

WHY MINNESOTA'S BORDER COUNTIES CAN'T COMPETE

# THINKING MINNESOTA

 CENTER OF THE  
AMERICAN  
EXPERIMENT

ISSUE 6  
WINTER 2017

THE

# WAR

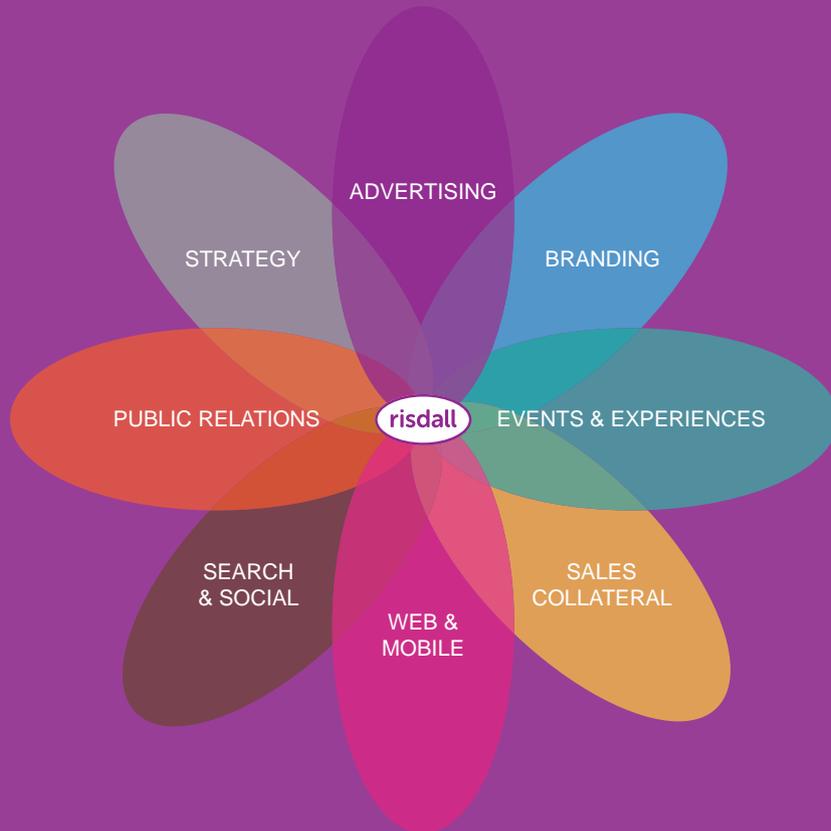
# ON COPS

**Interview:** Scholar Heather Mac Donald on how Black Lives Matters activists have weakened policing in high-crime neighborhoods.





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# CONTENTS

# 38

## THE WAR ON COPS

**Interview:** Scholar Heather Mac Donald on how Black Lives Matters activists have weakened policing in high-crime neighborhoods.



ISSUE 6  
WINTER 2017

### UPFRONT

It's Called a Tax (7), Answers in the Wind (8), Think you Know the Costs of MNsure? (10), The 'Twilight Zone' of Transgender Politics (10), The Wrong Kind of Jobs (11)



### CAE NEWS

Jonah Goldberg at the Fall Briefing (12), The Educational Road Less Taken (13), Has Minnesota Nice Become Minnesota Naiveté? (14), Listening to Minnesotans (16), When Aspirational Politics Confronts the Rules of Economics (18), The Center at the Fair (19)

### PEOPLE

Five Questions: Young Leadership Council President Tara Anderson



25

### COLUMNS

Eibensteiner: Substantive, Fearless ... and Collegial (3), Pearlstein: Individual Responsibility (20), McElroy: The Opportunity Wage (23), Hinderaker: A Banner Year (48)

### FEATURES

#### 26 HUMOR, FASCISM & ALIENS (REALLY)

CAE President John Hinderaker interviewed pundit, National Review columnist, and conservative wit Jonah Goldberg.



#### 30 SHELL GAME TAXATION

A Supreme Court decision could shut down the way cities have quietly raised revenues without raising taxes.



#### 34 BORDER BLUES

Minnesota's border counties experience the competitive disadvantage of high taxes and hostile regulations



#### 44 DISABLING A UNION ABUSE

How a Medicaid Program for the Disabled is being exploited to Fund Progressive Left Policies



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## NOTE FROM THE CHAIRMAN

# SUBSTANTIVE, FEARLESS... AND COLLEGIAL

We need to talk to each other, even if we disagree,  
especially if we disagree

**A**mong the sentences I thought I'd never write is this: Please indulge me for a moment of sincere praise and admiration for John Marty.

Marty is a 29-year member of the Minnesota Senate, an ardently unapologetic liberal partisan who this fall sat in on a panel discussion hosted by Center of the American Experiment that debated the merits of a \$15 minimum wage. His two adversaries on the panel included Dan McElroy, the erudite president and CEO of Hospitality Min-

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**We need more  
policy-makers who are  
willing to leave their  
comfort zones.**

---

nesota and economist Dr. Mark Perry, a policy fellow at the American Enterprise Institute in D.C.

Besides formidable opposition, Marty knew his audience of conservatives and business owner/advocates would improbably concede that a hefty hike in the minimum wage represents nothing less than a "moral imperative." Who am I kidding? He *knew* that these real-world job creators would laugh off his



Ron Eibensteiner

contention that \$15 an hour wouldn't reduce jobs, overall.

But there he was, making his argument.

As deeply as I disagree with Marty's view on the minimum wage (and possibly everything else), I can't help admire the self-confident resolve he took into the event. We need more policy makers who are willing to leave their comfort zones in order to have serious policy conversations and to develop across-the-aisle working relationships. Like

*continued on page 4*

*continued on page 2*

a Seventh Day Adventist knocking on the door of a frat house, Marty knew his presentation wouldn't unearth much common ground that day, but he appeared to value the opportunity at least to have the conversation. And we appreciated having him there.

That's a lesson we should all learn, especially now. Policy leaders of all stripes who refuse to leave the hero-worshipping comfort of their own echo chambers only deepen the ideological schisms that divide

---

**“We'd all do well to recall how Ronald Reagan and Speaker Tip O'Neill softened the sometimes harsh policy disputes between them by sitting down to an occasional glass of beer.”**

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us. The only way they can climb to the top of their political tribes in this isolation is by advocating more extreme policies and by using more strident rhetoric, which leads to greater animus all around.

Don't misunderstand: I'm not about to pull out my ukulele and sing a few verses of Kumbaya. But I am saying we'd all do well to recall how Ronald Reagan and Speaker Tip O'Neill softened the sometimes harsh policy disputes between them by sitting down to an occasional glass of beer. Because we disagree with our policy adversaries doesn't mean that we have to hate them. Except possibly Harry Reid. 😊

I know that President John Hinderaker and the members of his policy team at Center of the American Experiment are always eager to swim into adversarial waters. They enjoy a hearty debate (and a cold beer). All you have to do is invite them.

In fact, as I look back on John's first

year as president, I would describe the themes have been to be substantive, fearless, and collegial.

You'll see it as the pages of this magazine reflect what they're up to. Let me show you what I mean.

John uses an entertaining interview with Jonah Goldberg (p. 26) to illustrate how the *National Review* columnist utilizes humor to humanize conservative causes, especially in the face of combative audiences.

Senior Policy Fellow Kathy Kersten confronts the significant issue of race and crime with an interview with Heather Mac Donald (p. 38), a fellow at the Manhattan Institute. Mac Donald, the widely published policy analyst and author of the book *The War on Cops*.

Senior Policy Fellow Kim Crockett has devoted much of the past six months to help Minnesota's personal care assistants decertify their relationship with the Service Employees

International Union (SEIU).

The ubiquitous Senior Policy Fellow Peter Nelson also receives some well-deserved attention in this magazine for helping a local Baptist Church secure a victory in Minnesota's Supreme Court that overturned an onerous Right of Way assessment by the City of Saint Paul (p. 30). This is a much bigger story than it at first appears. The victory appears to shut down a loophole through which municipalities have been quietly raising revenue without having to raise taxes officially.

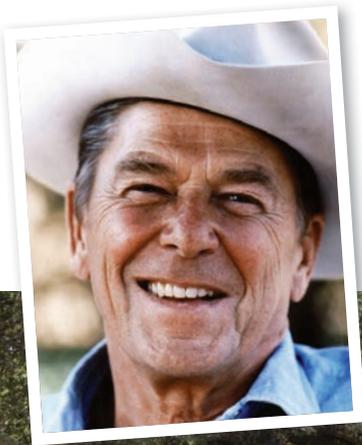
And finally, we announce a new project directed by CAE Founder Mitch Pearlstein that will draw attention to the fact that four-year degrees are not the only routes to good jobs and solid middle-class careers, as there are vital educational alternatives (p. 13).

There's a lot of energy and vital policy work going on at Center of the American Experiment. We hope you can feel the momentum. ★

## ➔ EIBENSTEINER'S FAST FIVE

Many Minnesotans continue to think that Minnesota is on the leading edge of job-creating innovation. Once, maybe, but no more. (We were also once home of the World Champions of professional baseball.)

- ✓ The Twin Cities Ranks 37th out of 40 metropolitan areas for start-up activity. Source: The Ewing Marion Kaufman Foundation.
- ✓ Minnesota ranks 47th among states for startup activity. Source: Kaufman.
- ✓ Other than Capella University, Minnesota does not have any significant Internet businesses.
- ✓ Half of Minnesota's Fortune 500 companies were founded before World War I.
- ✓ Founded in 1977 (39 years ago), United Health Group is the most recently founded Minnesota company added to the Fortune 500.



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# UP FRONT

## Law Enforcement

### IT'S CALLED A TAX

CAE's Nelson calls on Saint Paul to eliminate a revenue-producing fee that circumvents limits on taxation

Center of the American Experiment's Peter Nelson used an op/ed in the *Pioneer Press* to demand that the City of Saint Paul eliminate a Right of Way (ROW) fee it has assessed to pay for road maintenance.

The call was made after the Minnesota Supreme Court issued a landmark ruling that declared a fee charged by the City of Saint Paul to fund road maintenance was, in fact, a tax and, therefore, subject to the state constitution's limitations on taxation. Fees have become popular ways for municipalities to raise revenue quietly, because they are less regulated than taxes.

The case was brought by two churches, the First Baptist Church of St. Paul and the Church of St. Mary, that had been paying excessive and unfair fees. Nelson filed an amicus brief on behalf of the churches.

Nelson, a vice president and senior policy fellow at CAE, coauthored the piece with Rinal Ray, deputy public policy director for the Minnesota Council of Nonprofits, who also filed an amicus. "St. Paul should follow the law, as set out by the clarifying opinion of the Minnesota Supreme Court," they wrote, "and raise the resources to support city services with property taxes, rather than with unconstitutional fees." The City of Saint Paul is currently finalizing its 2017 budget.

The constitution requires taxes to fund public purposes, Nelson said. "If you call it a fee, you can charge everyone, includ-

ing churches and other non-profits, who are exempt from taxes." Fees also evade uniformity requirements that require assessments to equal the benefit that the property owner received, Nelson added, which is usually defined as an increase in the property value. "In this case there is no increase in the property value, because the city is going to plow your road, anyway."

"This isn't just the law, it is good policy," Nelson and Ray wrote.

They argued that the ROW assessment was not equitably levied. While the churches paid \$15,000, the owners of the 25-story UBS Plaza paid only \$5,000. "The Constitution requires taxes to be used for funding public purposes,

they said. "The Supreme Court found that well-maintained streets benefit the broader public, not only the assessed property owner."

On top of that, forcing the churches to pay the ROW assessment reduced their ability to provide food, shelter, clothing, education, or support to people in our communities who need it, they said.

Nelson had earlier pointed out that city officials frankly admitted that "the changes in the ROW assessment since 2003 were all a result of policymaker wishes to control the growth of property taxes."

The case was initiated five years ago by Jack Hoeshler, a retired St. Paul attorney who has worked the case as a volunteer. Henshler says that CAE's involvement alongside the Minnesota Council of Nonprofits, gave the case the gravitas it needed. "Before that," he said, "the city always treated us like two little whiny churches in Lowertown who didn't want to pay their fair share." ★



Nelson conducts a media interview in front of the church.

## Answers in the Wind

Xcel won't go on the record with MNPUC about whether its renewable energy strategy is the least-cost option for its customers

**X**cel Energy likes to boast about being the nation's number-one provider of wind energy, but the company is much less forthcoming about how much this will cost or what risks it presents to its customers.

Xcel is, indeed, big on wind, with plans to go even bigger. The company recently announced it would add up to ten new wind farms to increase wind production by 1,500 megawatts (MW), or 60 percent.

The Minnesota Public Utilities Commission (MNPUC) approved a 15-year plan that will allow Xcel to add at least another 1,000 MW of wind by 2019. At the same time, the company gained approval to shut down two coal-fired generating plants in Becker by 2026 (see sidebar).

What about costs and risks?

The company won't even go on the record with the MNPUC about whether its renewable energy strategy is truly the best option for its customers. A briefing prepared by MNPUC staff states that "it would be ideal ... if Xcel could go on the record to confirm that its renewable investment strategy is, as it claims, least-cost and in the public interest for all states in which it serves."

At issue is a Resource Treatment Framework (RTF), a document in which Xcel addresses jurisdictional cost allocation disputes among the states served by the company's system. The MNPUC required Xcel to develop the RTF when the North Dakota Public Service Commission (NDPCS) recently pushed back

against Xcel's efforts to allocate the cost of its renewable strategy across its entire system, which includes parts of Minnesota, South Dakota, North Dakota, Wisconsin, and Michigan.

In 2015, the NDPCS denied Xcel's efforts to recover costs for its Aurora solar project from North Dakota ratepayers, calling the project "imprudent." NDPCS Commissioner Brian Kalk explained at the time that he wanted to send a "strong message" to Xcel that "North Dakota remains committed to the bedrock ratemaking principles of need and least-cost planning."

NDPCS Commissioner Randy Christmann went even further, saying, "We need to do all we can to make sure that the state of Minnesota's scheme to mandate very high-cost electricity is not paid for by North Dakotans who happen to receive service from Minnesota-based utilities."

