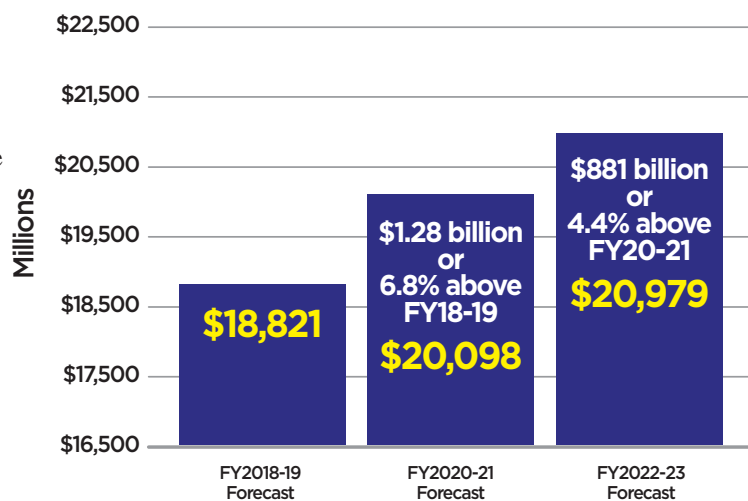
For example, Texas spends \$9,375 per pupil compared to Minnesota's \$12,647 per pupil. Yet Texas black, Hispanic, and Asian/Pacific Islander students outperformed Minnesota black, Hispanic, and Asian/Pacific Islander students *on each 2019 NAEP subject test for each grade level*. Thus, assuming that Minnesota must do a better job educating its students because it spends more money is not accurate.

Mississippi, who spends \$8,771 per student and whose student body is made up of nearly 49 percent black students compared to Minnesota's 10.7 percent, has better performance than our state

among students of color. Mississippi black and Hispanic students in both fourth and eighth grade math and reading outperformed Minnesota black and Hispanic students. Equally important, Mississippi's NAEP test scores for fourth and eighth grade black students have been scaling up over the years, compared to Minnesota's declining scores among fourth and eighth grade black students. And among low-income students—of which Mississippi has 75 percent compared to Minnesota's 37 percent—Mississippi fourth graders ranked 3rd in the nation in reading. Minnesota's low-income students ranked 40th.



E-12 Education Forecasted General Fund Spending



Source: Senate Counsel, Research, and Fiscal Analysis

Achievement gaps

Minnesota's achievement gap is the disparity in academic performance between groups of students. It is most often used to describe the troubling performance gaps between students of color, at the lower end of the performance scale, and their white peers, as well as the similar academic disparity between students from low-income families and those who are better off. The state of Minnesota has not made meaningful progress in closing its achievement gap—which is one of the worst in the country—despite continued increases in spending and direct allocations of hundreds of millions of dollars each year to specifically target low-performing students.

The achievement gap between white and black students varies only slightly when comparing proficiency on the MCA and the NAEP. In fourth grade reading, the 2019 MCA results show a 35 percentage-point achievement gap in proficiency between white and black Minnesota students. Black and white fourth graders both scored lower on the 2019 NAEP reading test, compared with the MCA results, with an achievement gap of 26 percentage points. The achievement gaps for grade 8 reading proficiency and grades 4 and 8 math between the MCA and the NAEP range from 30 percentage points to 40 percentage points. Over the last five years, the achievement gap on the math MCA has widened by 2.1 percentage points in grade 4 and 1.4 percentage points in grade 8. This widening gap is also paired with declining test scores for both white and black students in Minnesota. On the reading MCA, the achievement gap has widened by 0.5 percentage point in grade 4 and narrowed by 0.9 percentage point in grade 8 over the last five years.

While the third-grade reading achievement gap on the MCA has narrowed between white and black students in Minnesota by 5.7 percentage points since 2015, the gap closure is not positive because it is a result of white students' proficiency declining.

The achievement gap is also not limited to race. Only 37 percent of low-income Minnesota students of all races/ethnicities are proficient in math

and reading compared with 68 percent of their higher-income peers. According to the most recent *Thinking Minnesota Poll*, 79 percent of Minnesotans say the achievement gap in the state is a significant problem.

Graduation rates and college readiness

Reductions in graduation gaps do not automatically equate to success. According to Minnesota Department of Education data, the number of African American students who graduated high school increased from 36 percent to 67 percent from 2003 to 2018 (compared to



Student demographics can disguise educational outcomes; a state like Minnesota might do well on aggregated scores due to its socioeconomic composition rather than any great achievement by its education system.

white graduation rates of 79 percent and 88 percent), but an analysis of college readiness tests by the Federal Reserve Bank of Minneapolis shows zero progress in closing the gaps in terms of actual learning. And because the Legislature removed required minimum test scores for a high school diploma, Minnesota high school graduation requirements have become diluted.

According to ACT Research data, only 25 percent of black students are college ready compared to 69 percent of their

white peers. Governor Walz has recently emphasized the climb in graduation rates as a positive development, despite the fact these rates are happening while test scores keep falling. We may be graduating more students, but an increasing proportion of those students are unprepared for college and other post-secondary options.

Educational ROI

Spending more on schools may be popular, but the state's education shortcomings and disparities require policy solutions, not further cash infusions.

This analysis of Minnesota's education system is not to dismiss external factors that can affect a child's academic performance. Nor is it necessarily indicative of outcomes in specific schools and districts—as there are learning environments generating higher-than-average achievement per dollar spent. But it is meant to assess the state's education system as a whole and get us thinking about how good are Minnesota's public schools, *really*?

Minnesota's massive investment in K-12 education has not promoted strong student achievement, as additional dollars have not resulted in improved academic outcomes or meaningful progress to close the achievement gap. We are a generous state with regard to funding for districts with high populations of low-income students and students of color. But these investments are not paying off, and until we pursue solutions outside of the education "reforms" that have been tried ad nauseam, our education system will not get the lasting change it needs and all our students will not get the education they deserve.

It is challenging to move a test score average over time, but the state's multi-year academic track record has very little to show for the influx of cash the education fund has received. This new decade of education will require different ingredients if we hope to make meaningful progress in boosting academic outcomes and setting students up for success.

When will it be time to hold the state accountable and ask, "Where are the results of all our spending?" ★



≡ THE SURVEY

About the pollster

Rob Autry, founder of Meeting Street Research, is one of the nation's leading pollsters and research strategists.

GRADE INFLATION?

Even with compelling evidence that student performance is slipping, Minnesotans still love their schools.

Minnesotans love their system of public education, despite persuasive evidence that schools are consistently underperforming their reputation.

The survey was conducted by pollster Rob Autry, president and founder of Meeting Street Research based in Charleston, South Carolina. His company completed 500 phone interviews, with a mix of cell phones (40 percent) and landline phones (60 percent), on March 5 and 7, 2020. The margin of

error is ± 4.38 percent.

Meeting Street executed its study alongside a troubling report by American Experiment Policy Fellow Catrin Wigfall, “Allergic to Accountability,” which appears on page 26. In the article, based on her larger report, Wigfall concludes that regardless of historic accolades, Minnesota’s schools suffer “educational disparities and shortcomings that have not disappeared despite decades of increased spending.”

FIGURE 1: MOST VOTERS GIVE MINNESOTA SCHOOLS AN "A" OR "B" GRADE, AND EVEN MORE GIVE THEIR LOCAL SCHOOLS A HIGH GRADE.

"Students are often given the grades A, B, C, D and F to rate the quality of their work at school. Suppose the public schools themselves were graded in the same manner. What letter grade would you give the public schools here in Minnesota/your local community?"

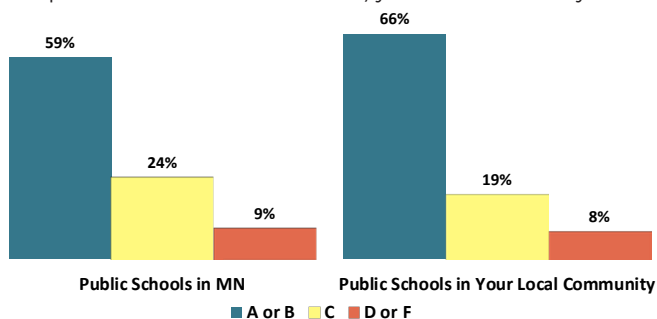


FIGURE 2: MINNESOTANS VASTLY UNDERESTIMATE THE AMOUNT OF MONEY THE STATE SPENDS PER STUDENT.

"If you had to give me your best educated guess, what dollar amount would you say the state of Minnesota spends on funding per student per year?"

"And what if I told you that Minnesota currently spends on average \$13,000 per student per year? Would you say that is too much, not enough, or about right?"

Avg. Funding	MN Voters
\$0 - \$1,000	17%
\$1,001 - \$3,000	15%
\$3,001 - \$8,000	14%
\$8,001+	16%

Median Answer:

\$3,000

* 32% Don't Know/Not Sure

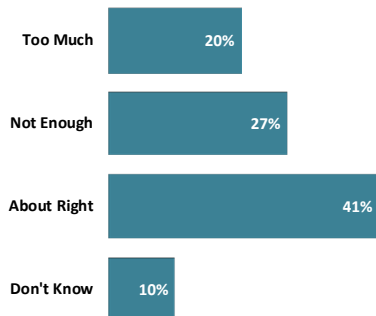
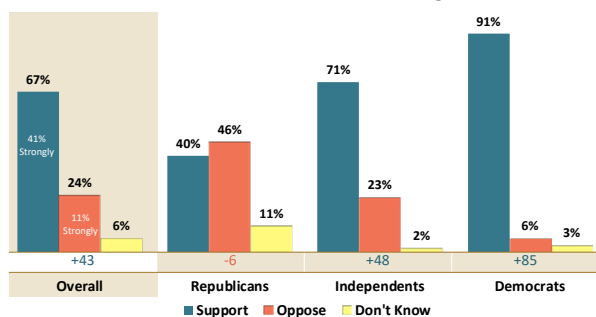


FIGURE 3: INDEPENDENTS AND DEMOCRATS OVERWHELMINGLY SUPPORT SPENDING MORE, BUT REPUBLICANS ARE MORE SPLIT ON THE ISSUE.