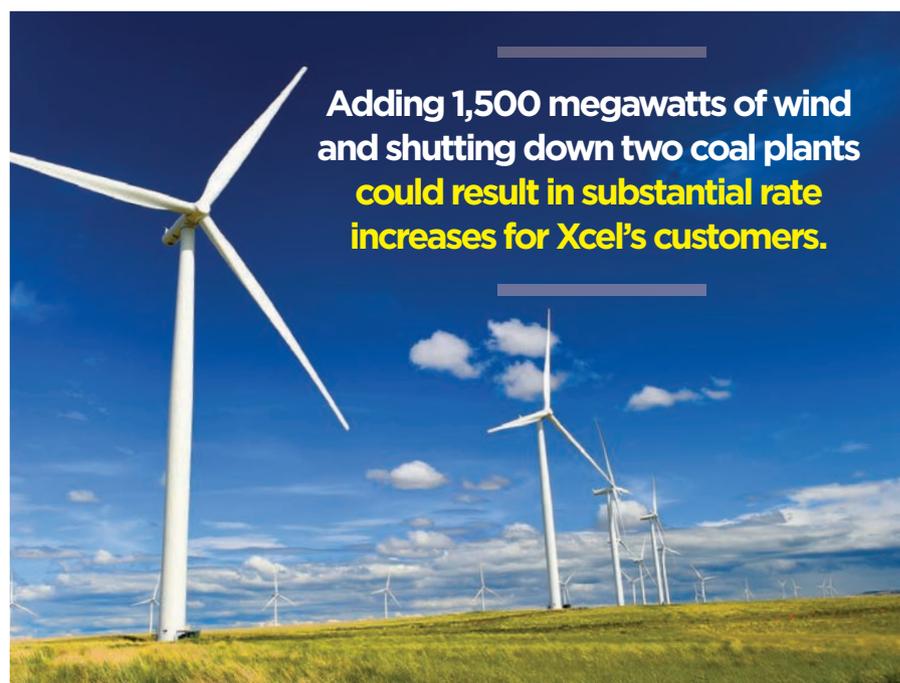
Clearly, the NDPCS isn't buying Xcel's claim that its renewable investment strategy is "cost-effective." Adding 1,500 megawatts of wind and shutting down two coal plants could result in substantial rate increases for Xcel's customers.

The MNPUC briefing paper makes clear that Xcel has not adequately assessed the full impact of adding that much wind. At times when electricity demand is low and the wind is blowing too much, the system needs to "curtail" wind to maintain balance. Shutting down wind farms in these circumstances is very costly, and adding more wind increases the risk of curtailment. Despite this risk, Xcel's plan provides no detailed analysis on the possible rate impact.

Staff make one point that might give Xcel pause as it considers whether to bet so much on wind: Because the company's wind proposal predated the MNPUC's approval of the resource plan, "Xcel is clearly the 'cost-causer' in this case." While Minnesota ratepayers will need to pay their share of the cost, Xcel shareholders may very well get stuck with costs allocated to other states, as just happened with the Aurora solar project.

With shareholders now exposed to this risk, maybe Xcel will get more serious about measuring the true cost of its renewable energy strategy. ★

—Peter Nelson



## RETHINKING COAL?

The new Trump Administration should prompt Xcel and MNPUC to rethink coal-plant closures

The election of President-elect Donald Trump should prompt Xcel to rethink its plan to retire two coal-fired electricity generating plants in Becker. Less than a month before the election, the Minnesota Public Utilities Commission (MNPUC) approved closures as part of the Xcel's integrated resource plan, the company's long-term plan for meeting the electricity demands of its customers.

The ambitious plan seeks to reduce carbon emissions by 60 percent below 2005 levels by 2030 which "dramatically changes the [Xcel] System energy mix at the end of the planning period," according to the company. This dramatic shift in generation mix is in large measure driven by a clear objective to meet the requirements of the federal Clean Power Plan rule—President Obama's rule to aggressively reduce carbon emissions.

The Trump Administration is widely expected to reverse U.S. energy and environmental priorities. The Clean Power Plan rule must not only survive Trump, it must survive lawsuits that prompted the U.S. Supreme Court to bar the EPA from enforcing the rule until litigation is resolved.

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## Think you know the costs of MNsure?

Hidden MNsure Costs lead to higher property taxes

**B**y now most Minnesotans realize the Affordable Care Act has drastically increased the cost of healthcare coverage for many people while decreasing coverage choices.

Governor Mark Dayton has confirmed the worsening prognosis with his admission that “the reality is the Affordable Care Act is no longer affordable to increasing numbers of people.”

What’s not widely known is that taxpayers are also being gouged for millions of dollars a year on their property tax bills because of ongoing problems with MNsure, the state’s health insurance exchange.

This hidden tax, borne by counties, is

used to compensate for the inefficiencies and software failures of MNsure’s dysfunctional IT system.

State officials once promised that the system—officially called the Minnesota Eligibility and Technology System (METS)—would make the process of enrolling and verifying participants faster and cheaper.

Yet behind the scenes, county eligibility workers have been tearing out their hair over a malfunctioning IT system that’s never come close to living up to its billing since MNsure went online three years ago. In fact, it’s gotten worse.



The Minnesota Association of Counties estimates taxpayers spend an additional \$27 million annually to work around the flawed online METS technology. This year alone, some 249 extra eligibility workers were added to county government payrolls statewide.

The number of new government employees added to county payrolls has varied widely across the state, ranging from 54 in Hennepin County to two in Pennington County. Consequently, county levies are rising across the state.

The \$800,000 in increased costs to staff MNsure in Olmsted County account for about a third of a proposed 2.5 percent levy increase on the table. In Pennington County, the MNsure penalty adds up to about two percent of the tax levy—a big deal in a county with a population of 15,000.

It’s a double whammy. Many Minnesotans are not only paying more and getting less due to the Affordable Care Act’s harmful effect on the health insurance marketplace; they’re also being forced to further subsidize an online exchange that’s still dysfunctional three years after its launch. ★

—Tom Steward

### Good Reads

## The ‘Twilight Zone’ of transgender politics

Addressing the needs of a ‘gender nonconforming’ kindergartner

**A**merican Experiment Senior Policy Fellow Kathy Kersten contributed a significant article to the December issue of *First Things* magazine that chronicles how the admission of a “gender nonconforming” five-year old kindergarten student roiled the culture of the Nova Classical Academy, a K-12 charter school based in St. Paul. *First Things* is a New York-based monthly journal of religion and public life.

Her piece, *Transgender Conformity*, tracks the politically-charged account of how the school “plunged into the Twilight Zone of transgender politics.” The kindergartner is the son of a Ph.D. candidate at the University of Minnesota whose research focuses

on “gender inclusive policies in K-12 public schools.” She describes how parents coped with making gender identity an element of elementary school curriculum.

**You can find Kersten’s article in *First Things* magazine ([www.firstthings.com](http://www.firstthings.com)).**

Kersten devotes the larger part of her effort to the largely untold story of how transgender politics are affecting medicine and psychology. ★

The State of Jobs

# The Wrong Kind of Jobs

New government jobs bury the number created by manufacturers

One wonders when government will experience the same sort of productivity revolution that came to agriculture and manufacturing.

The United States lost 9,000 manufacturing jobs in October while gaining 19,000 jobs in government, according to data released by the Bureau of Labor Statistics (BLS).

Government employment grew from 22,216,000 in September to 22,235,000 in October, according to BLS, while manufacturing jobs dropped from 12,267,000 to 12,258,000.

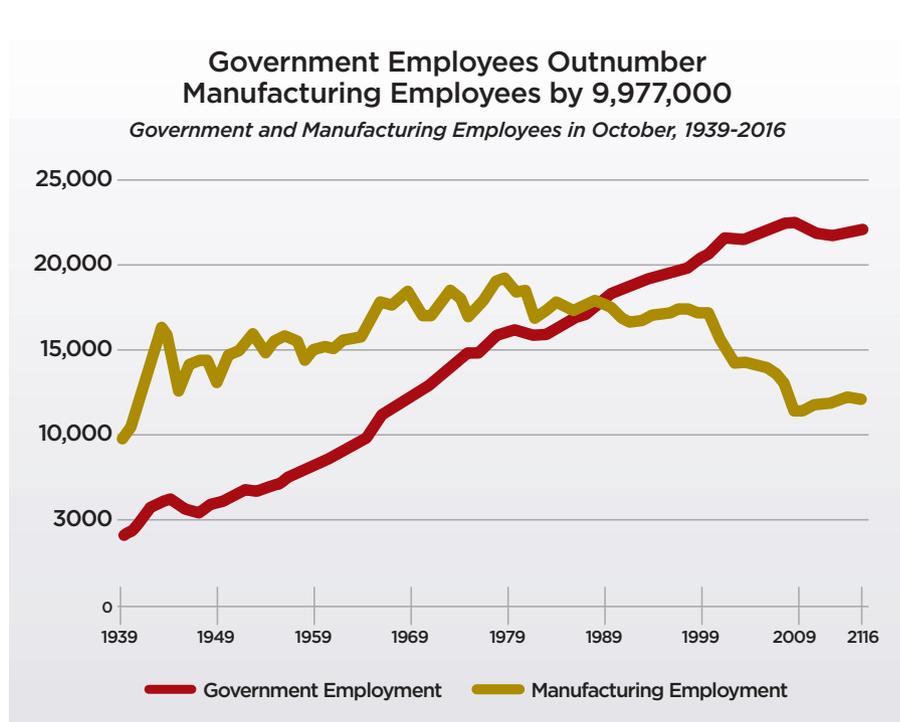
This chart plots the number of manufacturing employees and the number of government employees.

No wonder economic growth has slowed to a crawl.

**One wonders when government will experience the same sort of productivity revolution that came to agriculture and manufacturing.**

Of course, the decline in manufacturing jobs doesn't necessarily mean a decline in manufacturing. On the contrary, the *value* of goods made in America is higher than ever. Yet greater efficiency means that more goods can be produced with less labor. The good news is that the average job in manufacturing pays far better than it did decades ago, as workers reap the benefit of greater productivity.

Still, workers need jobs. Better government policies would enable more manu-



facturing production and more manufacturing jobs in the United States.

One wonders when government will experience the same sort of productivity revolution that came to agriculture and manufacturing. When will we see better government with fewer public employees? Perhaps never. Government, generally speaking, is a monopoly. Without competitive pressure, there is little incentive to improve productivity. On the contrary, there is a huge disincentive to cut government payrolls.

Many people don't seem to realize that government itself has become a special interest—by far the largest and potentially most destructive special interest group of all. Government's interests are promoted in part by government workers voting for political

candidates who promise to spend more money. (To their credit, there are many public employees who do not vote for more government, but they are a minority.) Moreover, public employee unions are by far the largest funders of political campaigns—virtually always supporting candidates who call for more government.

The people in charge of government at all levels would generally prefer to see more employees, not fewer, and higher costs, not lower. Unlike the private sector, people who run governments do not bear the consequences of higher costs. Taxpayers do. Until taxpayers get serious about restraining the size and cost of government, look for the number of public employees to continue to rise. ★

—John Hinderaker

## Fall Briefing



CAE President John Hinderaker interviews Goldberg in a full length Q&A, beginning on **page 26**.

## In Awe of Prosperity

Goldberg extols the virtues of liberal democratic capitalism

**J**onah Goldberg is puzzled when he hears someone ask, “Why is there poverty?”

“We know why there’s poverty,” he said. “Poverty is the factory preset in the human condition. The only really important question is, “Why is there wealth?”

Goldberg, a senior editor and columnist at *National Review*, entertained more than 400 people at Center of the American Experiment’s annual Fall Briefing.

Goldberg is also a regular contributor to the *Los Angeles Times*, *USA Today*, and *Fox News*.

The reason for our current prosperity, he said, is that “we stumbled onto this amazing thing called “liberal democratic capitalism.” Inspired by the Protestant work ethic, people became convinced that if they lived a certain way it was more likely that they were among the select that would go to heaven. “It turns out that when you behave that way you get richer,” he said.

The spirit of that attitude is “the idea that the individual is sovereign, that our rights come from God, not from government, that we are citizens, not subjects, that government belongs to us, we don’t belong to it, that the fruit of our labors belong to us, that we form government to do certain specific and limited things that protect our liberties.” ★

## PRO WRESTLING AND FRANKFURT SCHOOL MARXISM

Never far from his signature wit, Goldberg took his Fall Briefing audience on a sweeping philosophical review of contemporary politics, one that could integrate allusions to Hannah Arendt next to admiration for “Rowdy” Roddy Piper.

Piper, a professional wrestler once starred in *They Live*, a kitschy 1988 sci-fi thriller in which Piper discovers a pair of sunglasses that enables him to see that the world is being run by a secret cabal of aliens who are wearing human masks.

From this, Goldberg derives two observations:

First, “The best single line in *They Live* is when Roddy Piper comes



into a room and says, ‘I’ve come here today to do two things, chew gum and kick ass, and I’m all out of gum.’”

Second, that the film represents “the best distillation of Frankfurt School Marxism ever in popular culture.” The Frankfurt School, he says, argues that “capitalism is seeded with these structurally oppressive capitalistic constructions to keep people oppressed.”

Rethinking Post-Secondary

# The Educational Road Less Taken

CAE Founder Pearlstein will chair new effort to emphasize educational opportunities outside the traditional four-year degree

**A**merican colleges and universities are the envy of the world. Still, many young people really don't want to spend a minimum of four years in one of them yet believe that doing so is their only route for eventually winning good-paying jobs. Often feeling pressured to enroll despite their doubts, they frequently wind up dropping out and, not incidentally, in debt.

This is bad and expensive news all around. Young people need to know that four-year degrees are not the only routes to good jobs and solid middle-class careers, as there are vital educational alternatives. This is especially true for men and women who enjoy working with their hands.

Energetically making the case for these options and significantly increasing the number of Minnesotans taking advantage of them is the aim of a soon-to-be-announced Center initiative tentatively titled "Overlooked Educational Routes to Thriving Careers: A Project to Help Young Minnesotans Win Great Jobs Without a Four-Year Degree." American Experiment Founder Mitch Pearlstein will lead it.

The project will involve a wide range of individuals in both the Twin Cities and Greater Minnesota: business and labor leaders, education and government leaders, and nonprofit leaders, among other players. In early conversations, all have expressed strong enthusiasm. Also prompting what is regularly full-throated support is the project's aim to help employers find and hire enough well-trained employees so that their firms can grow, preferably in Minnesota.

Critical to succeeding is recognizing that America's very culture puts too much emphasis on four-year degrees, as



too many people – especially parents – assume they are near-exclusive routes to success. They are not. Society's emphasis on baccalaureate degrees as gateways to good careers is overdone, and it would be to everyone's benefit if more young people were to take greater advantage of underappreciated routes to good lives for themselves and their families.

Apprenticeships, for example are one such path, as they afford young people opportunities to acquire highly valued and satisfying skills and get paid in the process. Think, likewise, of certificate programs, two-year technical degrees, job training in the armed forces, post-baccalaureate vocational, and artisanal training, among other routes. In so doing, envision the many men and women who would prefer making their lives in the crafts, or in technical fields.

One of the biggest obstacles to significant growth in these kinds of educational options has less to do with questions of policy and bureaucracies and more to do with matters of culture and attitudes. In addition to biases in favor of four-year

degrees, they include deep-rooted—sometimes fair, sometimes unfair—biases against vocational education, career education, or anything that hints of them.

More specifically is recognition that many such programs historically have been intended more for lower-income students than the sons and daughters of more affluent parents, which is to say, "rich kids"—and, not incidentally, white kids—for whom four-year college experiences are routinely the only acceptable feeder roads to good careers and lives.

To be clear, the project will never urge or seek to persuade any young person to participate in any educational program of which they or their parents do not want to be a part. Similarly, it never will dissuade people from going to college, if college is their dream.

Equally clear is how this new American Experiment endeavor will be a collaboration of a wide spectrum of participants and supporters, making for a broad and lasting coalition that encompasses not just the Twin Cities but every corner of Minnesota. ★



## REFUGEES

## Has Minnesota Nice Become Minnesota Naiveté?

A closer look at U.S. refugee resettlement policies and the impact on Minnesota

**T**he Center wants to start a conversation about U.S. refugee policy. We will start with a report, due out at the end of the year, that describes how refugee resettlement works and the estimated cost to taxpayers.

We can then move on to discuss the impact of refugees on the cultural and political fabric of Minnesota. At the heart of this discussion lays difficult questions like, “What is our moral obligation to refugees?” “What constitutes genuine humanitarian assistance for refugees?” “Has Minnesota’s welfare budget been commandeered by federal refugee policy?” “How many refugees can Minnesota successfully absorb?” “Should the United States admit refugees who do not believe in the free exercise of other

religions?” “How will Islam affect our culture, law and freedom, particularly for women living generations from now?”

In 2015, the world witnessed the largest number of refugees since WWII. Failed nation states and unrest in majority Muslim nations in particular, are a defining feature of the post-cold war era. The number of refugees, people who have fled their own country due to war or disaster, now exceeds 21 million with over half coming from just three nations: Syria, Afghanistan and Somalia. Refugees are distinct from the internally displaced, migrants and immigrants.

In response, the U.S. has opened its doors to over half a million under the Obama administration, and nearly 85,000 thus far in 2016. Historically,

the United States accepts more refugees (and immigrants) than all other nations combined. That may change, however, as waves of people from Middle Eastern and African nations arrive in neighboring nations and Europe, and as Americans insist on a different approach.

To facilitate integration, as distinct from assimilation, the U.S. has built a resettlement program comprised of myriad federal agencies and a host of federally contracted charities called Voluntary Agencies (VOLAGs).

This institutional network is built on the premise that providing safe passage to the U.S. is only the first step in successful resettlement. Through government agencies and VOLAG contracts, taxpayers provide medical assistance, job training, language education, housing, transportation and welfare benefits to refugees. Refugee resettlement across the U.S. is now a multibillion dollar enterprise with active connections to many churches in Minnesota.

The federal government decides where to place refugees, often in concert with local VOLAGs, rather than state governments. Though scant, the available data suggests that refugee resettlement is a costly undertaking. To defray state-level costs, the federal government provides a one-time payment of up to \$2,200 to VOLAGs and modest assistance to state programs. But most federally funded benefits sunset after the first three months of a refugee’s stay in the country, and all federal benefits expire by the end of eight months. After that a refugee’s major needs are covered by state benefits.

To determine which state receives how many refugees, this network of institutions considers the availability of resources within the placement community and the presence of family or kin. As a result, resettlement costs are not borne equitably across states. Given Minnesota’s generous welfare policy and the large numbers of refugees already here, it is no coincidence that Minnesota receives more refugees on a per capita basis than

any other state in the nation.

The high concentration of VOLAGs in Minnesota like Catholic Charities, Lutheran Social Services, and World Relief affiliates likewise renders Minnesota a preferred resettlement destination. It is standard procedure for VOLAGs to enroll refugees in welfare programs upon arrival. With labor participation rates hovering between 30% and 40% across Minnesota's highest density refugee nationalities, there is little doubt welfare consumption persists long after resettlement has officially ended.

In light of growing economic and national security concerns, generosity now confronts pragmatism in America's refugee resettlement system. Concerns about the current policies' long-term viability are prompting worried conversa-

**Historically, the United States accepts more refugees (and immigrants) than all other nations combined.**

tions among citizens and introspection among policymakers.

A report to the Senate Foreign Relations Committee concluded, "local communities [are] burdened by a refugee resettlement system that is not working." The report elaborated:

*"Local governments are often burdened with the weight of addressing the unique assistance refugees require, yet they rarely have an official role in influencing how many refugees are resettled by local voluntary agencies and often are not even informed in advance that new residents will be arriving."*

There is perhaps no clearer example than Minnesota, which not only receives

the highest number of refugees but also receives a high number of 'secondary migrants' who move to Minnesota after brief stays in other states. According to Macalester College Professor Ahmed Samatar, Minnesota is the closest thing in the U.S. to a "true democratic socialist state."

There is no federal or state policy against "state shopping." Once refugees are in the U.S., they are free to move around just like any U.S. citizen. And while states can withdraw from the refugee program, that does not prevent continued refugee placement by the federal government.

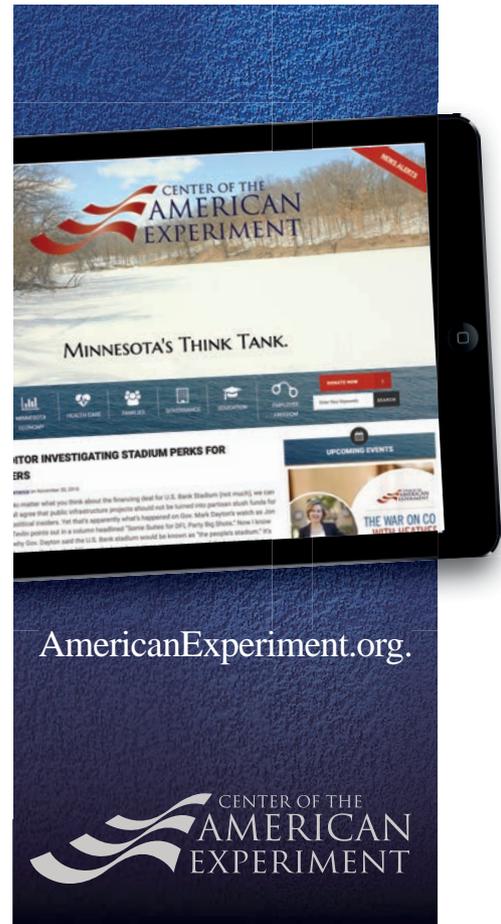
What impact is this having on Minnesota?

The Center is analyzing both the direct welfare costs and some of the indirect costs such as welcoming refugees at public schools and law enforcement related to Islamic terrorism. Minnesota is home to 25 percent of all ISIS recruits from the United States.

The most frustrating discovery is that there is no refugee-specific data on welfare consumption, or economic and criminal activity, and other indicators crucial to evaluating policy efficacy. We don't know if the federal government has thrown a cloak over the data, or if it is just incompetent. Moreover, the clear politicization of existing data by organizations like the United Nations further complicates the hunt for objective conclusions.

Like Scandinavia, Great Britain and Germany, Minnesota's cultural and institutional default is to help those in need and to do so generously. We are not supposed to question refugee policy on any grounds. To do so is to risk being socially ostracized. But ignoring the growing unease about refugees will not stop Americans from balking. Witness the frustration many citizens and even recent immigrants expressed during the 2016 election. It is time for the United States to explore this difficult subject. Minnesota should take the lead. ★

—Kim Crockett and Annie Dehnel



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## Road Show

# Listening to Minnesotans

Town meetings extend CAE's reach throughout Minnesota

Center of the American Experiment this fall presented the findings of its major research paper to two major regional centers. John Hinderaker, president, and Peter Nelson, vice president and senior policy fellow, presented *Minnesota's Economy: Mediocre Performance Threatens the State's Future* to town meetings in St. Cloud and Mankato.

The St. Cloud meeting was cosponsored by the St. Cloud Chamber of Commerce and the Mankato session was cosponsored by Greater Mankato Growth.

"The Center's mission is to bring our messages of opportunity, limited government and government accountability to all Minnesotans," Hinderaker said.

"We are Minnesota's think tank," he added. "Not Minneapolis's think tank, or the Twin Cities' think tank. We are Minnesota's think tank."

Toward that end, Hinderaker said CAE has placed op-eds in 59 Minnesota newspapers so far this year, in the Twin Cities as well as in newspapers from Worthington to Duluth, from Moose Lake to Renville County.

"We want to bring our messages to all Minnesotans, wherever they live,"

Hinderaker said.

"When possible, we deliver our messages in person."

CAE is currently planning upcoming town meetings for Willmar, Rochester, Duluth, and Hibbing.

In addition, CAE is running 30-second issue ads on Minnesota's economy on 37 radio stations in Greater Minnesota.

"Next year, we plan to expand our presence in Greater Minnesota even more," Hinderaker said. "We are Minnesota's think tank, and we want to cover every corner of the state." ★



This is part of an ongoing series to profile how Center of the American Experiment is using "town hall-style" public meetings to discuss issues that are essential to growing Minnesota's economy.

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# “WHY I SUPPORT Center of the American Experiment”

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**Position:** Principal, Bernstein  
Global Wealth Management

**Office:** Minneapolis

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BBA, Marketing/Marketing  
Management
- University of Minnesota,  
MBA, Carlson School  
of Management

“Issues matter. Solid research is a critical part of my business. And the Center provides valuable policy research that makes Minnesota better.”





## Aspirational politics versus the rules of economics

A CAE panel debates the ultimate effects of raising the minimum wage

**I**s raising the minimum wage to, say, \$15, a “moral imperative” or a government intrusion into private markets that will ultimately hurt the people it proposes to help? Some 200-plus people who attended the American Experiment’s fall speakers’ series at the Minneapolis Hilton heard three diverse experts argue what happens when well-intentioned political aspirations collide with cold economic facts.

Saying that “It’s a crisis that people are living in poverty,” longtime Minnesota Senator John Marty claimed that raising the minimum wage is a moral imperative. Marty has authored of bills in the Minnesota legislature to raise that wage, most recently a bill that would phase the minimum wage to \$15 over three years. He cited recent media coverage that concluded dramatic increases in the minimum wage in Seattle had “virtually

no impact” on that city’s labor market.

Economist Mark Perry and local trade executive Dan McElroy countered Marty’s perspective from the theoretical view of economics and the real-world perspective of employers. Perry is a scholar at American Enterprise Institute (AEI) and a professor of economics at the University of

Michigan. “The real minimum wage is always zero,” he said, because a government-mandated \$15-per-hour minimum wage will force employers to cut back on existing

jobs or fail to create new ones.

“It has been settled science and economics for several hundred years” that “if you raise the price of a good or service, you will reduce the demand for that good or service, including unskilled workers.”

Perry’s view is that any policy argument about raising the minimum wage

is about politics, not economics. Quoting economist Thomas Sowell, he said the first lesson of economics is scarcity: There is never enough of anything to satisfy all those who want it. The first lesson of politics, Sowell says, is to ignore the first lesson of economics.

Economics, Perry said, is “grounded in a systematic, rigorous framework of analysis, and based on economic logic, reason and theory.” The “fantasy world of politics,” he added, exposes America to “perverse public policies in a world divorced from economic reality.”

(Editor’s note: McElroy is a seasoned veteran of Minnesota policy discussions at virtually every level. He is president and CEO of Hospitality Minnesota and executive vice president of the MN Restaurant Association, the MN Lodging Association, and the MN Resort & Campground Association. McElroy formerly served as Chief of Staff for Governor Tim Pawlenty. He contributes a guest column on the minimum wage on page 23 of this magazine.)

Perry listed myriad factors that will

**“The real minimum wage is always zero.”**

—Economist Mark Perry

ultimately undermine workers, not all related to direct layoffs. Among them, reducing the number of weekly work hours; developing labor-saving technologies like self-ordering kiosks; decreasing on-the-job training; reducing or eliminating non-monetary fringe benefits; enacting stricter work demands; making location and expansion decisions that avoid geographic areas that have high minimum wages; and out-sourcing production overseas.

The minimum wage will erect artificial barriers that will deny employment opportunities to those Americans we want to maximize employment opportunities, Perry said, “especially the most vulnerable among us.” ★



Curds, Cookies, and Fiscal Policy

# The Center at the Fair

CAE reaches out with sponsorships and appearances at the Minnesota State Fair.

**A**merican Experiment brought a highly visible presence to the 2016 Minnesota State Fair, in part by sponsoring WCCO radio at the fair on Labor Day. The sponsorship included hourly announcements and 30-second ads. CAE staffers greeted visitors from a table alongside the time-honored WCCO booth. They distributed thousands of copies of the just-off-the-presses fall edition of Thinking Minnesota.

Fairgoers registered for giveaways of CAE-branded merchandise.

CAE also sponsored a full week of 1280 the Patriot (WWTC-AM) at the fair. Center President John Hinderaker co-hosted one morning with Ed Morrissey, one of the station's popular program hosts. That sponsorship included a full complement of ads and other promotions

throughout the week.

Hinderaker proposed the State Fair activities as part of an overall strategy to introduce policy discussions to Minnesotans across the state.

Other outreach activities have included a series of town hall meetings, the wildly popular quarterly speakers' series, and an expanded schedule of public speaking for the Center's senior policy fellows.

"We should never be content to limit our reach to the legislature or to editorial pages," Hinderaker said. "We talk about important issues that are relevant to each and every Minnesotan."

Hinderaker said he has been delighted by the strong public reception to the Center's outreach efforts: "It should surprise none of us that people care about public policy." ★



CAE'S Peter Nelson sells policy at the fair.



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NOTE FROM THE FOUNDER

# INDIVIDUAL RESPONSIBILITY

Striking a right balance between expecting personal agency and extending deserved empathy.

Conservatives are strong on emphasizing the importance of “individual responsibility.” And rightly so, so to speak. But realism also requires recognition of the many constraints, often quite powerful ones, that tempt and lead people into not fulfilling what others might view as their clear-cut obligations as citizens.

I think about tensions like these a lot, but particularly so in recent months because of two new books, both keenly important, both grounded in a conservative spirit. The more celebrated is J.D. Vance’s *Hillbilly Elogy: A Memoir of a Family and Culture in Crisis*. The second is Nicholas Eberstadt’s *Men Without*



Mitch Pearlstein

as exclusively a problem of students controlled by external forces is a healthy way of conceiving matters. Shouldn’t recognition of free will and its inescapable importance fit someplace? Yes, absolutely, I self-evidently concluded.

To which my DC friend graciously likened my contention to the way in which Vance “struggles” in *Hillbilly Elogy* to somehow combine “empathy for what poor communities are going through and his ‘conservative’ belief in personal agency.”

Which takes us to the way Eberstadt is critical, often in distinctly moral terms, of the massive and increasing numbers of men – nearly one out of every eight in their prime working years of 25 to 54 – who have dropped out of the workforce completely. He is certainly alert to economic forces that have made it acutely hard for many of them to find family-supporting work. But to his credit, that is not to say he sees such obstacles as mountainously halting as do most voices on the left. Here are three of his most pointed observations.

“This brief demographic sketch of the modern American un-worker suggests that powerful social influences shape whether a prime-age male will have a job or be in the workforce at all and that these social influences have changed significantly over the last fifty years. Such a formulation, however, runs perilously close to the social determinist fallacy – the assumption that humans are helpless objects at the mercy of overarching social forces without agency in affecting their life outcomes.”