"When thinking about education spending in Minnesota, do you SUPPORT or OPPOSE continued spending increases for education funding?"



Minnesotans haven't yet absorbed that message, according to the *Thinking Minnesota Poll*. They award schools high marks for performance across the board, paying scant attention to the return on investment from government expenditures for education and principally blaming parents for the growing achievement gap in schools.

By wide margins, respondents assessed the performance of public schools with either an "A" or "B" letter grade, reserving the highest praise for their local schools. Fifty-nine percent of state schools received an "A" or "B" from Minnesotans, with 24 percent receiving a "C." Local schools fared even better: 66 percent "A" or "B," with just 19 percent getting a "C."

SCHOOL SPENDING

Minnesotans appear unperturbed about the vast gap between how much money they thought the state of Minnesota spends and how much is actually spent. When asked to give an "educated guess" about how much money the state spends on education per student each year, the median answer was \$3,000. When told the state spends about \$13,000 per student per year, 41 percent of respondents thought the amount was "about right." Only 20 percent thought it was too much.

On top of this, Minnesotans favor increased spending on education by wide margins. Overall, they support further outlays of government money by 67 percent to 24 percent. Democrats overwhelmingly support spending more on education, by a 91 percent to 6 percent margin. Independents favor it by 71 percent to 23 percent. Only Republicans oppose higher spending, 40 percent to 46 percent.

Across party lines, Minnesotans are satisfied with the return on investment (ROI) for public education (60 percent to 34 percent), but parents of students still in school are even more pleased, posting a margin of 63 percent to 28 percent. Democrats are happiest of all groups with the performance they are getting on government expenditures on education (68 percent to 23 percent). Approval from Republicans (55 percent to 40 percent) and Independents (53 percent to 41 percent) shows more constraint, but they still approve of the ROI by wide margins.

ACHIEVEMENT GAP

Respondents acknowledge Minnesota's much-publicized disparity in academic performance among groups of students, but they primarily place the blame on parents and environment over classroom activities. Seventy-nine percent recognize that it is a problem (39 percent "big problem," 40 percent "moderate problem"). Among a wide array of potential contributors to the gap, a plurality (41 percent) attribute the issue to "family background and home environment."

EARLY LEARNING

Minnesotans express high levels of bipartisan support for the Early Learning Scholarship program, 77 percent to 21 percent

generally. The highest support comes from Democrats, 94 percent to 5 percent; next comes Independents, 78 percent to 20 percent, and then Republicans, 58 percent to 38 percent.

All told, the results reveal “a clear disconnect between the data on how Minnesota’s public schools perform and the perceptions of most Minnesotans about those schools,” according to John Hinderaker, president of Center of the American Experiment. “Even though test scores show our public schools are failing many of our students, Minnesotans continue to support public schools, mostly uncritically.”

“Our polling reflects that most people think that if there are issues with the schools, the solution is to spend more money, even though history tells us that won’t get the job done,” he added. “In short, we have a long way to go to educate Minnesotans on this issue.” ★

FIGURE 4: ALMOST TWO-THIRDS OF PUBLIC SCHOOL PARENTS FEEL POSITIVELY ABOUT THE RETURN ON INVESTMENT FOR PUBLIC EDUCATION.

“Now, before we wrap up, in general, would you say Minnesota taxpayers are currently getting a good return on their investment when it comes to public education?”

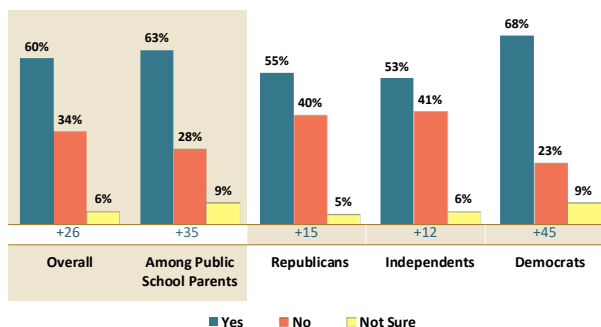


FIGURE 5: EIGHT IN TEN MINNESOTA VOTERS SAY THE ACHIEVEMENT GAP IN THE STATE IS A SIGNIFICANT PROBLEM.

“We will refer to the term achievement gap as the disparity in academic performance between groups of students.

Knowing this, how big of a problem do you think the achievement gap is here in Minnesota?”

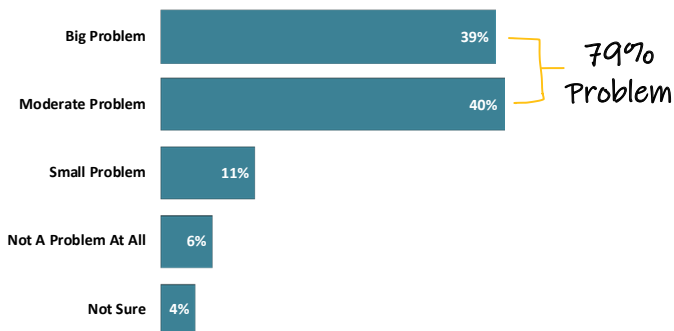


FIGURE 6: STUDENTS’ ENVIRONMENT IS PERCEIVED AS THE MOST PROMINENT CONTRIBUTOR TO THE ACHIEVEMENT GAP.

“Which of the following would you say is the strongest contributing factor to the achievement gap here in Minnesota?”

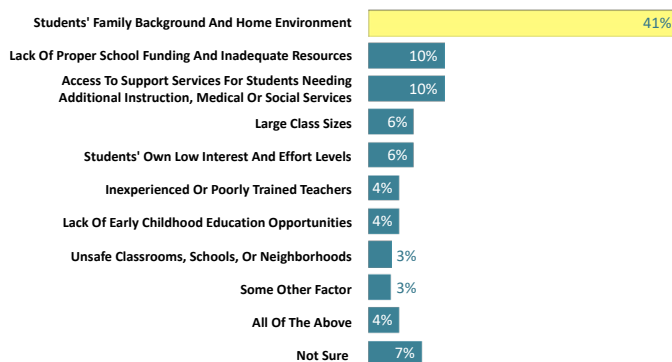


FIGURE 7: ACROSS THE IDEOLOGICAL SPECTRUM, THERE IS SIGNIFICANT SUPPORT FOR THE EARLY LEARNING SCHOLARSHIP PROGRAM.

“Would you say you SUPPORT or OPPOSE these Early Learning Scholarship programs?”

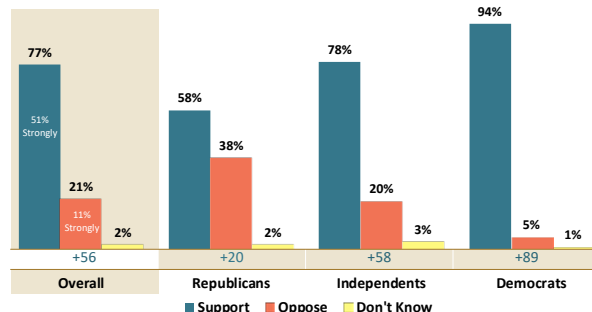
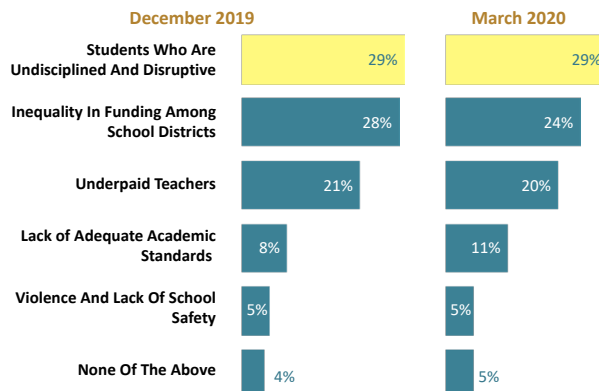


FIGURE 8: DISRUPTIVE STUDENTS CONTINUE TO BE SEEN AS THE BIGGEST PROBLEM FACING MINNESOTA SCHOOLS.

“Which of the following issues do you think is the biggest problem facing Minnesota’s public schools?”



Out of House and Home

How the Met Council and local governments deny affordable housing to the working poor.

Nearly everyone acknowledges that the lack of housing available for people of low and middle income is one of the most serious problems facing the Twin Cities today.

Experts use a standard measure to determine whether housing is affordable: If a household spends 30 percent or more of its income on housing expenses (mortgage or rent), then that household is considered “cost-burdened” and their housing is not affordable.

By this measure, more than 27 percent of Twin Cities residents were cost-burdened in 2017, according to Minnesota Compass, using U.S. Census Bureau data. And the poorest are hit hardest. Nearly 85 percent in the Twin Cities making less than \$20,000 per year cannot find affordable housing. But it’s not just a problem for the poorest. Nearly 23 percent of households earning \$50,000 to \$75,000 per year are cost-burdened. For context, the area median income (AMI) in the Twin Cities is about \$100,000 for a family of four.

The Family Housing Fund estimates that nearly 375,000 working residents of the Twin Cities—one in every five—cannot find affordable housing.

The cost of newly built homes exacerbates the problem.

According to the Housing Affordability Institute, 85 percent of Twin Cities households are unable to afford an average newly constructed home. In fact, in 2018, less than 10 percent of new homes built in the Twin Cities cost less than \$225,000 and less than a third cost less than \$325,000—and most of those homes were condominiums or townhomes, not single-family homes.

The Minnesota Housing Partnership says only 164 of the 1,336 units of “affordable housing” constructed in 2017 (about 12 percent) were affordable to extremely low-income households, defined as those earning 30 percent or less of AMI.

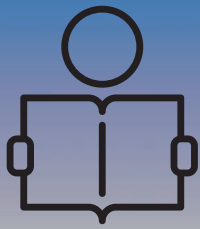
And the disparity in homeownership for households of color is also substantial. Thirty-nine percent of Twin Cities households headed by a person of color or indigenous person are homeowners, versus 75 percent of white households.

The Twin Cities

The shortage of affordable housing is not unique to the Twin Cities, but it is more acute in the Twin Cities metro area than most metro areas around the country, and it is far worse than any other metro area in the Midwest.

Among the 100 largest metropolitan statistical areas

By Jeff Johnson



This is an excerpt
of a longer white
paper, available at
AmericanExperiment.org.



(MSAs) in the United States, the Twin Cities MSA (MSP) is the 16th largest and is tied with Colorado Springs for the 19th highest housing cost (as defined by the Zillow Home Value Index: the cost per square foot of the typical home value). If we remove coastal MSAs from the list, the Twin Cities MSA has the 5th highest housing costs in the country. And if we look at the Midwest, the Twin Cities has the highest costs by far.

On top of the most expensive housing among the 10 largest MSAs in the Midwest, MSP is also 37 percent higher than the next highest MSA (Chicago), and MSP's costs are more than double both Indianapolis and Cleveland.

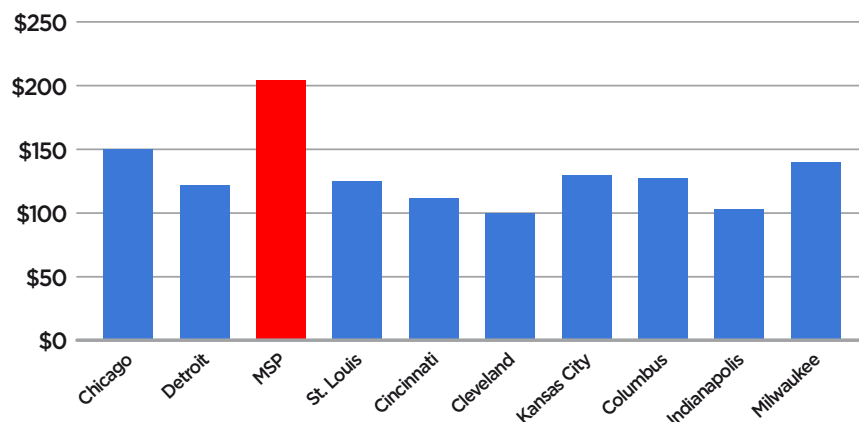
Overall, MSP's housing costs are 56 percent higher than the other largest metro areas in the Midwest.

Some might argue that the higher cost of housing is offset by the fact MSP's per capita income is 12.4 percent higher than the average among Midwestern MSAs. Perhaps, but not enough. MSP's housing costs are 56 percent higher than the average among the 10 largest MSAs in the Midwest. Likewise, when comparing median home prices to median household income, MSP is less affordable than all but Chicago and Milwaukee among the largest metro areas in the Midwest.

Nor does population growth explain MSP's high housing costs. One might assume the fastest growing large metro areas in the country would have high housing costs based on the simple principle of supply and demand. MSP, however, is growing slowly compared to other MSAs.

Of the 100 largest MSAs in America, 57 of them grew in population at a rate faster than the United States as a whole between 2010 and 2018. MSP is number 46 in growth on that list of 57 while our

Home Value (ZHVI) per Square Foot (2019 Average) Largest Metro Areas in the Midwest



Source: Zillow Housing Data (www.zillow.com/research/data/)

housing costs are 16th highest.

For comparison, MSP's housing costs are higher than nine of the 10 fastest growing large metro areas in America (while MSP's rate of growth is much lower than any of those metro areas). In fact, MSP's housing costs are more than 38 percent higher than the average cost in the 10 fastest growing large metro areas in America.

The Causes

Experts cite many reasons for a lack of affordable housing across the United States. They include (in no particular order):

- Significant inflation in land prices and the products (like lumber) used in construction
- Labor shortage of those needed to build housing
- People staying in their homes through old age, limiting the supply of cheaper housing stock
- Rapid population growth in certain regions that outstrips supply
- A lack of land to build upon, us-

ally because of physical barriers to growth

- Government policy and regulations that increase the cost of building housing

But what about the Twin Cities? Are there any unique circumstances that explain how out of step we are with every other metro area in the Midwest?

Physical barriers to expansion and population growth do not explain MSP's uniquely poor position with respect to affordable housing. And there is also no evidence that people stay in their homes longer in MSP than other parts of the country.

That leaves labor shortages, inflation in land and building material, and government actions.

LABOR SHORTAGE. As of July 2019, Minnesota's labor shortage is similar to other states in the Midwest and nationally, according to the U.S. Bureau of Labor Statistics. The ratio of unemployed people to job openings nationally is 0.8. At 0.7, Minnesota's labor shortage is slightly worse than the nation as a whole.

INFLATION. Overall inflation in MSP over the past 20 years has tracked close to the average of other metro areas. Inflation of the price of land is a different story. Between 1997 and 2017, land prices in MSP experienced an annual increase of 9.25 percent during that



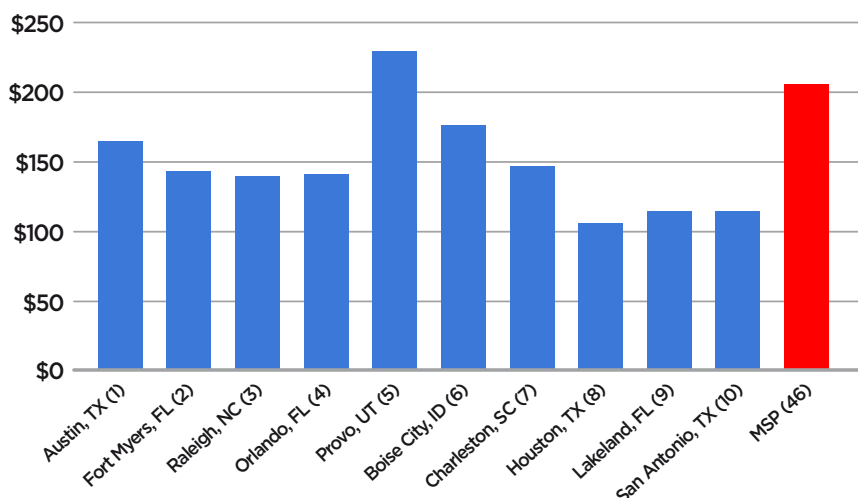
Jeff Johnson is an adjunct policy fellow at Center of the American Experiment. He is a Hennepin County Commissioner and former member of the Minnesota House of Representatives. Jeff also previously practiced law at Cargill, Inc. and with firms in Minneapolis and Chicago.

He is a graduate of Concordia College in Moorhead and Georgetown University Law Center in Washington, D.C. and was the Republican candidate for Minnesota governor in 2014 and 2018.



Home Value(ZHVI) per Square Foot (2019 Average)

Ten Fastest Growing Large Metro Areas in the U.S. (plus MSP)



Source: U.S. Census Bureau and Zillow Housing Data

same time period. That's about 9 percent higher than the nation as a whole and more than triple the average major Midwestern MSA. In fact, while MSP saw a 185 percent increase in land prices over 20 years, four Midwestern MSAs actually saw a *decrease* in land prices over that same period.

In addition, land *prices* in MSP are 84 percent higher than the average in the 10 largest Midwestern MSAs, and more than 32 percent greater than the Detroit MSA, which has the second highest cost of land in the Midwest.

Obviously, the cost of land in MSP is one cause of high housing costs that is unique to our metro area, at least in the Midwest.

Why is land so expensive? The Metropolitan Council.

The Met Council is the most powerful, unaccountable, regional planning organization in America. Its policies have created an artificial land scarcity that has sent land inflation through the roof in MSP as compared to any other Midwestern MSA.

The Met Council was created in 1967 as a small common-sense body charged with coordinating water runoff, the metro sewer system and facilitating regional planning. Since then, it has become the most expensive, powerful and overbearing regional organization in the country. The Met Council has an operating budget

of about \$1 billion, a capital budget of over \$8 billion and more than 4,000 employees.

The Met Council's operating budget is more than double that of the nation's second largest regional authority and larger than the 4th largest through the 20th largest combined, which includes Chicago, Los Angeles, St. Louis and Denver.

The Met Council's autocratic priorities are damaging the metro area rather than advancing it. Unfortunately, it no longer facilitates planning and growth but instead attempts to control and direct it, imposing its own questionable priorities on elected city councils as a condition of receipt of the state and federal funds it's allowed to disperse.