**The men pictured in Eberstadt’s portraits do not conjure memories of the Marlboro Man, high on horseback, cigarettes ablazing.**

Work: America’s Invisible Crisis. But most immediate in further spurring my interest was a generous remark of a think tank colleague in Washington to a column I had written, not about adults and their grown-up responsibilities, but about kids and their own obligation to show up in school every day, whether they want to or not.

I had responded in that column to what a coauthor of a national report on

absenteeism (Preventing Missed Opportunity: Taking Collective Action to Confront Chronic Absence) had said in an interview. Things such as: “Chronic absenteeism follows poverty wherever it is found in significant concentration.” And how “multiple factors” make it harder to attend school regularly,” including “substandard housing, exposure to industrial and automotive pollutants – both which drive higher rates of asthma – limited health and dental care, food insecurity, evictions and greater exposure to violence.” All inarguable, I agreed, to one degree or another.

Still, nothing in the 36-page report had suggested that young people possess personal agency of any kind, which led me to ask if viewing hyper-absenteeism

“To a distressing degree, these men appear to have relinquished what we think of ordinarily as adult responsibilities, not only as breadwinners but as parents, family members, community members, and citizens. . . .”

“It is impossible to imagine any earlier generation of younger American men reconciling themselves in such tremendous numbers to a daily routine of idleness, financed substantially by some government programs that certified them as incapable of working. And it is likewise impossible to imagine that any earlier generation of working and tax-paying Americans would find acceptable our nation’s current arrangements for supporting men who are neither working or looking for work.”

The men pictured in Eberstadt’s portraits do not conjure memories of the

Marlboro Man, high on horseback, cigarettes ablazing. But just because smokes are discredited doesn’t mean that the kind of full-bodied manliness he describes as frequently AWOL isn’t a tall loss.

How might one fairly frame a conservative conception of individual responsibility, especially in contrast to earlier times in our nation’s history when references to it were regularly preceded by the prefix “rugged?”

Going back a bit but not as far, I was accused at American Experiment’s very first event ever, a day-long conference on poverty in 1990, of espousing “middle-class values.” The hardhearted horror. I didn’t respond that day but did so in a column a couple of weeks later when I said that all I meant by middle-class values went something like this:

Go to high school, work reasonably

hard, and graduate.

If you can work, work.

If you make babies, try to be married.

If you’re married, try to stay that way unless circumstances are abusive.

Don’t drink too much.

Don’t do drugs.

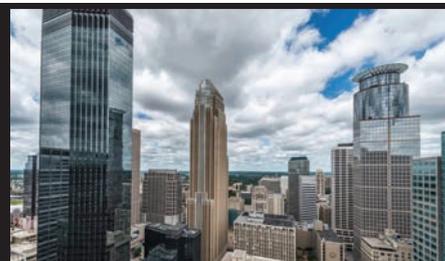
Don’t commit crime.

As a sign of how far we had fallen, two Members of Congress, separately, saw fit to put the column and its not terribly demanding or intrusive rules into the Congressional Record. And I know of a former U.S. Senator who still carries the seven points in his wallet. Jumping forward a quarter century-plus, might have matters adequately improved when it comes to observing these most basic elements of individual responsibility?

Afraid not, pardner. ★

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GUEST COLUMN: DAN McELROY

# THE OPPORTUNITY WAGE

Small business wants to enhance opportunities for people to enter the workforce

The United States has had a minimum wage since the Fair Labor Standards Act passed in 1938. The first minimum wage was 25 cents an hour. When I got my first job in 1963, I made 50 cents an hour but got a big raise the following year, to 75 cents an hour. Times have changed. The Minnesota wage was raised in three steps to the current \$9.50 an hour for large employers by a law passed in 2014. In comparison, the federal minimum wage has been \$7.25 since 2009. I find it interesting that we now have five different minimum wages in Minnesota. The rate varies for large employers, small employers, workers under 18, trainees under 20 for their first 90 days of employment, and international students working here on J-1 visas who also receive lodging or meals. Did someone say this is simple?

We haven't been clear in law or policy about whether the minimum is intended to be a "beginner's" wage, a living wage, or something in between. An amount that may make sense for a first-time worker may not be right for someone with more experience and a higher level of skills.

Economist Mark Perry told a recent

CAE audience that the official minimum wage works best when it is close to the "market wage" set by the competition for labor in an open market. At that level, the minimum keeps some employers from taking advantage of their workers without adversely distorting the market.

In most parts of Minnesota, the market wage is currently at or above the state minimum wage. For example, the current pay for dishwashers and beginning cooks in the metro area at "full service" restaurants and hotels is about \$13 an hour, and the rate for experienced cooks is \$15 to \$18 an hour. Downtown hotels are paying housekeepers about \$14 an hour. Those figures are lower in parts of rural Minnesota, but not by much. In today's economy, there is a strong job market for many workers.

If the market wage is already close to \$15, why would a law setting the wage at that level be a problem? There are a number of challenges, including the impact of an economic downturn in the future that may reduce the demand for labor and the impact of cross border competition for customers with states that have a lower cost of labor. The of-

ficial minimum wage in our neighboring states is shown in this table:

Unlike the states around us, Minnesota does not have a tipped employee wage that's different than the minimum wage. The federal law and those of 43 states acknowledge the importance of tips to a large number of workers and recognize a portion of tips as part of their minimum wage. Tips are considered wages for payroll taxes, social security, Medicare, and unemployment, but not for the minimum wage in Minnesota. The minimum cash wage in some state for tipped workers is way too low, but that isn't the case in most of our neighboring jurisdictions.

State	Minimum Wage	Tipped Wage
North Dakota	\$7.25	\$4.86
South Dakota	\$8.55	\$4.25
Iowa	\$7.25	\$4.35
Wisconsin	\$7.25	\$2.33

The Minnesota House passed a tipped wage in 2015 of \$8.50 an hour for workers who earned a total of \$12 an hour or more with the total of their wages and tips. Under pressure from organized labor, the Senate declined to take up the issue. This would have been the most generous cash wage for tipped employees among the 43 states that recognize tips.

A survey of full-service restaurants in 2014 found that the average total earning of tipped employees was over \$18 an hour statewide and over \$21 an hour in

*continued on page 24*



**Dan McElroy** is president and CEO of Hospitality Minnesota. A graduate of Notre Dame, he has been commissioner, Minnesota's Department of Employment and Economic Development; chief of staff for Governor Tim Pawlenty; commissioner, Minnesota Department of Finance, a member of Minnesota's House of Representatives, and mayor of Burnsville.



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the metro area. The risk of not recognizing the importance of tipped jobs is that they have tended to go away as the minimum wage has risen in other states. In Minnesota, we have an average of 19 employees per restaurant. That had been the average in Washington and Oregon until their minimum wage increased; now it’s less than 15 per location. Many of the jobs that have been automated or eliminated have been high paying tipped positions.

Another aspect of this issue is the impact on young workers of a high

State	2016 Youth Unemployment Rate
California	19.5%
Minnesota	7.6%
Washington	20.8%
Wisconsin	13.2%

minimum wage that doesn’t include a youth provision. A 16- or 17-year-old who hasn’t had a job before will have a very hard time competing for work if the wage is set at \$15 an hour. It is simply a fact that people can’t get their next job or a better job until they’ve had their first job. Minnesota has one of the lowest unemployment rates for young people ages 16 to 19 in the country. We want to be careful not to jeopardize the opportunity to for young people to enter the workforce.

The small business people I work with every day value their team members and want to pay them well. The system works when wages are set by the market and then supported by a reasonable minimum wage that prevents abuses. The current campaign for a much higher rate for all workers, including beginners and tipped staff, is fraught with risk. We should continue the current dialogue but take action thoughtfully and carefully. There is a lot at stake for business owners, customers, and our valued team members. ★

# 5 QUESTIONS

WITH  
TARA  
ANDERSON

Tara Anderson is president of the Young Leadership Council (YLC) at Center of the American Experiment and also the youngest member of CAE's board. She is an attorney in private practice.



PHOTOGRAPH BY COREY MILTMORE

**Has the YLC proceeded differently than you thought it would?**

Anne Mason said to me that the Center was one of the best kept secrets in Minnesota, even though we don't want to be a secret! We really wanted, first and foremost, to spread awareness of the great work the Center is doing and to get people involved, as well as to provide some good opportunities for younger conservatives to connect. I think these things remain true today. It's been an amazing experience getting to work with our advisory group, who are all highly accomplished young conservative leaders from a wide range of backgrounds, and also to meet so many attendees who haven't been active in party politics, but really care about policy and the future of Minnesota and the country, and so are very interested in the work of the Center.

**What about growth?**

I fully expect that the group will continue to grow over the next few years along with the Center. The one tough thing I've run into is that there are quite a few people who are nervous to let anyone find out that they are a conservative - they try and stay away from events, because they are afraid it could hurt their career. In some industries, people feel like they have to keep their conservative leanings a secret if they want to advance, because there's not a lot of tolerance for differing political viewpoints.

**You are by far the youngest member of CAE's board of directors. Compare a board meeting to a YLC outing.**

A lot of the content of conversations is

similar, but YLC tends to be a little more lighthearted, with a little more beer! Actually, a number of YLC members have told me that one of their favorite parts of YLC is getting to meet CAE board members, and discuss politics. As long as everyone is interested in listening, and not just in talking, I think it's not that hard to have good conversations.

**How would you describe the "Millennial" view of politics these days?**

I think you have a lot of people--but by no means everyone--who struggle to identify with a political party, because their views don't quite line up with an exact "platform." Ronald Reagan's quote about agreeing 80 percent of the time rings true. but I think nowadays, for a political party to be successful with this group, they probably make the case that they are a welcoming place where people won't turn on you if you don't agree with every single line-item in the platform.

**How did the strangeness of this election affect your attitudes about politics?**

For me it really showed the need to be involved and not just assume that things will proceed as they always have. I also think we saw a great group of up-and-coming conservatives have success, which is promising for the future. I think a big takeaway for politicians was to make sure they stay connected to those they serve, since anger at those in office was such a driving force in the election. I think the most amusing part for me was hearing many of my liberal friends speak fondly of George W. Bush, and how they realized he wasn't so bad after all. ★

# Humor, Fascism & Aliens (Really)

Pundit, *National Review* columnist, and conservative wit **Jonah Goldberg** delivered the keynote address at Center of the American Experiment's Fall Briefing. CAE President **John Hinderaker** connected with him for a wide-ranging interview.

**Y**ou gave a terrific speech at American Experiment's Fall Briefing. It was very interesting, but it was also very funny. Have you always been funny?

**JONAH GOLDBERG:** I don't like to talk about my looks, but ... I've always had a sense of humor. It's one of the things I stumbled into backwards. There are surprisingly few publicly funny conservatives. There is a bunch of conservatives who are funny behind the scenes, but they don't like to lead with humor very often. Which I always think is a mistake.

I have a very wonky, nerdy tendency in me, but my wife, who's a speech writer, said, "Look Jonah, nobody's ever attended a speech and said, that was fantastic, but I got to say, I just laughed too much." I think that's right. It's important for conservatives to humanize themselves. Students on college campuses and liberals in general have convinced themselves that conservatives are mean people. I probably do a lot of self-deprecating humor, particularly on college campuses, because audiences in general go in with the expectation that a conservative is someone who needs to eat a truckload of bran just to crack a smile. We actually are

funny, in part because we are exempt from political correctness.

One reason Air America failed as a left-wing radio network is that the left is not allowed to make fun of any member of the coalition of the oppressed. Right? Every minority group has to be treated with a kid glove, and that only leaves basically only white, Christian, male, and corporate fat cats—and those jokes get tired after a while.

Meanwhile, conservatives can tell jokes about all sorts of things in society. It's strange that liberals got this reputation for being the funny ones when, if you've ever been on a college campus, the most humorless people are the people on the left.

**People certainly left our Fall Briefing with smiles on their faces. You and Mark Steyn are really the only two pundits that come to mind as people who seemingly can toss out very funny jokes at will. How do you do it?**

First of all, I think you're being terribly unfair to George Will. Give that guy like a watermelon and a sledgehammer, and he could have the audience rolling.

Obviously I have some standard jokes. For years I would

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**"I think you're being terribly unfair to George Will. Give that guy like a watermelon and a sledgehammer, and he could have the audience rolling."**

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Best-selling author **Jonah Goldberg** is a senior editor and columnist at *National Review*. He is also a weekly columnist for the *Los Angeles Times*, a member of the board of contributors to *USA Today*, and a contributor to *Fox News*. He was the founding editor of *National Review Online*.

walk up to the podium at a college campus, and say, "Gosh, if I knew you were gonna give me a podium, I wouldn't have worn pants." It just takes the audience off guard and lets them know I'm not going to be hectored and insulted by some angry right winger. Again, that's an important lesson for conservatives not to be so angry about it all the time. It turns people off.

I have to admit the comedy part of it is partly an insecurity. I get terrified that I'm losing the attention of the audience; the only way I can check to see if they're paying attention is by making a joke.

**If they laugh, you know they're still listening.**

If they laugh, I know they're with me. If they don't laugh, particularly, it's terrifying. Nothing induces bowel-stewing panic in me more than to tell a joke that I've told successfully 50 times, and then it just falls completely flat with the audience.

**Few people seem to have been born to be pundits. You mentioned George Will. I'd put him in that category, but you don't strike me as somebody who was born to be a pundit. What sort of winding trail brought you into the career that you're now enjoying?**

It's true. I kind of fell over backwards into this stuff. I grew up in a very political household, surrounded by magazines and newspapers and books. But I never wanted to go into journalism. I wanted to write comic books and science fiction novels.

I was rejected from every college I applied to. I ended up going to an all-women's college in Baltimore. You guys may not have known that the Center for the American Experiment invited the Rosa Parks of gender integration to come and speak. My freshman year there were 37-odd men and over 1,000 women. I really do mean odd men.

It wasn't until I got to college that I realized that politics kind of came more naturally to me. I went to Czechoslovakia shortly after the Berlin Wall came down to be a starving writer, and I sort of batted .500. I didn't starve, and I didn't write. Then I fell

into an internship that turned into a job at the American Enterprise Institute. Then I was a television producer for a long time, doing public policy stuff and writing a lot of freelance for places like National Review, Commentary, The Public Interest, and all these wonky magazines.

I got the bug for daily writing because I was a daily blogger. I was one of the first bloggers. I started writing this thing called the Goldberg File working at National Review before there really was a National Review online. I took to it. The new style of writing that was becoming popular on the web was well suited to me. About six months into this gig writing this original blog, I was asked if I wanted to start writing for *National Review Online*. Now they're back merged together.

By then I had the bug, and it was off to the races. One of these days when I have enough screw-you money, I plan to get the hell out of this business. But for someone who likes arguments and cares about this stuff, it's been a pretty good ride.

**I want to talk about your books. Your first book, *Liberal Fascism*, was a big hit. The title alone made liberals' heads spin. How would you sum it up?**

The basic argument of *Liberal Fascism* is that we have inherited an understanding of fascism that was deeply corrupted by Soviet propaganda, Marxist theories, and a deeply progressive rewriting of American and Western European history. The idea that fascism is right wing makes some sense in Europe, but only makes sense in America if you basically define fascism as anything that liberals don't like.

**Which is pretty much how they use the term.**

It's also how they use the term racist, right? Basically the best working definition of a fascist in America, is simply a conservative who's winning an argument. I argue that fascism should be understood as a form of Statism, which I don't think any serious person can disagree with; moreover, Statism is fundamentally, philosophically a phenomenon of the left as we understand these things in the Anglo-American tradition.

Conservatism stands for two pillars in the Anglo-American tradition.

The libertarian pillar stands for limited government, free trade, sovereignty of the individual, free minds, free markets—all of that stuff. The social conservative pillar is all about respect for orthodoxy, respect for religion, respect for transcendence, respect for traditional values and customs. If those two pillars define what it means to be conservative in America, then it's impossible to call them fascism.

It is a form of right-wing socialism. Which is what Trotsky called it. Which is what lots of left-wing intellectuals called it in the early days. The problem is that over time, they kept the word right wing, and they just sawed off, buried, and erased the word socialism. We've inherited the idea ever since.

A lot of it has to do with the idea that nationalism and socialism are opposites, which is nonsense. When you nationalize an industry, you're socializing an industry. Socialized medicine is nationalized health care. Every socialist movement in the history of the 20th century became nationalist once it took power, because that's the only way socialists can hold on to power—by arousing nationalist passion.

**In fact, we hear echoes of them in today's American left. For example, Hillary Clinton's campaign motto, stronger together, was strongly reminiscent of the fascist symbol of the bundle of sticks, right?**

Right. The symbol of fascism is the bundle of sticks around an ax. The meaning of it is literally strength in numbers. If you put a bunch of sticks together and tie them together, they're stronger than any one stick. The symbolism goes back thousands of years before Mussolini, the guy who created fascism. It's an ancient political value of strength-in-numbers, that in unity there is strength. You don't have to call it fascist, but you have to recognize that it's part of the cult of unity.

We constantly hear from politicians on the left and the right, but particularly on the left, about how anything is possible if we all work together. That's not true. We cannot levitate things with our minds if we all do it together. This idea that we can enter some Shangri-La if everybody drops their own personal ambition, their own personal desires, and rallies around

the state, is one of the most ancient cons in politics. Since when is strength in and of itself a core American value? I thought liberty was the core American value.

When talking on college campuses, I always say, "Unity can be fine, but it's completely amoral. It depends on what you're using the unity for." When people get together to save a little girl who fell down a well, that's great. You know what else is unified? Race gangs. The mafia.

**The lynch mob.**

Lynch mobs are unified. The man who stands up to the mob is the hero in the American political tradition, not the mob, because the mob is unified in its anger. I think this is one of these category errors that so many people in our politics make.

**Your second book is called *The Tyranny of Clichés*. How would you sum that one?**

If you're looking for humor, there's a lot more of it in that book. It turns out that a lot of my biggest fans were angry that *Liberal Fascism* was not funnier. It just turns out that there's only so many jokes you can tell when you're talking

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**"If any law is justified because it saves even a single life, then the speed limit can't be higher than five miles an hour; we should all be forced to walk around in inflatable sumo suits."**

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about Hitler and nazism.

The *Tyranny of Clichés* was in some ways an appendix to *Liberal Fascism* in that a common theme throughout 20th century American progressivism is how the left loves to try to win arguments without making them. They sort of steal bases unearned by argument. What they'll do is offer clear but false ideas. They'll try to wrap themselves in the mantle of just

being pragmatists and realists and have science on their side. They'll claim that anybody who disagrees with them has been brainwashed by ideology.

The book, in a sense, an extended defense of ideology and an extended attack on the false assumptions and stolen bases of the way the left tries to argue things. I'll give you an example: During the fight over gun control, Joe Biden and every other liberal loved to say, "Well, if it saves just one life, it's worth it." This sounds reasonable and compassionate, but, in fact, it is an incandescently stupid argument. If any law is justified because it saves even a single life, then the speed limit can't be higher than five miles an hour; we should all be forced to walk around in inflatable sumo suits.

Another one is the idea that violence never solves anything. It's just not true. Violence is like unity. It's useful in some circumstances, particularly violent circumstances. If violence never solves anything, cops wouldn't be allowed to carry guns. Right? Because they would see somebody getting raped, or beaten, or murdered, or a store being robbed, they'd pull out their gun, look at it for a second, and throw it away. "Damn," they'd say, "this thing is useless because violence can't solve anything."

### Let's talk about the book you're working on right now. Has it got a title yet?

The title is under negotiation. I am desperate not to make the same mistake I made with *Tyranny of Clichés*, which was a New York Times bestseller, but the title struck a lot of people like a sort of a steroidal grammar usage guy. Much to my dismay, I learned that something like 20 percent of American talk radio hosts do not, in fact, know how to pronounce cliché. There's nothing more awkward than being introduced as the author of the *Tyranny of Clitches* and wondering whether you should correct your host and embarrass him or not.

I don't want to give away too much, because the book is still not coming out for a while, but basically I'm trying to offer a much grander sweep of where our politics are coming from, of where politics themselves come from, and why we desperately need to be vastly

more grateful and protective of liberal democratic capitalism, because it is the only thing that has delivered us from the natural state of mankind, which is one of poverty and tyranny.

### You give an image of an alien from some other world visiting the earth at 10,000-year intervals...

If an alien were visiting the earth once every 10,000 years for 200,000 years, he would report the same thing for every visit: Semi-hairless apes foraging and fighting for food. Until his last visit, where he would probably see Miley Cyrus twerking at the Super Bowl.

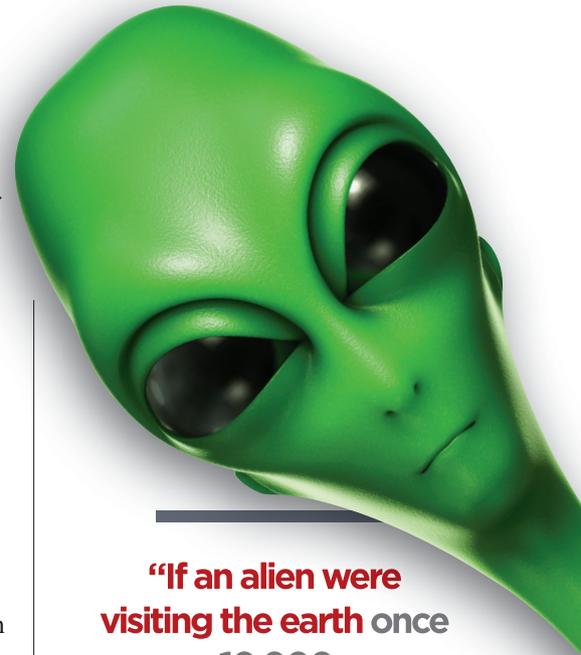
The point of that is to say that so much of a positive change in human history has happened essentially in the blink of an eye. There are a lot of lessons that we can take from that, starting with the fact that our genetic makeup is not meaningfully different than it was 10,000 years ago. We are still creatures that were born to live in a very different environment. That environment isn't modern liberal democratic capitalism.

It takes a commitment to principles, ideals—one might even say ideology to maintain this system, because in many ways it doesn't feel natural or normal to us on a neuro-scientific, psychological, or evolutionary level. We have to keep reminding ourselves that we'd still be back in the trees, were it not for this system that was born about 300 years ago.

### It's quite ironic that liberal democratic capitalism is responsible for just about all human progress, yet liberal democratic capitalism is not particularly popular around the world.

It's becoming more unpopular as we speak. Daniel Bell pointed out in the *Cultural Contradictions of Capitalism* that the social capital that makes capitalism possible--this desire to delay gratification, to work hard, to play by the rules, and all these kinds of things--is, in fact, undermined by capitalism. So you need to keep civil society healthy, because that is the only way you can keep capitalism healthy.

The problem is that capitalism just doesn't feel natural to people. They want tribal politics. They want to talk about



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**"If an alien were visiting the earth once every 10,000 years for 200,000 years, he would report the same thing for every visit: Semi-hairless apes foraging and fighting for food. Until his last visit, where he would probably see Miley Cyrus twerking at the Super Bowl."**

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how we're stronger together. It's all so contradictory to everything that the *Federalist Papers* are about, which is the idea of not having too much unity—because in unity you get tyranny. We're supposed to have unity in our system of government when there are clear and obvious threats to the survival of the society at large. When you're at war, you're supposed to drop everything and fight for your country. That's why liberals, going back to William James in the 1890s, have been arguing for the moral equivalent of war. They want all Americans to drop their petty, personal pursuits and rally around the state for big ideas and big causes as delineated by the left and by the government.

That's not what liberty is about. Liberty is about people in their own individual pursuit of happiness—not being dictated to by the state. ★



# SHELL GAME TAXATION

**CAE's Nelson helps a St. Paul church successfully thwart an onerous city assessment in Minnesota's Supreme Court. The decision could shut down the way cities have quietly raised revenues without raising taxes.**

**S**hould a Baptist church in downtown St. Paul be charged over \$15,000 annually to pay for general road maintenance when a 25-story office building just blocks away pays only \$5,000? Should that same church be charged more than the next twelve Baptist churches in the city cumulatively?

Obviously no, but that is exactly what the City of St. Paul has been charging the First Baptist Church of St. Paul under the city's right of way (ROW) assessment, a fee charged to all property owners in St. Paul to fund road maintenance. Other downtown churches received similarly exorbitant bills.

A handful of churches tried to negotiate lower assessments, but the city refused to budge and so these churches filed a lawsuit back in 2010.

Center of the American Experiment only became aware of the



lawsuit in fall 2015, when the churches lost an appeal. After this loss, the church's last hope was to convince the Minnesota Supreme Court to hear their case.

Upon reading the appellate judge's opinion, Peter Nelson, the Center's vice president and senior policy fellow, felt compelled to step in and help argue the church's position before the Minnesota Supreme Court through an amicus brief. In August, the Court ruled unanimously in the church's favor in an opinion that sets important limits on how cities can raise revenue.

### **The trick to raise revenue without raising taxes**

Randy Kelly promised to not raise taxes when he campaigned to be mayor of St. Paul in 2001. Yet after winning the office, he quickly ran into demands to raise more revenue due to what he called "some of the most difficult fiscal conditions in 70 years."

To keep his promise, Mayor Kelly introduced a new ROW assessment, which allowed the city to raise new revenue to fund roads without raising the property tax levy. The city applied the fee to all property owners, including churches, nonprofits and other properties that are otherwise exempt from taxation.

In a report on the ROW assessment, St. Paul officials admitted that "the changes in the ROW assessment since 2003 were all a result of policy maker wishes to control the growth of property taxes."

### **Part of a trend**

St. Paul isn't the only city looking for ways to control the growth of property taxes by diversifying their revenue streams. Minneapolis has had a scheme to assess otherwise

tax-exempt properties to fund road maintenance since the early 1970s. In 2014, the City of Duluth created a new Street System Maintenance Utility to help maintain city roads that was funded through a fee on all property owner's utility bills.

The most popular fee in lieu of raising taxes is the utility franchise fee. These fees are generally applied to all electric and gas bills, which allows cities to raise revenue from tax-exempt properties. Burnsville, Rogers, and Brooklyn Park are all cities that have recently adopted or considered such fees. The League of Minnesota Cities claims these fees "can be used for any public purpose," and, without exception, cities do use these fees to fund core public services that would otherwise be funded through a tax.

### **Fees violate the constitution**

Using fees in these ways violates the Minnesota constitution, according to Nelson. State and local taxing power is limited within Minnesota's constitution. Article X provides that taxes shall be uniform and shall be levied for public purposes. In addition, the constitution exempts various entities from taxation and circumscribes how local governments can levy

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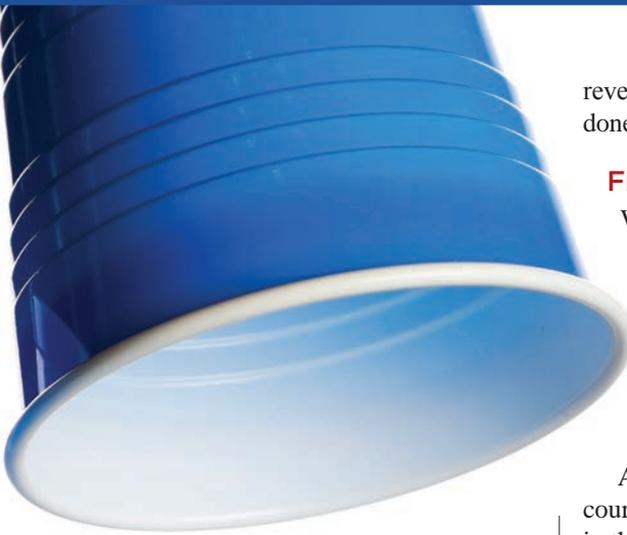
## **Mayor Kelly introduced a new ROW assessment, which allowed the city to raise new revenue to fund roads without raising the property tax levy.**

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special assessments for local improvements.

Importantly, taxation is the only method by which a city can raise money to pay for general public purposes. If this were not the case, the state constitutional limitations on collecting taxes for public purposes would be meaningless. The constitution's uniformity protection and the various exemptions from taxation could easily be defeated if state and local governments could choose to raise revenue to fund public purposes outside the tax system.

To avoid letting a label defeat constitutional protections, fees charged by cities should be labeled a tax when they go to fund road maintenance and other services that benefit the public generally. Because the city fees discussed previ-



ously go to fund core public services, they are taxes. As a tax, these fees violate the state constitution because they fail to exempt certain properties. The ROW assessment also violates the constitution's uniformity requirement.

### **Terrible budget policy**

Not only are these fees unconstitutional, they are bad public policy. While keeping taxes low is generally a good policy, it's a terrible budget policy to minimize tax increases by shifting revenue collection to various fees.

As a matter of good public policy, the tax system should be fair, transparent and accountable to the people. St. Paul's ROW assessment is anything but fair, considering the wide disparity between what the city charged the downtown churches and other much higher-value properties.

Moreover, fees make budgets less transparent by dividing revenue into multiple, harder-to-track sources, which makes it harder for residents to compare what they actually pay for public services against what residents in other cities pay.

Less transparency leads to less accountability. The whole point of a fee is to give elected officials the ability to go back to their constituents and claim they haven't raised taxes. While some citizens might be paying attention to line-items in a property tax bill or budget document, most do not. A quick look will reveal no tax increase and, with no change, taxpayers are led to presume everything is being run just fine. As a result, fees make elected officials much less accountable to constituents for how city funds are managed.

### **St. Paul's position threatened to upend constitutional limits**

St. Paul officials vigorously argued their ROW assessment was a fee, not a tax. According to the city, they could

## **St. Paul isn't the only city looking for ways to control the growth of property taxes by diversifying their revenue streams.**

charge the ROW assessment as a "regulatory service fee" under their general police power. A city's "police power" is a legal label for the power to pass regulations for the purpose of preserving public health, safety, and morals, or abating nuisances. St. Paul claimed that the ROW assessment was an appropriate exercise of the police power because the program it funds "provides services that prevent various health and safety hazards in the right-of-way."