Housing and land use are prime examples of this. The Met Council's actions are driving up the cost of both land and housing in the Twin Cities.

The Met Council controls a "growth boundary" or "urban containment boundary" around the entire seven-county Twin Cities metro area. This invisible boundary is known as the MUSA line, short for "Metropolitan Urban Services Area Line." Property inside the line is generally approved for streets, sewers and other basic infrastructure. Property outside the line is not.

The *Pioneer Press* published an extensive article in 2017 that explained how government in MSP and Minnesota

is contributing to the shortage of affordable housing. The article included the following:

Along Dale Road in Woodbury, farmland to the north is worth an average of \$27,000 an acre, according to the Washington County Assessor's records. Land just across the road—outside the MUSA line—is \$11,000 per acre. Len Pratt, owner of Pratt Homes, builds homes in Washington County, where a one-third acre lot inside that MUSA line can sell for as much as \$100,000.

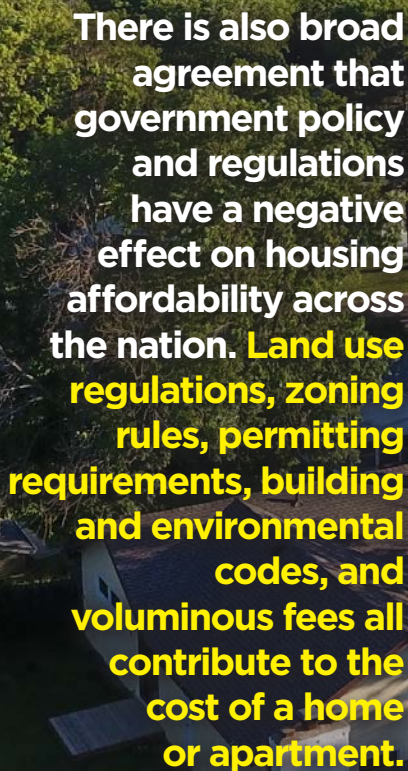
In most metro areas nationwide, there are no such regional lines. Builders choose from among thousands of landowners, wherever they are, and negotiate the best deal they can. They pay less for the land, and homebuyers pay less for their houses.

And this from an MPR story on the lack of affordable starter homes in the Twin Cities:

[Real estate developer Paul] Heuer said he thinks the way to build more affordable homes is to build further out from the Twin Cities' urban core. That's been a successful strategy for developers for decades. People drive to affordability, developers say. But that kind of development is restricted by the Metropolitan Council, which decides where it will supply critical infrastructure, like sewer lines, to homes... Heuer thinks they should extend those boundaries to allow developers like him to build further out.

The Met Council's response in the MPR story: Extending the MUSA line would be too expensive and "**the region doesn't need more single-family homes**"—a surprising response considering there are thousands of families in the region who are unsuccessfully searching for affordable single-family homes.

GOVERNMENT ACTION. There is also broad agreement that government policy and regulations have a negative effect on housing affordability across



There is also broad agreement that government policy and regulations have a negative effect on housing affordability across the nation. Land use regulations, zoning rules, permitting requirements, building and environmental codes, and voluminous fees all contribute to the cost of a home or apartment.

the nation. Land use regulations, zoning rules, permitting requirements, building and environmental codes, and voluminous fees all contribute to the cost of a home or apartment.

That is true, however, across the country. The question then is whether MSP, particularly in relation to other large Midwestern metro areas, has government policies that are uniquely onerous to explain, at least in part, why MSP's housing costs are so high.

The answer to that question, in short, is yes.

Between state, regional and local entities in MSP, government policy and regulations are responsible for various costs when building housing.

While it is not possible to quantify these costs generally (as each jurisdiction varies) and compare them directly to other MSAs, ample evidence exists from those responsible for building housing that government policy in MSP (and

Minnesota more broadly) contributes considerably to MSP's high costs.

A recent report by the Housing Affordability Institute (HAI) found that up to one-third of a new home's price in the Twin Cities is due to regulations and policies from local, regional and state government.

More specifically, the HAI report sets forth how nearly identical homes cost considerably more in MSP than in other Midwest metro areas. For example, a home built in Lake Elmo costs \$47,000 more than the same home built by the same builder just across the border, in Hudson, Wisconsin. Likewise, a home built in Blaine, Lakeville or Victoria costs at least \$70,000 more than the same home built by the same builder in the southwest suburbs of Chicago.

The *Pioneer Press* study acknowledged that regulations are only one factor in the cost of housing. Others include:

- Energy-saving rules and safety codes, which are tougher and costlier than in surrounding states;
- The cost of metro-area land, which is elevated by centralized planning, larger mandated lot sizes and a public resistance to development;
- An increasing use of city fees, tucked into the price of a new house, which can add tens of thousands of dollars.

Moreover, the article goes on to describe how Minnesota cities are increasingly slapping fees on the sale of a new home—on top of taxes. Park fees alone tack up to \$7,000 on house prices in Minnetonka, \$6,000 in Plymouth and \$2,000 in Blaine. In addition, the Met Council levies a sewer availability charge of \$2,500 per lot, and some cities charge a similar amount for the same purpose.

Regarding legislative action and Minnesota's strict codes, the American Council for an Energy Efficient Economy (ACEEE) ranks states and major cities on the stringency of government requirements for energy efficiency in buildings. The energy code is an important element of this measure. According to ACEEE, Minnesota has the 8th most stringent government requirements in the coun-

try and the highest of any Midwestern state. Minneapolis has the 4th highest requirements for a city, exceeded only by Boston, San Francisco and Seattle.

In the *Pioneer Press* article, the authors state that over the past two decades, state officials "have been toughening up the energy codes every three to six years."

That means taking the federal guidelines, reworking them in a years-long process, and writing their own. The latest code book affecting residential homes was 567 pages. It's something states like North Dakota and Iowa don't do. "We don't rewrite the book. We don't even publish," said Ljerka Vasiljevic, deputy building code commissioner for Iowa, whose state code—unlike Minnesota's—only applies to state-owned buildings.

One might wonder whether there's a reasonable middle ground between Minnesota and Iowa.

Solutions

There is no doubt that government action contributes greatly to the significant shortage of affordable housing in the Twin Cities metro area. What can MSP do to get in line with other major metropolitan areas in the Midwest?

First, do no *more* harm.

Unfortunately, that's not obvious to many politicians. They propose to do more of the same.

For decades, many policymakers turned to rent control, a "solution" that proved to be absolutely disastrous (although it still exists in several of the coastal cities with the worst affordability problems).

Today's new spin on rent control is called "inclusionary zoning" (IZ). IZ laws mandate that developers offer a percentage of "affordable" units in any housing project in exchange for permission to build with a higher density than would be allowed without it. This is the rent control of the 21st century, as it caps the cost an owner or developer can charge for housing.

IZ hurts affordability as much as rent control. Nonetheless, many policymakers are doubling down on their commitment



to the concept, asserting that more inclusionary zoning requirements are necessary to address the affordable housing problem. The City of Minneapolis, for example, passed an IZ mandate effective January 1, 2020 that requires developers to include “affordable” units in any apartment building with 20 or more units.

Kelly Doran of Doran Cos., one of Minneapolis’s largest developers, told the *Star Tribune* that he now avoids projects in Minneapolis in favor of suburbs and other states. “I just know from a business standpoint the numbers won’t work, so why look?” he said.

Research shows that Doran is the rule rather than the exception regarding IZ laws throughout the country. Studies have shown that IZ mandates tend to prevent new housing starts and make market-rate housing more expensive. A 2012 study found that IZ mandates discouraged production of housing overall and raised prices in California. Another study found that IZ mandates contributed to price increases and lower construction rates in Boston.

Many of these same politicians also continue to champion age-old government “solutions” like rent or mortgage subsidies, tax credits and government-owned housing. After spending hundreds of billions of dollars over the last few decades on these “solutions,” we find ourselves in the current situation.

The problem with subsidies is pretty basic: They increase housing demand but do little or nothing to address the supply problem, thereby creating higher home prices and rents. As one small example, the Minnesota Housing Finance Agency recently found that housing projects in the Twin Cities that used the federal Low-Income Housing Tax Credit (a significant federal subsidy to developers who agree to keep costs lower for a percentage of their tenants) cost 29 percent more than non-LIHTC projects in MSP.

That is not to say that some creative use of taxpayer dollars is not a part of the solution, but no amount of spending will solve (or even lessen) this problem unless government is willing to do what it hasn’t in the past: reform and actually roll back government mandates, regulations and fees that are contributing considerably

to the lack of affordable housing in the Twin Cities.

Building and Environmental Codes

Minnesota has the strictest codes in the Midwest and there is broad consensus they contribute to the high cost of housing in the Twin Cities. If the governor and legislature truly care about the creation of more affordable housing in the region, they will conduct an in-depth analysis of every code requirement and begin to eliminate some of the requirements that have been added in the past two decades based on political considerations. Minnesota should strive to be at least *somewhat* competitive with our neighbors with respect to these costly requirements.

Local Government Fees and Zoning Requirements

It is also broadly agreed that the myriad fees and zoning restrictions placed on builders by cities contribute significantly to the high cost of housing in the Twin Cities. Certainly, more responsible action on the part of local governments would help, but that likely will not happen on its own. Both the state and federal government, however, could spur action in this area.