This line of reasoning threatened to entirely upend the constitutional limits on taxation. If the courts were to allow St. Paul to assess annually for the payment of general, non-regulatory services under the guise of its police powers, they would provide cities and other local governments an unfettered path to charge fees to fund all government services and entirely avoid their obligations under the constitution. As a result, more local governments across Minnesota would be free and emboldened to adopt policies that reduce the fairness, transparency, and accountability of their

revenue systems, just as St. Paul has done with its ROW assessment.

### **Filing an Amicus Brief**

While Center of the American Experiment had great sympathy for the plight of the two churches fighting the ROW assessment, the possibility of more and more cities following St. Paul's lead is what spurred the Center to step in and help.

After reviewing all of the lower court opinions and the opposing briefs in the case, Nelson concluded the case could create a strong legal precedent to limit how cities use fees and protect taxpayers if the Minnesota Supreme Court were to review it. As an attorney with policy experience in setting state and local budgets, Nelson was particularly suited to highlight and articulate the broader legal and policy issues at stake.

It was a rare opportunity.

Normally, a legal issue like this would never reach the courts, let alone the state's highest court. Even when a government action clearly violates the law, someone needs to step up and challenge it. In the case of fees, the harm is almost always too slight to warrant any challenge. For instance, a utility franchise fee on a church might be just a couple hundred dollars a year. The time, expense, and disruption of a legal challenge is just not worth it. For the St. Paul churches, the size and unfairness of the ROW assessment created enough incentive to follow a challenge through to the end.

Moreover, it would be hard to imagine a more sympathetic plaintiff. If any church deserves an exemption under the constitution, it's the First Baptist Church of St. Paul. In addition to serving as a place of worship, the church provides free child care to families experiencing homelessness while parents search for work and shelter during the daytime. First Baptist is also a refuge for new immigrant communities, hosts

recovery groups, and provides other critical needs for the community.

Finally, two lower court opinions offered such confused analyses that they seemed to compel the Minnesota Supreme Court to review the case, which the Court eventually agreed to do.

### **Court delivers a clear definition**

Oral arguments were heard before the Minnesota Supreme Court in April 2016. Usually it is difficult to glean from these arguments just where the Court will side, but one particular line of questioning seemed to guarantee a victory for the churches. If the city could fund road maintenance through a fee, the justices wondered if there were any limits to what type of service could be funded through a fee. Therefore, a justice asked the city attorney to name a specific city service that could not be funded by a similar fee. The attorney didn't directly answer the question, which prompted another justice to repeat the question and still obtain no direct answer. It took a third justice to ask the question again before the attorney finally admitted that she could not think of an example.

With no apparent limit to the city's broad exercise of power, it seemed clear the Court would side with the churches and limit the city's power to charge the ROW assessment. However, it remained uncertain just how the court would limit the city and how any limitation might apply to other municipal efforts to raise revenue through fees.

As predicted, the final opinion released in August 2016 rejected the city's argument. In overturning the confused lower court opinion, Justice David Lillehaug delivered a clear statement on how to evaluate whether a revenue measure is a tax, which could bring an end to cities' use of fees to raise revenue in lieu of taxes.

The Court's opinion largely followed the arguments set forth in the churches' brief and the Center's brief. However,

his opinion did not exactly follow the Center's suggestion to adopt a formal judicial test as is done in other jurisdictions to determine whether a charge is a tax or a fee.

Not adopting one of these multi-pronged judicial tests may be for the best, because the Court's approach may be even simpler and clearer for future courts to follow.



**Fees make budgets less transparent by dividing revenue into multiple, harder-to-track sources, which makes it harder for residents to compare what they actually pay for public services against what residents in other cities pay.**

The Court cut to the chase and focused on applying just one factor: Whether the primary purpose of the charge is to raise revenue to accomplish a general benefit. Other jurisdictions also identified this as the key factor in their multifactor tests, especially when other factors were not determinative.

Ultimately, the Court concluded "the ROW assessment 'benefit[s] the public

in general' in a manner characteristic of a tax." Thus, the resolution of this case appears to have been as simple as finding the assessment went to fund services that provided a "common benefit."

This analysis is a logical application of the state constitution's requirement that taxes "be levied and collected for public purposes." As previously explained, if revenue can be raised to fund public purposes outside the tax system, then the state constitutional limitations on collecting taxes would be meaningless.

### **Immediate impact**

The lesson for cities is clear: When a fee goes to fund a service that provides a common benefit, the fee is really a tax.

Within three weeks from the Court's ruling, Duluth mayor Emily Larson applied this lesson when she proposed a budget that would shift current funding for streets raised from the Street System Maintenance Utility fee to the property tax levy. She specifically cited the Court's ruling against St. Paul as the reason for the shift.

The *Duluth News Tribune* reports that "Larson referred to the decision as 'unambiguous' and said it also threw Duluth's use of the street fees into question." The city's chief administrative officer offered these additional comments on the impact of the court decision, "While Duluth's street fee has differences from St. Paul, this ruling puts our current street funding at risk, and if continued, exposes Duluth taxpayers to potential liability."

The immediate impact of the Court ruling on Duluth's budget decisions is exactly the impact the Center hoped to achieve.

Getting other cities to follow will almost certainly take a stronger nudge, but hopefully not too much of a nudge. It will be best for all involved for cities to fall in line with the rule of law to avoid any need to resort to further litigation to protect taxpayers. ★



# BORDER BLUES

Minnesota's border  
counties experience  
the competitive  
disadvantage of high  
taxes and hostile  
regulations

By Peter Nelson

**F**or many, it's just common sense that Minnesota's high taxes and burdensome regulations weaken the state's economy. Excessive taxes and regulations impose extra costs on businesses, which makes it more expensive to create and expand a business in Minnesota.

Nonetheless, many Minnesotans don't see a problem with the state's taxes and regulations. For them, high taxes allow the state to invest in the public infrastructure businesses need to grow and

to support a high quality of life that makes the state attractive to employees. While these people might admit taxes can change behavior, they don't believe any negative impact outweighs the positives.

The challenge for both sides of this debate is marshaling the evidence on the true impact of Minnesota's tax and regulatory policy.

Despite an extensive library of academic literature on the

connection between state-level policy and economic growth, the results of research often conflict and do not lead to firm conclusions. Comparing and measuring the impact of state policies is difficult because there are so many factors outside specific state policies that influence economic growth, such as a state's climate, culture, natural resources, and proximity to markets.

To help control for these confounding factors, more and more researchers employ methodologies that compare differences along state borders. In general, the climate, culture and other factors outside a state's control are similar in counties on either side of a border. With similar conditions, any economic differences are more likely attributable to government policies.

Using this methodology, the academic literature is uncovering a stronger relationship between state tax and regulatory policy and economic growth. Moreover, taking a closer look at employment growth along Minnesota's border reveals growth is strongest where taxes and regulations are less burdensome.

### Why study border counties

Identifying and measuring the degree to which state policies impact economic growth is much harder than people might expect. The main problem is that it is difficult to isolate state policy from all the other factors that influence economic growth. Economists use various statistical tools to account for variables like weather, population density, educational attainment and historical growth patterns. However, the results of any economic study can change dramatically depending on the methodology used to control for outside factors.

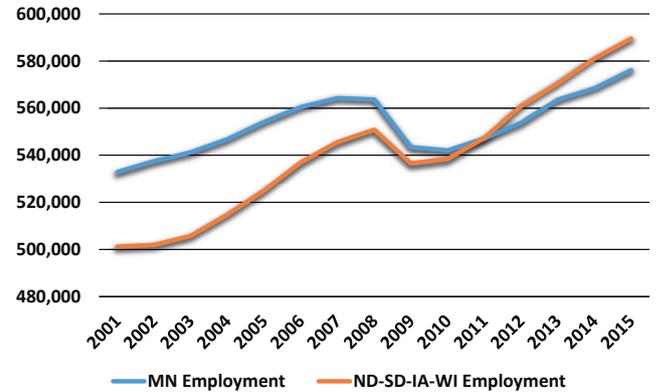
To understand just how difficult these questions can be, it is instructive to consider a critique of research on the impact of right-to-work policies. Right-to-work is a state policy that forbids compelling workers to join a union. Many people feel strongly that compelling unionization raises employment costs and thereby discourages growth in unionized industries. In support of this position, the states with the highest growth in manufacturing jobs are right-to-work states located mainly in the South. Simple economic regression analyses tend to confirm a strong connection between right-to-work and employment growth.

However, in a broadly cited 1998 paper, Thomas Holmes—an economist at the University of Minnesota—explained how these

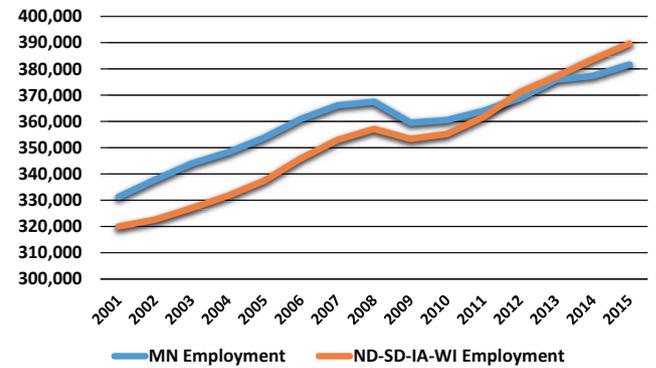


**Peter Nelson** is vice president and senior policy fellow at Center of the American Experiment, where he has worked since 1997. His policy work focuses on health care, energy, and state tax and budget issues. He is a graduate of Wheaton College and the University of Minnesota Law School.

**Figure 1: Employment in Counties on Minnesota's Border**



**Figure 2: Service Producing Employment in Counties on Minnesota's Border**



statistics reveal “little about the effects of state policy” because they “ignore a serious identification problem.” The statistics don't account for how the “right-to-work states systematically differ in a number of geographic characteristics from the non-right-to-work states.” Holmes identified a number of factors beyond right-to-work policies that explain the growth of manufacturing in the South. The productivity revolution in agriculture freed more workers in the South to transition to manufacturing. Substitution of trucking for rail transportation diminished the value of Midwest rail networks to manufacturers. The lack of a historical union presence made it easy to pass right-to-work laws in the South. The advent of air conditioning made the South a much more attractive climate to live and work.

To solve these identification problems, Holmes compared the growth in manufacturing employment in counties on both sides of the border between right-to-work and non-right-to-work states. Here's the benefit to this approach, according to Holmes:

At state borders, the geographic determinants of the distribution of manufacturing—for example, climate, soil fertility, access to transportation, and the level of agglomeration benefits—are approximately the same

on both sides of the border. What differs at the border is policy. To the extent that the probusiness policies pursued by the right-to-work states have been a factor in the migration of industry, there should be an abrupt change in manufacturing activity at the border. In contrast, if the policies make no difference, there should be no abrupt change at the border.

In his study, Holmes used right-to-work as a proxy for a state having pro-business policies. Utilizing this border comparison approach, he found that “on average, the manufacturing share of total employment in a county increases by about one-third when one crosses the border into the pro-business side.” This result led Holmes to conclude “that state policies do matter.”

### Further research confirms state policies matter

Though not the first to compare counties on either side of a state border in order to distinguish the impact of state policies from state characteristics that have nothing to do with policy, Holmes is largely credited with popularizing the approach. Over the past 20 years, research comparing border counties tends to confirm that state policies do indeed matter.

For instance, economists Randall Holcombe and Donald Lacombe compared border counties to study the impact of changes in state income tax rates. Over a 30-year period from 1960 to 1990, they found “states that raised their income tax rates more than their neighbors had slower income growth and, on average, a 3.4 percent reduction in per capita income.”

Another study of border counties by Holcombe and Lacombe shows “an increase in the generosity of Aid to Families with Dependent Children increased the incidence of female-headed households and reduced female labor-force participation in 1990.”

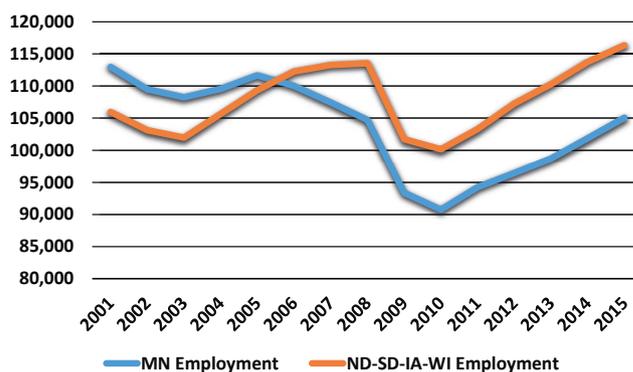
Recent work by Jeffrey Thompson and Shawn Rohlin for the Federal Reserve Board studies the impact of sales taxes at state borders. They find

“sales tax changes have a detrimental effect on employment, payroll, and hiring in border areas, but that these effects are only present in counties with substantial levels of cross-border commuting.” In counties with a high level of cross-border commuting, employment declines by .34 percentage points following a one point increase in the sales tax rate.

Maybe the most dramatic results from this new series of research on border counties comes from economists Marcus Hagedorn, Iouri Manovskii, and Kurt Mitman. After Congress terminated the extension of unemployment benefits in December 2013, many states continued to provide benefits for varying amounts of time, which allowed these researchers to compare border counties based on whether the state continued these bene-

“Employment growth along Minnesota’s border is strongest where taxes and regulations are less burdensome.”

**Figure 3: Goods Producing Employment in Counties on Minnesota’s Border**



fits. They found “changes in unemployment benefits have a large and statistically significant effect on employment.” Remarkably, they estimated a “cut in the benefit duration accounted for about 50 to 80 percent of the aggregate employment growth in 2014,” which amounts to 2.1 million people gaining employment due to the benefit cut.

### A look back at research on Minnesota’s borders

As already noted, Holmes was not the first to use a cross-border comparison. In fact, the Federal Reserve Bank of Minneapolis used a similar methodology back in 1979 to assess Minnesota’s business climate.

In the early 1970s, Minnesota raised taxes while surrounding states lowered them. Minnesota also spent more, per dollar of personal income, than surrounding states. As the study explained, that level of spending might be okay if businesses received a good value for the services: “What matters is whether or not [businesses] want the services they are getting at the price they are paying.”

The study went on to investigate whether “the amount of taxes in Minnesota has seriously increased costs for businesses without providing desired public services.” If yes, they expected to find that businesses expanded more in the 1960s when taxes were lower and that, in the 1970s, more mobile businesses located in neighboring states where taxes were lower. And that is exactly what they found.

The study focused on employment as the best indicator to assess business behavior at the time. “When employment grows in an area or an industry,” as the study explains, “it indicates that existing firms have done well enough to add to their work forces, that new firms have been attracted to the market, or both.”