For example, the Minnesota Housing Finance Agency provides funds to cities through economic development and “housing challenge” no-interest loans. The federal government provides housing money to cities through the Community Development Block Grant program (and several other sources). Some or all of these funds could be restricted to cities that maintain “reasonable” zoning restrictions and fee levels as defined by statute.

It’s encouraging to note that such a proposal has been championed by both the Trump White House and the Elizabeth Warren presidential campaign. If Warren and Trump can agree, we should be able to get it done.

Met Council Reform

The Met Council is the most powerful, expensive and unaccountable regional planning organization in the country. In addition to the costs it adds to housing through fees, it has created an artificial restriction on housing development that

has contributed to the uniquely high cost of land in the Twin Cities. Nearly every other metro region with housing costs as high as the Twin Cities has natural geographic barriers to growth in the form of mountains or an ocean. MSP does not, but the Met Council, through its MUSA line and attempts to direct the housing market, has created such barriers and contributed to the high cost of housing in the region.

There have been attempts to reform (or even eliminate) the Met Council in every legislative session for many years. Little has been done, however, to make it less powerful or more accountable. The ideal solution would be to dramatically scale back the authority of the Met Council to its original purpose of coordinating water runoff and the sewer system and serving as a *facilitator* of regional planning and growth. Taxing authority would not be necessary under such a charge.

Short of that, there are numerous reforms regarding both the power and makeup of the Met Council that would at least help. Bottom line, we will not get housing prices under control in the Twin Cities unless something is done to rein in the Met Council.

Government Spending

There is a role for government spending to address the affordable housing issue, but it will only bear fruit if accompanied by the reforms listed above. Ideally that spending will be focused on vouchers provided to tenants and homebuyers, rather than grants to developers. And if aid to developers is deemed necessary, it will be dispersed through revolving loan funds rather than outright grants.

There are also creative solutions that are much less expensive than the massive subsidies we’ve seen over the years. One example is to preserve existing affordable housing through a program called NOAH (naturally occurring affordable housing). These programs seek to preserve older rental property that is at risk of conversion to higher rents and displacement of low- and moderate-income residents. Such programs often provide capital assistance or loans for capital repairs to owners of this housing in exchange for an agreement to keep rents at or near their current levels. ★



Economic Energy

Environmentalists' call to shutter the Boswell Energy Center would devastate the Iron Range economy, **with no measurable impact on future global temperatures.**

By Isaac Orr

Standing on the banks of the Mississippi River in Cohasset, Minnesota, the Boswell Energy Center is the most productive, lowest-cost source of electricity in the entire state.

Because Minnesota's mining and paper industries use massive quantities of electricity, only the coal-fired Boswell plant can provide the reliable, affordable electricity needed to keep these industries running strong.

However, liberal lawmakers from the Twin Cities—and their friends in the wind and solar lobby—want to shut the plant down to reduce carbon dioxide

Environmentalists may concede that closing Boswell would hurt the economy of northern Minnesota, but they argue that the costs are worth it.

emissions, even though doing so would have zero measurable impact on future global temperatures. It would, however, have devastating consequences for Iron Range communities.

Minnesota, Mining, and Energy

Many people who live in the Twin Cities are vaguely aware that Minnesota mines iron ore, but few understand the scale or importance of mining to the communities that develop our iron ore resources. Even fewer understand the important role that electricity plays in the process.

Thanks to the Iron Range, Minnesota produces 85 percent of all the iron ore mined in the United States, making our state the fourth-largest mining state in the nation in 2019, trailing only Nevada, Arizona, and Texas in terms of the value of minerals sold.

Mining iron consumes an enormous

amount of energy. The MinnTac mine in Mountain Iron reportedly uses more electricity and natural gas than the entire city of Minneapolis. In total, the iron mining industry consumes 650 megawatts of electricity, the equivalent of 580,560 Minnesota homes.

Mining operations run 24 hours per day, 365 days per year, and each step in the mining process requires electricity.

First, rocks that can be as large as a Volkswagen are sent to the crusher and broken down into marble-sized rocks. These small rocks are then transported by conveyor to the mill room, where they are crushed into a fine powder.

The powder is mixed with water and pumped through a separator, where magnetic rollers divide the valuable iron from the waste rock. Finally, the wet, concentrated iron powder is rolled with clay inside large, rotating cylinders to form pellets that are turned into steel.

Because electricity is so vital to every stage of the iron mining process, and mines require so much of it, even a small increase in the cost of electricity adds up.

Boswell: King of the North

I recently had the opportunity to tour Boswell, which is the third-largest power plant in Minnesota. What I saw was a clean, well-lit masterpiece of modern engineering, despite the constant barrage of “dirty coal” talking points from renewable energy special interest groups.

No other power plant in Minnesota generates power more often or more affordably than the Boswell Energy Center. Federal data show Boswell generated 87 percent of its potential output in 2018, making it the most productive plant, for its size, in the state. Federal data also show Boswell was the lowest-cost source of electricity.

The high reliability and low cost of Boswell are two key reasons why it is critical to northern Minnesota and should run until at least 2035.

Wind and solar advocates

want to shut Boswell down as soon as possible, but the energy sources they advocate for simply cannot do the heavy lifting required of the Boswell plant day in and day out.

For example, federal data show Minnesota's wind fleet generated just 33 percent of its potential output in 2018 because there was not enough wind. And even the most productive wind facility in Minnesota generated less than 45.7 percent of its potential output. Solar fared even worse, generating just 18 percent of its potential. Even in a best-case scenario, wind and solar didn't work 55 to 82 percent of the time.

Many people don't realize that the grid is not a storage device; there is no way to readily or cost effectively store the electricity generated by wind and solar for a later date. Coal, natural gas, hydroelectric, or nuclear power must be ready to keep the lights on when wind and solar don't show up to work.

If environmentalist legislators succeed in shutting down Boswell, its most realistic replacement would be some combination of wind, solar, *and natural gas* power plants, which would require enough natural gas to power the entire system in the very possible event that wind and solar generate zero electricity.

Instead of paying once for electricity from Boswell, closing the plant could result in electricity customers paying three



The Boswell Energy Center in Cohasset.

times for electricity they use once.

Last year, Center of the American Experiment released an award-winning study, “Doubling Down on Failure: How a 50 Percent By 2030 Renewable Energy Standard Would Cost Minnesota \$80.2 Billion,” which concludes that a grid powered by 54 percent wind, solar, and hydroelectric power would cause electricity prices to increase by 40 percent, relative to November 2018 prices.

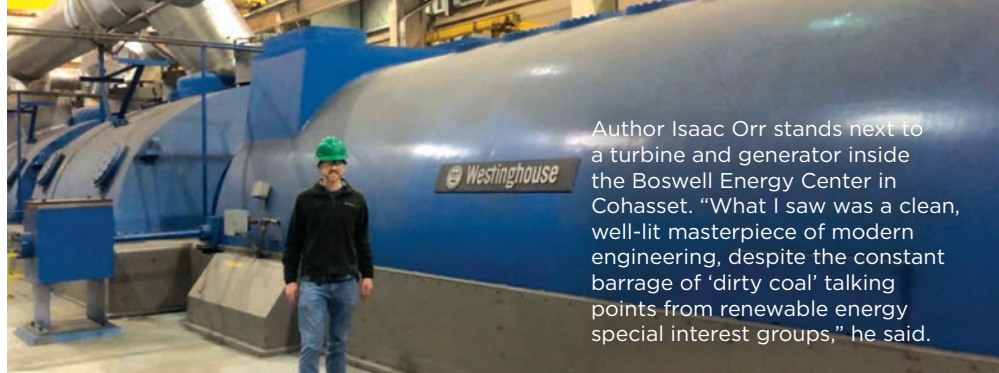
Using the economic modeling software IMPLAN, our study concludes this increase would destroy nearly 21,000 jobs. These job losses would likely be concentrated in energy intensive industries such as agriculture, manufacturing, and mining, where rising electricity costs leave Minnesota companies at a competitive disadvantage relative to firms in other states and nations.

Opportunity Costs

Energy constitutes roughly 25 percent of the cost of producing iron ore in Minnesota, and the cost of electricity paid by these mines has increased by more than 60 percent on average since 2007, when Minnesota enacted its 25 percent renewable energy mandate.

Raising the price of electricity by 40 percent would increase the cost of electricity for the mining industry by approximately \$227 million, the equivalent of 2,300 mining jobs paying \$99,000 per year.

The \$227 million price tag incurred by



Author Isaac Orr stands next to a turbine and generator inside the Boswell Energy Center in Cohasset. “What I saw was a clean, well-lit masterpiece of modern engineering, despite the constant barrage of ‘dirty coal’ talking points from renewable energy special interest groups,” he said.

integrating more renewables on the grid would likely force the iron industry to shut down entirely, sending Iron Range communities into an existential crisis.

Jobs Destroyed

Data from the Bureau of Labor Statistics (BLS) show 4,006 people worked in the iron mining industry in 2018. The average wages for mining jobs in St. Louis County was \$98,954, which is twice as high as the average wages for the county and 5.85 times more than wages in the tourism and hospitality industry.

The high wages paid by mining jobs amplify the economic impact of mining throughout the entire Iron Range.

Each iron mining job supported an additional 1.8 jobs in the greater economy in 2010, according to the Iron Mining Association of Minnesota. Some of these jobs are called “indirect jobs,” or jobs in support industries, such as the Mesabi Radial Tire shop in Hibbing that sells the massive tires used on mining equipment.