What did they find? After Minnesota taxes “increased so sharply” between 1969 and 1976, employment grew by 25 percent along the state’s western border, but on just the other side of the border, employment grew by 40 percent. Similarly, employment grew by 15 percent in Minnesota on the southern border but by a substantially larger 36 percent on the Iowa side. To the east, Minnesota growth was similar to Wisconsin, which was attributed to stronger growth on the outskirts of the Twin Cities. Altogether, employment grew by 26 percent inside Minnesota’s border and by 36 percent outside.

Looking specifically at manufacturing jobs, the difference was even more pronounced. Along the entire border, manufacturing jobs declined by three percent on the Minnesota side while growing by 32 percent outside Minnesota.

That was then. What about now?

### Minnesota employment not keeping pace with Dakotas and Iowa

All of this prior research demonstrates the value in comparing the economic performance across counties along Minnesota’s borders. With similar labor pools, transportation networks, climates, and natural resources, any economic differences are more likely attributable to state policies.

Like the old Federal Reserve Bank of Minneapolis study, the figures represented here compare employment growth on either side of Minnesota’s border to gauge the behavior of businesses. The figures are based on data from the Bureau of Labor Statistics Quarterly Census of Employment and Wages. These data report the number of wage and salary workers, which excludes self-employed workers, including farmers. The time frame was simply chosen because that is the data easily accessible through their website. Following Thomas Holmes’ methodology, a border county is defined as any county within 25 miles of the border.

Unfortunately, a look at employment growth between 2001 and 2015 reveals a similar growth pattern to the one the federal reserve reported back in the 1970s. During that time employment grew by eight percent on the Minnesota side of the border but by a more robust 18 percent in the Dakotas, Iowa, and Wisconsin. As shown in Figure 1, the Minnesota side of the border supported over 30,000 more jobs in 2001, but by 2011 Minnesota lost this lead and has been losing ground ever since. As of 2015, there are 13,460 more jobs on the other side of Minnesota’s border.

Figures 2 and 3 take a more detailed look at employment growth in the service-producing and goods-producing industries. Minnesota falls short across all them.

The growth advantage on the other side of Minnesota’s border is almost entirely due to strong growth in North and South Dakota. Figure 4 shows 28 percent growth in North Dakota compared to four percent growth in Minnesota and 25 percent growth in South Dakota compared to zero growth in Minnesota.

As employment in North Dakota has grown from the oil boom, there appears to be little spillover across to the Minnesota side of the border. The only apparent obstacle between North Dakota and Minnesota is state policy.

In making comparisons to South Dakota, counties on the Minnesota side should not be expected to grow nearly as fast because there is just no comparable population center like Sioux Falls. But zero growth on the Minnesota side reflects a poor business climate and clearly shows Minnesota is not competing well against the South Dakota side.

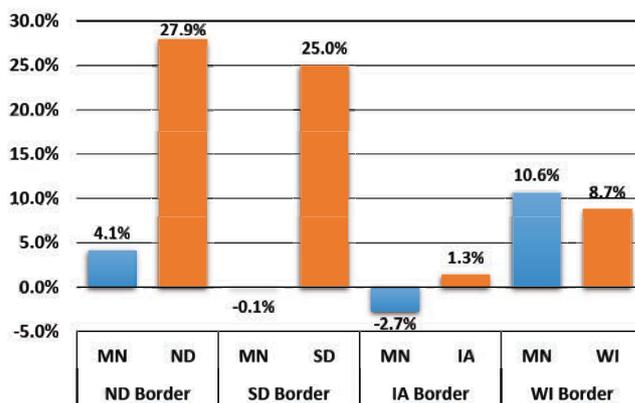
The counties along the Minnesota and Iowa border might be the most comparable. Most of the counties have lower population densities and none of them host a major city. By this com-

parison, Minnesota still loses out. In fact, employment growth in Minnesota counties along the Iowa border declined by three percent between 2001 and 2015, compared to a one percent increase across the border. Iowa’s superior performance is remarkable when considering there is one major difference between the transportation network on either side of the border. Most of the Minnesota side has an Interstate cutting through it, which should attract more economic activity. Nonetheless, employment is declining in this area of Minnesota.

Most of the employment on the Minnesota side of the border exists next door to Wisconsin, and, here, Minnesota employment is growing and growing a bit faster than Wisconsin. This is good, but this is largely a reflection of the border’s proximity to the Twin Cities, which undermines the usefulness of the comparison.

Moreover, the Minnesota and Wisconsin comparison is less informative in terms of comparing state policies because both Minnesota and Wisconsin share a more similar policy mix. Both are relatively high tax states. Based on the Tax Foundation’s measure of state and local tax burden for fiscal year 2012, Wis-

Figure 4: Employment Growth, 2001-2015



consin’s tax burden ranked fourth highest in the country while Minnesota’s ranked eighth. Also, through much of that time, both Minnesota and Wisconsin were non-right-to-work states.

Overall, this review of employment growth along Minnesota’s border shows stronger growth on the side of the border with lower taxes and less burdensome regulations. The tax burdens in Iowa, North Dakota, and South Dakota rank 31st, 33rd, and 49th respectively.

The conclusion here is identical to that made by the Federal Reserve Bank of Minneapolis in 1979:

Businesses are facing a cloudy future in Minnesota: uncertain and at least a little unattractive in comparison to neighboring states. Policymakers thus need to be concerned about the competition of these states if they want businesses to stay in Minnesota and contribute to its continuing prosperity.

This apparently means lowering tax rates. ★

# THE WAR ON COPS

Manhattan Institute scholar **Heather Mac Donald** famously introduced the term **Ferguson Effect** to describe how Black Lives Matters activists have weakened policing in the high crime neighborhoods that need it most. American Experiment's **Katherine Kersten** interviews her about race, crime, and law enforcement.

**Y**our new book, *The War On Cops*, describes how the new attacks on law and order make everyone less safe. What is the fundamental truth of your book?

The fundamental truth is that policing today is data-driven. The police go where crime is happening most intensely and where people are being victimized most. Given the vast disparities in criminal victimization, the police cannot help but be disproportionately in minority neighborhoods on behalf of minority victims and, sadly, being called to try to find and arrest minority suspects.

**You identified the *Ferguson Effect* on crime in American cities. What is it?**

The *Ferguson Effect* describes the twin phenomena of officers backing off of proactive policing under the false Black Lives Matter narrative and the resulting increase in crime. The increase in homicides last year was the largest one-year increase in nearly a half century, and black males were the primary victims. More than 900 black males were killed last year over the previous year. More than 7,000 blacks died, overall, of homicide. The increase is worse in cities with large black populations because that is where the Black Lives Matter narrative is having its most negative effect on police officers' willingness to engage in self initiated, proactive police activity.

The primary example of the Ferguson Effect this year is Chicago: Pedestrian stops are down 82 percent, and shootings and homicides are up about 50 percent. So far this year, 3,300 people have been shot in Chicago. That works out to about one person shot every two hours. If you believe Black Lives Matter activists, you would think that a large portion of those shootings have been committed by cops, because the vast majority of victims have been black. In fact, the cops have shot about 18 people this year. That's 0.6 percent of all shooting victims. The narrative that President Obama and Hillary Clinton incessantly repeat—that black parents are right to fear that every time their child goes out into public—he might be shot by a cop is just statistically innumerate. It's a dangerous lie.

**Why has the Black Lives Matter movement been so successful explaining away the new nationwide crime rate with a narrative about the racist war on black civilians?**

I've never seen anything like it. Black lives are being taken, and yet President Obama and the entire community of academics and activists continue to say, "Nothing to see here, folks. Move on. This is not an issue." President Obama has described this crime increase as just a blip in a few cities. In other words, he is saying that black lives don't matter, because it's not white people who are being killed in the Ferguson Effect-inspired homicide spike. It's black people.

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**"In 1994, New York City began a policing revolution that embraced the then-radical premise that the police can actually lower crime, not just respond to it."**

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Activists refuse to acknowledge the crime increase because to do so would mean acknowledging that proactive policing saves lives. That is a truth that the anti-cop left, both on the streets and in academia, refuses to acknowledge.

**In the book you say that crime, not race, is driving police actions and prison rates. What numbers should Americans should know?**

Nationally, blacks commit homicide at eight times the combined rate of whites and Hispanics combined. If you take Hispanics out of that equation, the black/white homicide differential is about 11 to one. The disparities are even greater in cities. In New York City, for example, blacks are 23 percent of the population but commit 75 percent of all shootings and 70 percent of all robberies. That's according to the victims and witnesses. This is what primarily minority victims



are telling the cops. By contrast, whites in New York City are 34 percent of the population. They commit less than two percent of all shootings and four percent of all robberies.

Chicago is the same. Blacks and whites each make up just under a third of the city's population. Blacks

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**“A Chicago cop told me he’s never experienced so much hatred in his 19 years on the job.”**

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commit 80 percent of all homicides and 80 percent of all shootings. Whites commit about one percent of shootings and homicides. This means that virtually every time an officer receives a shots-fired call in America's big cities—meaning somebody has been shot or has witnessed a shooting—he's being called to minority neighborhoods on behalf of minority victims and being given the description of a minority suspect. Cops don't wish that. It's a reality forced on them, but it is going to determine where their deployment patterns are and where they are most frequently encountering violent, armed, and resistant suspects. And that reality is what explains police shootings.

**You said that no government agency is more dedicated to the proposition that black lives matter than American police departments. Explain your reasoning.**

In the early '90s, criminologists were saying things like, “Violent crime is just the nation's fate. That's the price of freedom, and there's nothing we can do, especially in the inner city—besides, of course, tripling the already massive so-

cial services budget.” Yet in 1994, New York City began a policing revolution that embraced the then-radical premise that the police can actually lower crime, not just respond to it. Police commanders, led by Commissioner William Bratton, fanatically pored over emerging crime data to spot crime patterns before they ripened into a serious crime spree. They asked cops to use their knowledge of crime conditions to intervene when they observed suspicious behavior on the street.

Minorities have been the primary beneficiaries of this data-driven, proactive policing revolution. Blacks represent about 70 to 75 percent of all the lives saved in New York City since the early '90s. More than 10,000 minority males are alive today in New York City because homicide levels fell from more than 2,000 per year to about 300. The high-crime areas that were once under the thrall of open-air drug markets were liberated and were able to re-establish a modicum of civilized urban life that people in lower-crime areas take for granted as their birthright.

**In my experience, the residents of high-crime neighborhoods are far from resenting the police. They are calling for more police and faster response times. What are you hearing in this respect?**

This is the tragic irony that police departments face. They cannot respond to the heartfelt requests of law-abiding members of their high-crime communities without generating the police statistics that the ACLU or the Obama Justice Department will use against them in a racial profiling lawsuit. I have never been to a police community meeting in an inner-city area where I haven't heard some version of the following request: “You arrest the drug dealers. They're back on the corner the next day. Why can't you keep them off the street?” Or “I smell weed in my hallway. Why can't

you do something about it?”

Law-abiding residents of high-crime areas routinely beg the cops to clear the corners of large groups of teens who are hanging out and fighting. They know that those unruly gatherings often result in drive-by shootings. And yet the Obama Justice Department in August issued a report that blasted the Baltimore Police Department for its practice of clearing the corners. If police respond to their residents who are desperate for more order on the streets, they know that when they do, someone will allege racial profiling. Or they can ignore the residents, walk away, and let crime go up, which is what we're starting to see.

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**“No less than the Justice Department has found that black officers in San Francisco were much more likely to shoot and use force against black suspects if they did not have a white officer with them.”**

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**What are you hearing from street cops across the country about their daily experience since the rise of the Black Lives Movement?**

I'm hearing that law and order is breaking down in inner cities across the country. A Chicago cop told me he's never experienced so much hatred in his 19 years on the job. He said the job has basically become undoable. The media refuse to cover this, but when officers get out of their cars in inner-city areas, they are frequently surrounded by hostile jeering crowds, holding cell phones in the



officers' faces and refusing law enforcement commands to get back on the curb. I was at a U.S. Marshals' meeting of the Fugitive Task Force in New York and New Jersey. These are the cops who are assigned to the most violent fugitive felons. A black cop told me about trying to arrest a violent felon in the north Bronx and being immediately surrounded by a crowd of 20 people who were cursing at him. One guy picked up a pike and threatened to kill him. He got out of that situation only by calling for backup, and two cars came.

That type of hatred is inevitably going to affect officers' behavior. Cops are human. That visceral hatred is amplified and echoed by Black Lives Matter rhetoric where every protest features chants like "F\*\*\* the police." "Racist cops." "Killer cops." Couple that with the message from President Obama that pedestrian stops are racist, and you will see officers back off from what is completely discretionary activity. They don't have to get out of their car to make that stop if no one has called 911. More and more cops are deciding to just drive on by the drug corner at 1 a.m.

**There's a big push here to diversify Minnesota's police forces. Does diversification, specifically hiring more black cops, seem to have an effect on police involved shootings or on crime generally?**

It does—and it's the opposite of what the Black Lives Matter movement has told us. The Justice Department has found that black officers in San Francisco were much more likely to shoot and use force against black suspects if they did not have a white officer with them. The Obama Justice Department in March 2015 came out with a report on the Philadelphia Police Department that found that black and Hispanic officers were much more likely than white officers to shoot an unarmed black suspect. **So, we're not seeing crime go down**

**Heather Mac Donald** is the Thomas W. Smith Fellow at the Manhattan Institute and a contributing editor of *City Journal*. She is a recipient of the 2005 Bradley Prize. Mac Donald's newest book, *The War on Cops* (2016), warns that raced-based attacks on the criminal-justice system, from the White House on down, are eroding the authority of law and putting lives at risk.

Other previous works include *The Burden of Bad Ideas* (2001), a collection of Mac Donald's *City Journal* essays, details the effects of the 1960s counterculture's destructive march through America's institutions. In *The Immigration Solution: A Better Plan than Today's* (2007), coauthored with Victor Davis Hanson and Steven Malanga, she chronicles the effects of broken immigration laws and proposes a practical solution to securing the country's porous borders. In *Are Cops Racist?* (2010), another *City Journal* anthology, Mac Donald investigates the workings of the police, the controversy over so-called racial profiling, and the anti-profiling lobby's harmful effects on black Americans. Her writing has also appeared in the *Wall Street Journal*, *Washington Post*, *New York Times*, *Los Angeles Times*, *The New Republic*, and *The New Criterion*.

A frequent guest on Fox News, CNN, and other TV and radio programs, Mac Donald holds a B.A. in English from Yale University, graduating with a Mellon Fellowship to Cambridge University. She holds a J.D. from Stanford University Law School

**Katherine Kersten**, a writer and attorney, is a senior policy fellow at Center of the American Experiment. She served as a Metro columnist for the *Star Tribune* from 2005 to 2008, and as an opinion columnist for the paper for 15 years between 1996 and 2013. She was a founding director of the Center, and served as its chair from 1996 to 1998. She holds a B.A. from the University of Notre Dame, an M.A. from Yale University, and a J.D. from the University of Minnesota Law School.