Other jobs are known as “induced jobs” because they are the product of miners and people employed in support industries who spend their paychecks in

the broader economy at places like hospitals, grocery stores, and bakeries.

If each mining job supports 1.8 other jobs, we can estimate that the mining industry supports 11,216 jobs throughout northern Minnesota. Kelsey Johnson, the head of the Iron Mining Association, says the estimated number is even higher, with 16,000 jobs supported by the iron mining industry.

All of these jobs are at risk if the industry goes away—a distinct possibility if Boswell shuts down before the end of its useful lifetime.

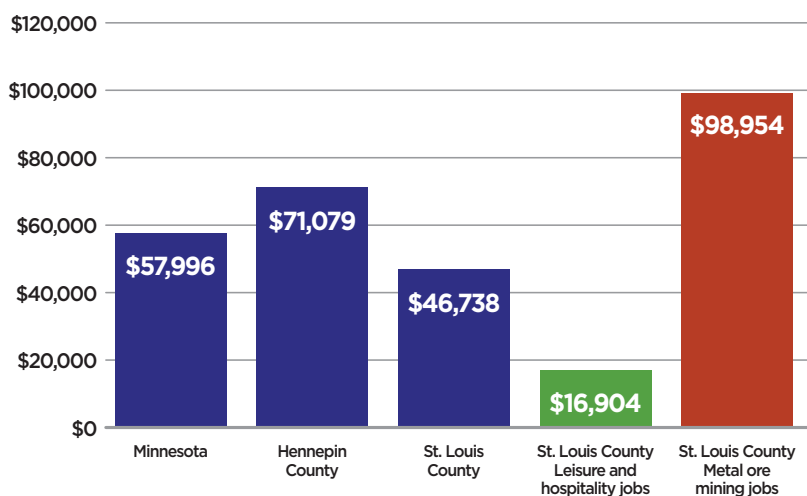
Big Fish, Small Pond

The closing of a mine devastates the community around it, impacting churches, schools, businesses, and community groups. Parishioners have less money to support the church, school enrollment falls and funding disappears when people move their families to other areas to find employment. Small businesses on Main Street close their doors, and local charities like the Lion’s Club have fewer resources to help those in need.

While Minnesota produces 85 percent of the iron ore mined in the United States, this accounts for just 1.6 percent of the global total and means Minnesota’s iron industry must compete on a global scale with other producers.

Any increase in costs puts our iron industry at a disadvantage relative to producers in China and India, two nations that are investing heavily in coal-fired power plants. For example, China is building the equivalent of 185 Boswells, and India is building 87. And while each of these 272 new coal plants will emit carbon dioxide, life is about tradeoffs. The people who want to shut down Boswell to reduce carbon dioxide emissions refuse to admit that they are willing to destroy the mining industry in Minnesota by shutting down the plant. If the iron ore isn’t mined in Minnesota, we

Average Annual Pay, 2018



would end up importing it from China or India—where it was mined using coal-fired electricity.

Such a trade-off would impact the livelihoods of thousands of hardworking Minnesotans and devastate their communities for a symbolic reduction in carbon dioxide emissions. This trade is simply unacceptable.

HibTac Tour

I have also had the opportunity to tour the facilities at the Hibbing Taconite company, locally known as the HibTac mine. The facility began pelletizing iron ore in 1976, injecting \$449 million into the Iron Range economy, including the \$107 million paid in annual wages to the mine's 735 workers.

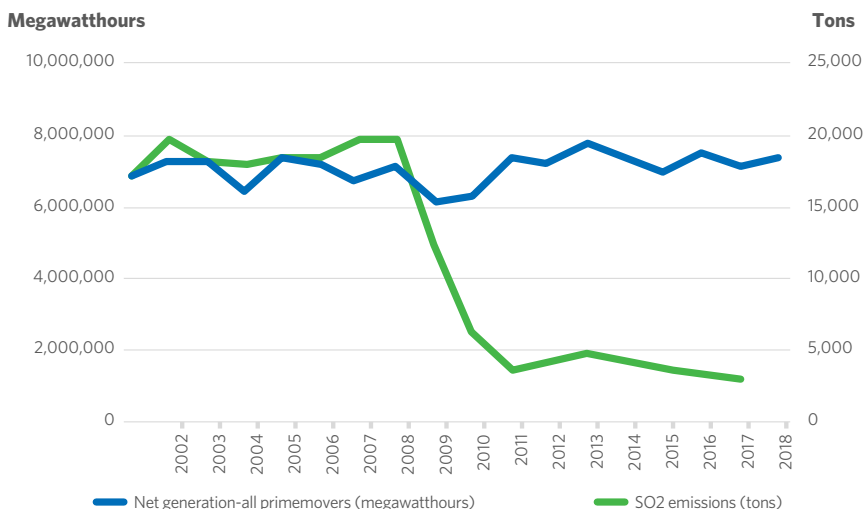
One worker guided my tour through the facility on a cold, windy day in January. Wearing a hardhat, steel toed boots, and earplugs, we first watched a mandatory safety video before signing liability waivers and then heading to the mill room, where large rotating rock crushers the size of houses spin like the gears of a clock to turn marble-sized rocks into a fine powder.

After watching the crushing and the separating, we returned to the area where the tour began, and I asked the guide how long he'd been working at the mine. "Thirty years," he told me. "And everything I was able to give to my daughters was because of this place."



Allison and Laura Collins, the mom and daughter team that runs Pep's Bake Shop in Eveleth.

Clay Boswell Annual Emissions



Pep's Bake Shop

It isn't just mine workers who stand to lose their means of putting food on the table. The ripple effect of losing Boswell and the mines would also impact the people who, literally, work to make the food we place on our tables.

Pep's Bake Shop is a bakery located in downtown Virginia, Minnesota.

As you approach the entrance, there's a sign on the door welcoming steel workers into the store. Resting on the counter past the glass cases filled with doughnuts is a tip jar that reads, "You're never late if you bring donuts."

Pep's Bake Shop has been family-owned for three generations. The woman behind the counter has been helping her mother at the shop for the last 12 years, and her mother has been working at the bakery for 24 years. The daughter emphasized the importance of the mining industry to the area, noting that many of her customers are miners or the families of miners.

Clean, Beautiful Boswell

Environmentalists may concede that closing Boswell would hurt the economy of northern Minnesota, but they argue that the costs are worth it because "it would save the environment."

However, it is highly likely these people have never been to Boswell. Wild rice flourishes just upstream of the plant. Minnesota Power, the company that owns Boswell, hosts an annual deer hunt

for veterans on the company's property.

Pollution control technology has made the air quality near the coal plant cleaner than ever. Sulfur dioxide emissions have fallen by more than 75 percent since 2008, and Minnesota's air meets all federal air quality guidelines, which are designed to protect the most vulnerable populations. Traditional air pollution has also been solved through technology.

But these pollutants aren't driving the campaign to close Boswell. It is being driven by climate change activists and the desire to eliminate carbon dioxide emissions associated with the plant.

The Boswell plant did emit an estimated 7.8 million metric tons of CO₂ in 2018, according to federal data. But using the same logic the Obama administration used for the Clean Power Plan—widely considered to be its signature climate change regulation—closing down Boswell would only avert 0.0002 degrees C (0.00036 degrees F) by 2100, an amount far too small to measure.

Conclusion

Politicians in St. Paul looking to justify their favored policy idea do so by referring to climate change as an "existential crisis." But those who call for the closure of Boswell under this claim are trading an immeasurably small reduction in future global temperatures for a clear and present danger to the people and communities on the Iron Range. ★



≡ Q&A **Why the Great Society Wasn't**

American Experiment
President **John
Hinderaker** interviews
acclaimed author
Amity Shlaes about the
lingering burdens of
Big Government domestic
policies from the 1960s.

Your new book, *Great Society*, turns out to be very timely because it seems to me that we are seeing a lot of echoes today of some ideas that many people thought were dead and gone after the 1960s.

That's right. There are some wonderful books from the '80s and '90s that refer to the Great

Society as a failure, yet so many themes of '60s idealism are right back here today with young people supporting goals that were the named goals of the Great Society. For example: guaranteed income, hike in the minimum wage, social-



ism, expanded health care for seniors, expanded health care for the poor, action in cities, Headstart. Activism generally as a solution for social ills.

Your book spans the Kennedy, Johnson and to some extent Nixon administrations. I was surprised at how much talk of socialism was already in the air during the Kennedy years.

Well, you have a moment when the country feels absolutely prosperous, as we did just two weeks before this interview. The young people say, "We're so prosperous. Ergo, we can afford ..." fill in the blank. And there was a joke that Stalin said the only country rich enough to afford communism was the United States. That tends to be the way young people think. We can afford to share more because we're so rich. That was the attitude then.

The Great Society programs tried not just to alleviate poverty, but to eliminate it. Was there an element of hubris in that?

Well, yes. President Johnson said, "Let's not alleviate poverty; let's cure it." He used that verb cure, C-U-R-E. That was sort of the general attitude at the time, that poverty was curable. That is, America's capable of anything, including getting rid of poverty. This is just a mopping-up action. So, think of the ambition of that. And that's kind of similar to now. And it didn't work out. Poverty is still with us. In fact, by some measures, the abatement of poverty slowed, flattened, particularly in the '70s and '80s, so the poverty rate went down when we had The War on Poverty of Lyndon Johnson. But it didn't go down dramatically, after a few years it slowed, and here we are with poverty still.

Like the Vietnam War, the Great Society was administered by America's best and brightest.

Many of us know the book by David Halberstam, *The Best and the Brightest*, which refers to people who advised

Kennedy and Johnson, particularly on foreign policy. They mapped the war in Asia, mapped Vietnam. They were so infatuated with their own planning and their own bird's eye view that they never looked on the ground and saw the reality of Vietnam, that it was a guerrilla war, that it was subsidized and armed by the Soviets, and so on. Therefore, they missed a chance at peace and victory. But there was also a domestic crowd of the best and the brightest. There were the planners on the war side and planners on the peace side. At that time, government respected experts, especially social scientists. And the idea was that through knowledge in social science, we could obliterate poverty. If we hired smarter, nicer people, they would obliterate poverty, especially if they went to good schools. That was actually the attitude. It turned out poverty was pretty stubborn.

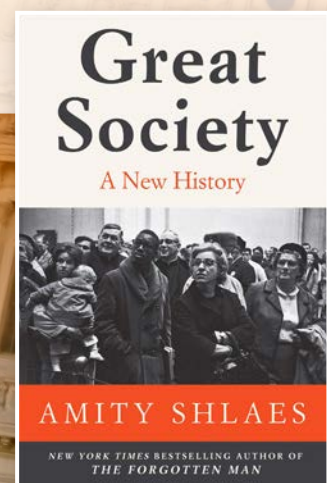
The Great Society era, of course, was also the Vietnam War era. And in your book, you talk quite a bit about guns and butter. How did the two together impact America's finances and economy?

Guns is a proxy for defense spending. Butter is a proxy for domestic spending, especially entitlements. We live in an era of fallacy. Young people think that we spend more on guns than we do on butter. That's not true and hasn't been



In her book *Great Society*, Amity Shlaes shows that planning policy implemented in the name of the collective hurts both the nation and the individual. The result of our collective projects was a new Silent Majority. Former Fed chairman Alan Greenspan has called the book "accurate history that reads like a novel."

Shlaes is the author of four other *New York Times* bestsellers, *The Forgotten Man: A New History of the Great Depression*, *The Forgotten Man Graphic Edition* (a full length illustrated version of the same book drawn by Paul Rivoche), *Coolidge* (a full-length biography of the 30th president), and *The Greedy Hand: How Taxes Drive Americans Crazy*.



true for a long time. The TV actually tricks us by saying military spending takes a great share of discretionary spending. And people say, “Military spending is a great share of spending,” but they ignore that adjective “discretionary.” Discretionary spending is a category into which military falls, but it’s an increasingly small category of the whole budget.

Then there’s mandatory spending, not discretionary, which is increasingly large. And in that category fall entitlements. When you look at a pie chart of government spending, you’ll see entitlement spending is greater than defense spending. So, our entire discussion is off and was off even then, when we were spending much more on defense as a share of our spending. As a share of the economy, it was really the butter all along that got us in trouble. And the characters in my book, *Great Society*, began to realize that around 1970-71, which was when butter spending did overtake gun spending for the first time. And it’s been that way ever since.

And one thing that happened was an economic malaise and a flat stock market that lasted for a shockingly long time.

Americans consider an ever-rising stock market their birthright. Even now, as we’re taking the great 2020 plunge. Young people generally think the market will keep going up—it will go up when they buy their house, just like their house price, and it will go up again and then they’ll have a nice pension.

But that’s not what happened after the Great Society. Around the period of the Great Society, we were seeking to pass the thousand mark in the Dow Jones industrial average. We were pretty sure we were going to pass it. Every day, Richard Nixon talked to his staff and said, “Can today be the day, please? Just get it past 1,000.” We never did. Not during the entire ’70s.

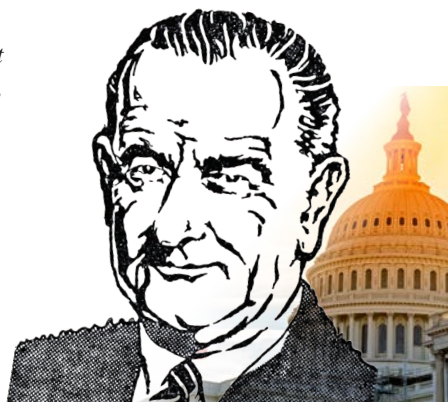
How is it a stock market can stay below a number that it looked likely to cross for almost a generation? How is that possible? The reason was we had such anti-growth policies that we froze—we didn’t grow. And it was only in the period of Ronald Reagan (after some very tough adjustments by Reagan, President Carter and the Federal Reserve) that we began to grow again at a rate most of us consider normal in terms of markets.

There are dire consequences after a downturn if you don’t have pro-growth policies. That’s the message for us today, in the winter, spring of 2020, when everyone is hoping to get back to normal. If we really want to guarantee our markets will get back, it would be helpful to have more dramatic changes, such as the

changes we finally applied even at the end of the ’70s, like a dramatic cut in the capital gains tax rate. So here we are, we have to learn from the Great Society. And what we’ve learned is our society has to be more pro-growth, more friendly to business.

When we hear the phrase Great Society, we think of social programs of the 1960s that failed and that have been abandoned. That really isn’t true, though. The fact is we are living with the legacy of the Great Society in ways that, especially in fiscal terms, are very problematic.

Joe Califano was an advisor to Lyndon Johnson. He wrote a pretty good book about the period stating, “We are living in Lyndon Johnson’s America.” By which he meant, today, we’re living in an America created by the Great Society, which was Lyndon Johnson’s program. And that is accurate. What do we live in that is of the Great Society? Public radio, Medicare, Medicaid, food stamps. And the general attitude—I think this is key—that litigation is often the answer for social justice. So we live with that program even as we say, the Great Society failed. And certainly it did.



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If you would rank all the Great Society accomplishments, I think you’d say right now Medicare didn’t hurt us that bad. My parents like Medicare, I hope to have Medicare. But Medicare is going to bankrupt our children. It’s going to deprive them of the opportunity to compound, because they will pay more substantial taxes. Medicare will run out in 2026. It’s not a faraway date. It’s about when a child who’s entering university now will just have graduated, so what do we want to impose on them? It’ll be double or triple the taxes to make Medicare sustainable in the future. We never

should have made that commitment.

And that was Johnson. What I find attractive about the Great Society—because there are attractive things—is the early emphasis on opportunity. There are not too many people who don’t approve of and admire the Civil Rights Act, the Voting Rights Act, the early laws that gave blacks the franchise. Those are good laws. But in the middle of the Great Society, we switched from seeking equality of opportunity to seeking equality of result. That would lead us to disparate impact lawsuits, affirmative action that sets Americans against Americans, interest groups who won’t permit reform in many areas. So that’s the later Great Society, and it imposes a pretty heavy burden on our social life. We, as Americans, are all divided because of the later Great Society.



We tend to associate the later Great Society with the Johnson administration. But your book is a good reminder that it actually continued under President Nixon.

Johnson was ambitious, Nixon was ambitious. And Nixon didn't have huge Republican majorities in Congress to advance a Republican agenda. He had to work with Democrats. And so he said, "Fine." Domestic policy for Nixon was negotiable, but it wasn't where his heart was. He wanted to be in China, that's where his heart was. So he agreed to all sorts of Democratic ideas, such as expanding food stamps and guaranteed income, which actually means spending more welfare money. The guaranteed income idea was, as today, a very virtuous sounding project. Give people money, not social workers, and they'll find dignity, they'll educate themselves and they'll go to work. That was the idea. Nixon backed that. It didn't become law, but he did back it.

It's a remarkable thing that a Republican administration actually imposed wage and price controls.

It's embarrassing to this day. Reagan was out there as governor of California, wryly commenting. He was a reality check who offered genuine free-market ideas. And eventually the electorate turned to Reagan.

Your book reminded me about the influential role that private sector unions played at the time. That's one thing that really makes it feel like a different era.

Yes, it does. When I'm out in the Midwest, I always speak about Walter Reuther, the leader of the United Auto Workers. That's a name we don't hear much anymore. But in the olden days, he was on the news every single night. Autos were the heart of the Midwestern economy, and UAW was a powerful, demanding union.

What younger people today may not realize and us older people may not recall is that public-sector unions were an insignificant force in that period. The big union was the private sector union, the industrial union. Workers, all of Detroit, were in a private-sector union. And together, Walter Reuther and Henry Ford colluded to make Detroit uncompetitive.

So if you want to know why Flint and Detroit went bankrupt later, it's because our leadership, the private sector unions, the industrial unions and the auto companies who caved, made the wages and compensation packages of industrial workers so high that we were beaten out by foreigners.

We talked earlier about the fact that we're living with the financial and social legacy of the Great Society. But your book points out we're also living with a physical legacy of the Great Society in terms of architecture.

Yes. Architecture shapes our lives. We live in Lyndon Johnson's architectural America. And indeed, the Kennedys'. In the olden days, when you built a government building, the people

around the building might have had some say in the building. There was some concession to local feedback. But then there was a shift, before the '60s but also in the '60s. A document called, "Guiding Principles for Federal Architecture," penned by Daniel Patrick Moynihan, said in effect, architects—experts, again—should decide what federal buildings look like and they should tell the government. The document had the effect of shutting the citizens out. Well, what was considered high architecture in the 1960s? Concrete cinder block, brutalist, modern, international style architecture. Pouring concrete is supposed to be cheaper than old-fashion masonry. I say supposed to be because when you pour concrete, you get an ugly building that starts to crack often after 10 years. Modern architecture is very unforgiving.

When age hits it, it looks terrible, and we rebuild it. A lot of the buildings we ruefully live with today come out of that period. Think of the Housing and Urban Development building in Washington, D.C. It's so ugly, no one even wants to go on the Plaza. Jack Kemp called the place 10 floors of basement. It was conceived intellectually, but it's hostile to humans.

You wrote a book a few years ago about Calvin Coolidge that got a lot of attention. And you're now the chairman of the Coolidge Presidential Foundation. It strikes me that there's a nice contrast between Calvin Coolidge, who kind of symbolizes the more

modest view of the proper role and the powers of government, versus the hubristic view of the all-powerful and all-competent government that in some ways really peaked under Lyndon Johnson. What do you think about that?

What a contrast there is between President Lyndon Johnson and President Calvin Coolidge. President Johnson loved to legislate. It was said that Johnson put through laws the way other men eat chocolate chip cookies. Coolidge was much more cautious. This is a Republican president in the '20s. He had written to his father while he was a young man, "It's better to kill a bad law than to pass a good one." Fewer laws was the rule Coolidge gave himself and the country. So, Coolidge vetoed quite a bit. For example, Coolidge came from a farming state, a very rough farming state, Vermont. The ag lobby thought he would support an agricultural subsidy—or at least not block it. Yet, Coolidge vetoed an agricultural subsidy twice in the 1920s. He vetoed veterans' pensions even though he knew a lot of veterans. And this is when there was no Social Security. And he always said—I'm paraphrasing here—that we have no money to give a specific group that does not come from the whole of the people. The people cannot necessarily afford to serve this interest group. I find his views on government and the powers of government fascinating. One of the things we offer at the Coolidge Foundation is a scholarship to honor not only Calvin Coolidge but the scholarship candidates who acquaint themselves with Calvin Coolidge. ★

UNDIMINISHED

American Experiment's work continues, albeit from home.



John Hinderaker

**Despite the
coronavirus
shutdown, our
productivity
is unabated.**

As this issue of *Thinking Minnesota* goes to press, the news is dominated by the COVID-19 epidemic that began in China and now has spread worldwide. A number of states have been virtually shut down, and here in Minnesota, bars and restaurants have been closed and groups of more than 10 are being discouraged from meeting in public.

The ultimate impact of COVID-19 on both public health and the U.S. economy remains to be seen, but meanwhile every business and organization has been impacted. Center of the American Experiment is no exception. We had to postpone our Annual Dinner, featuring Sarah Huckabee Sanders, from April 4 to June 18. Other events, like our Morning in Minnesota breakfast series, have also been deferred. And around half of our staff has chosen to work from home for the time being.

But these conditions have had little or no effect on the Center's output or impact. We were lucky to host a successful lunch forum with Amity Shlaes, who talked about her new book *Great Society*, shortly before such gatherings became impossible. Likewise, we launched John Phelan's newest report on Minnesota's economy with a press conference at the Capitol on March 13.

Despite the coronavirus shutdown, our productivity is unabated. Within the next few weeks, we will publish both Catrin Wigfall's explosive paper on public education in Minnesota—how good is it, really?—and a groundbreaking paper on housing affordability in the Twin Cities by Hennepin County Commissioner Jeff Johnson. Both papers are previewed in this issue of *Thinking Minnesota* and should stimulate much-needed debate on those issues.

While we can't meet with Minnesotans in person, we have turned to meeting virtually. Through our "Master Class in Public Policy" series, the

Center's policy fellows are giving talks on timely issues using the Zoom platform, which also allows questions and comments by the audience. The Master Class series is free, and we encourage you to take advantage of the remaining programs.

We are emphasizing our electronic communications in other ways, too. Our staff is posting daily, as always, at AmericanExperiment.org, with much of the website's content focused on issues raised by the COVID-19 epidemic. For example: How does COVID-19, so far, compare with normal flu seasons? Is "price gouging" actually a bad thing? Why are plastic bags making a comeback? Can wind and solar reliably power a hospital? If you haven't been checking our website daily, I encourage you to do so. And on social media—including our Facebook page with 24,000 followers, Twitter, and other platforms—we are also more active than ever.

We are eager to be able to resume our ambitious program of events. Here is what is planned so far, with more on the way.

- The remaining lunch forums of 2020 (watch for one on voter fraud)
- Our Fall Briefing
- Our Morning in Minnesota breakfasts
- A series of Greater Minnesota meetings in border counties to unveil a new paper that contrasts economic development in Minnesota's border counties with those across the state line
- A statewide series of meetings on the governor's deeply unpopular proposed regulations requiring Minnesotans to buy electric vehicles

As we continue making the best possible use of the quiet time we are now experiencing, along with most other Minnesotans, we look forward to the day, before long, when we can again be with our fellow Minnesotans in person. ★

Herbal Formula Eases Aches And Pains

Steuart's Pain Formula uses a unique blend of safe, natural pain fighters to help you reclaim your life and get back to the things you love. No burning or irritation (menthol and capsaicin-free); leaves no odor or residue; stops pain fast. Promotes healing, with no side-effects.

Pain Formula penetrates skin quickly to carry a special extract of the pain relief plant (Arnica) and healing stimulation from the herb Comfrey straight to your source of pain. Steuart's Comfrey is grown especially for Pain Formula, and it's extracted using a "first-of-its-kind" proprietary technique. The result is a potent solution like no other for muscle and joint pain; pain sufferers can get back to their favorite activities, stimulate healing, and fight inflammation.

Mark Newhall, Editor, FARM SHOW: "My dad, who is 93, goes through about 6 bottles of Pain Formula a year. He uses it on his knee every day. He tells me he's never found anything else that works even a fraction as well as Steuart's. The direct quote from my dad is, 'I don't know how I would get by without Steuart's Pain Formula.'"

Davey Peterson, Mabel, Minn.: Davey had been experiencing very sharp pain in his left knee for several months. His job as a welder kept him on his feet; his work day was painful and it was difficult to sleep. He started using Steuart's Pain Formula each morning and is able to work pain free. His sleep is uninterrupted by his pain. He says "I am so glad I tried this product and I recommend it to others!"

Mike Kirik, Union City, Penn.: Mike was introduced to Steuart's Pain Formula upon discharge for open heart surgery by a staff person at the Pittsburgh VA hospital. Mike was told to use the product on his chest for pain relief during the healing process. He was able to get relief from the post-surgical pain in his chest plus he now uses it on his arthritic knee.

Thomas Lindberg, Two Harbors, Minn.: He says, "I have arthritis pain in my shoulders and back and was having trouble sleeping through the night because of the pain. I read about Steuart's in a magazine and was a bit skeptical at first but thought I'd give it a try. I was absolutely amazed at how well it worked and now use it every day. It works better than anything on the market."

Daniel Poray, Alexandria, Va.: "I was diagnosed with arthritis in my right leg and knee. I use Steuart's Pain Formula 2X/day and the pain has dramatically gone away and my movement, flexibility and range of motion have increased. The doctor recommended a cortisone shot but I was skeptical. Then I found Steuart's and glad I did!"



War broke out in Eastern Ukraine in 2014 between Ukraine and Russia backed separatists. In April of 2015 Gary Steuart reached out to the Ukraine military in the war zone, and was able to introduce Steuart Lab's products to the medical personnel and soldiers.

One person who became familiar with Steuart's products was a Special Operations soldier named Andre. In 2018 Andre was injured in a vehicle accident. He had multiple fractures to his left leg. He started using Steuart's Pain Formula. He applied it topically twice daily. He experienced significant pain relief. Steuart also advised him that the product would stimulate healing because it contains Comfrey, a recognized healing agent.

One year later, Andre's leg is healed and he has returned to active duty. His doctors in Kiev told him his expected recovery time was shortened by using Steuart's Pain Formula.

Other Steuart's products used by Ukraine military include Steuart's Wound Cream, Propolis Tincture, and Foot Cream.



The larger 5-oz. size Pain Formula sells for \$34.90. A smaller 1.8 oz. bottle sells for \$18.90. Shipping is free within the continental US with code FBS20.

Betty Brooks, Buhl, Idaho: "I put Pain Formula on my knees about 10:00 a.m. this morning, and it's now 9:00 p.m. and I'm still pain-free. I've had knee surgery - and tried just about every product on the market - and this works. I've had a very good day! I could feel it working as soon as I put it on."

Tom Donelson, Fargo, N.Dak.: He has been using Steuart's Pain Formula for over 2 years. "I give samples to anyone I meet who complains of joint or muscle pain. I've had minor knee surgery and a torn meniscus, as well as a degenerating disc. I originally used to take 2 to 3 ibuprofen a day. But now, after using Steuart's, I'm down to 2 to 3 a week. This product is great for anyone that doesn't want to or can't take drugs to manage pain. One woman I gave a sample to had jaundice in her liver from taking pain medication for arthritis. She's off medication and completely satisfied with this alternative. It's a wonderful product!"

No-hassle Money Back Guarantee

"If you find that Steuart's Pain Formula doesn't give you the relief you need, we want to issue you a prompt, courteous refund - no hassles, catches, or hoops to jump through. You can even use the ENTIRE bottle. Just send back your receipt and empty container, and we'll refund your payment as soon as possible," says Steuart.

Contact: Steuart Laboratories Inc
P.O. Box 306, Mabel, Minn. 55954
877-210-9664

www.steuartlaboratories.com



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