**generally in cities where a significant increase in the number of black officers has occurred?**

To the contrary. New Orleans, Newark, Detroit, all have majority-black police

forces and they have very, very high crime rates. It's also the case that having black officers involved in incidents does nothing to appease Black Lives Matter protesters. They turn on a dime.



They're very adept at leveraging the facts to suit them. If it's a white officer shooting a black man, obviously race is an issue, but as soon as it's a black officer shooting a black man, then they say, "This is not a racial matter." In Baltimore, three of the six cops that were preposterously criminally indicted for the transport of Freddie Gray were black. That didn't stop people from burning down Baltimore.

**Here in Minneapolis, we have a real problem with shootings. Most are gang-related. A few months ago, two toddlers were shot; one was killed. What is the most effective way to get guns off the street?**

I think it's asking the police to use their powers of observation. If they see somebody on a shooting hot-spot hitching up his waistband as if he has a gun, it's a good thing to get out of the car and ask a few questions. And if that person cannot assuage concerns, the cop should possibly frisk him, if he feels he has justified cause. The knowledge that gangbangers could be frisked led people in New York City to stop carrying guns. Criminals themselves will tell you that stop, question, and frisk is a deterrent, but it's not just for shootings and gun crime. It is also an inevitable and necessary police power for intercepting any sort of crime, whether it's car theft or robbery.

**Minneapolis Mayor Betsy Hodges acknowledges that most shootings here are perpetrated by a small group of hardened gang members. She has suggested that the best way to get guns off the street is to bring in all the gang members and give them all the resources they need to get their lives together.**

That's not a new solution. We've been doing that since the 1960s. New York City was the welfare capital of the world. It had no effect on crime. What

brought crime down was proactive policing.

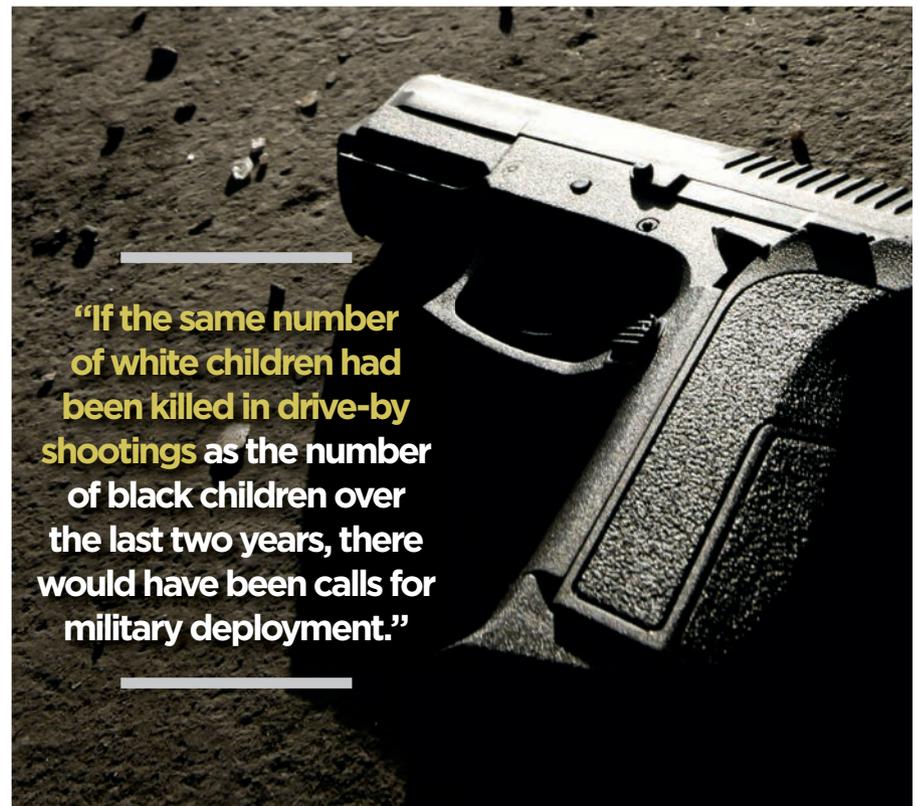
**Black Lives Matter and other police critics seem to have no expectation of personal responsibility on the part of young black men. In almost all the recent high-profile police-involved shootings around the nation, the young men who were shot appeared not to have followed police instructions. Why these low expectations?**

It's a lot easier to blame outside forces. And it's really easy when you have an entire elite establishment, now led by the universities, that is pumping out black victimology and telling blacks again and again that they live in a profoundly and systemically and lethally racist environment. It's also painful to acknowledge that there is a high degree of dysfunction in inner-city communities. There are so many law-abiding people who are raising

good kids. It's a sad testament to the state of the civil rights movement that these Black Lives Matter martyrs have, by and large, been criminals, petty or serious, and were often resisting arrest, running from the cops. It's a far cry from Rosa Parks.

**Minnesota's Governor Mark Dayton recently established a statewide Council on Law Enforcement and Community Relations, modeled on a similar task force convened by President Obama. What's the track record of these kinds of commissions?**

I know of no track record whatsoever. They tend to come up with recommendations that are either anodyne or dangerous. Civilians are, by and large, clueless about what it takes to subdue a resisting suspect or the degree of anarchy in inner-city communities. If the same number of white children had been killed in drive-





by shootings as the number of black children over the last two years, there would have been calls for military deployment. Whites all went crazy over the Newtown shooting because white kids were killed. There's a Newtown every couple months in the black community, and whites are just clueless. Last month, a 15-year-old boy was burned alive in a Chicago dumpster. These civilian commissions could change something if they were to speak the truth about black crime, because policing today is an epiphenomenon of crime—and the public, in my experience, simply does not have any knowledge of how disparate those crime statistics are.

**This new Council on Law Enforcement and Community Relations has called for implicit bias training for police. You have criticized this kind of training. Why?**

It's based on an utterly faulty premise, which is that the police are shooting blacks disproportionately out of implicit bias. The evidence shows the opposite. This year alone, four studies have shown that if there's a bias in police shootings, it works in blacks' favor. This is hard to get your mind around, because it is so contrary to everything we've been hearing for the last couple years, but four studies by often very-left wing outfits like the Center on Policing Equity show that whites are disadvantaged when it comes to police shootings. So the implicit bias movement is based on a fiction.

This implicit bias push has been propounded by the Obama Justice Department. They're sending all federal law enforcement officers to implicit bias training. It's a tragic waste of resources. Police are desperate for more tactical training. There have been some very bad shootings over the last two years that were the result of overwhelmingly lousy tactics. I know cops in Chicago who pay out of their own pockets for more training in those agonizing shoot/don't shoot decisions. Implicit bias training is ano-

dyne. It's going to do nothing to reduce police shootings—which I don't think are particularly high to begin with.

**You have said there's a straight line between inner-city family breakdown and youth violence.**

The statistics are clear. Children who grow up in single-parent families have on average a much higher chance of becoming juvenile delinquents and ending up in prison. There are single mothers who do heroic jobs of raising law-abiding young males, but that's not the average. You can talk to young black males themselves who will say, "I needed my father." I quote several in my book. Mothers and fathers bring different skills to raising children, and inner-city boys, in particular, are desperate for those role models. It's not just a lack of their own father, but when they exist in a culture that doesn't expect men to marry the mothers of the children they've created, they have none of the imperatives of civilizing themselves and becoming bourgeois: deferring gratification, and making themselves an acceptable and attractive mate. In other communities, the script says, "You stay in school. You work relatively hard because you're going to have to present yourself as a potential husband at some point."

**Black Lives Matter and other critics condemn what they call mass incarceration of black men. They claim that the entire American criminal justice system is racist. Are our prisons full of non-violent drug offenders? What are the facts?**

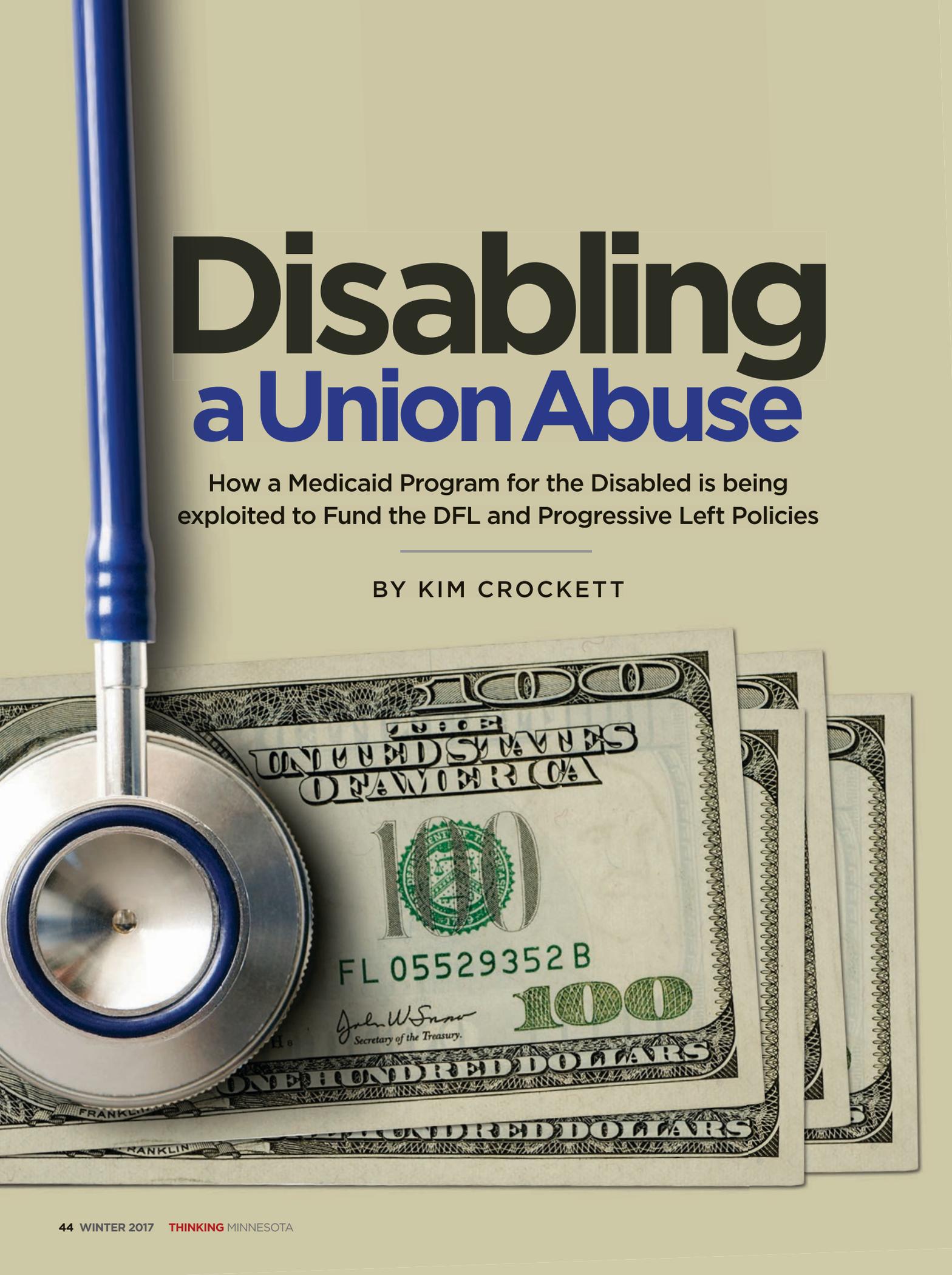
Criminologists have been trying for decades to prove the proposition that the overrepresentation of blacks in prison is due to criminal justice system racism, and the honest ones—even the very left-wing ones like Michael Tonry and Robert Sampson—have been forced to conclude that it is the vastly differential rates of criminal offending that is

responsible for black incarceration rates. Any seeming sentencing disparities in so-called same crime statistics disappear when you take criminal history into account. The inner-city gang environment is really *sui generis*. There aren't really many comparisons you can make to it, and prisons are not filled with non-violent drug offenders.

State prisons contain 88 percent of the nation's prison population. The vast majority of people are there for violent crime. Just four percent of state prisoners are there for drug possession and a huge number of those drug possession convictions have been pled down from a trafficking charges. You could remove all drug offenders from the nation's prisons, and the black incarceration rate would go down from about 37.6 percent to 37.4 percent. So, drugs are not the reason that blacks are disproportionately represented in prison.

**Final question: You've said that the greatest danger of the war on cops is an eroding of respect for the rule of law and the breakdown of civilized urban life. Will you elaborate on this?**

Riots are returning to the urban landscape. They're becoming so normalized that they get less and less coverage. They're not even covered at all these days. The Milwaukee race riots in September quickly fell off the national radar. We are playing with fire. If you continuously tell people that they are the victims of a racist criminal justice system, and you add to that the academic environment of deliberately promoting racial victimology, you are going to see more violence. Gun homicides of cops are up 44 percent this year. Just in the last two weeks, there have been several California police officers who've been shot fatally, some in ambushes. I think we are at risk of an amplified, very violent war on cops—and possibly also a broader race war. ★



# Disabling a Union Abuse

How a Medicaid Program for the Disabled is being exploited to Fund the DFL and Progressive Left Policies

BY KIM CROCKETT

*“In his arrogance the wicked man hunts down the weak, who are caught in the schemes he devises.”*

*Psalm 10:2*

A group of personal care attendants (PCAs) recently filed a lawsuit against the State of Minnesota. They are trying to extricate themselves from a government union. This group, mostly parents with disabled children, has been fighting to protect the sanctity of their homes. The union is now inserting itself into their private affairs and taking millions out of a Medicaid program for the disabled to fund their “progressive” agenda.

The toll this has taken on these families is hard to measure. The peace of mind they once enjoyed has been replaced by constant anxiety about what unionization means for the future of the program. As taxpayers, they share the Center’s disgust that precious Medicaid dollars are being used to corrupt our democratic process.

How did this happen? What is being done about it?

In the 1970s, Minnesota shifted from institutionalizing people with disabilities. Wouldn’t it be better to live at home? Eligible people with disabilities get a Medicaid benefit used to direct their care, often by employing family members or other carefully selected attendants. This model saves taxpayer dollars and offers a superior service model. The program was always meant to offer a helping hand to disabled people and their families. It was never meant to turn caregivers into state employees subject to unionization.

Yet that is just what Governor Dayton did. Shortly after Dayton was sworn in, under the guise of helping “low-income workers,” he proposed that home-based providers be unionized as “state employees.” Dayton used a child care subsidy for low-income parents known as “CCAP” and a Medicaid benefit given to the disabled as grounds for the scheme.

Two government unions, American Federation of State, County and Municipal Employees (AFSCME) and the Service Employees International Union (SEIU) have been rolling out this predatory and lucrative scheme throughout the nation for over a decade. These unions invested heavily in Dayton leading up to the 2010 election, and Dayton has been very disciplined when it comes to paying back the unions that propelled him into office.

Undeterred by objections to what the Star Tribune editorial board called “the legislation’s convolution of the traditional worker-employer union model,” Dayton issued an executive order in November 2011 subjecting home-based

caregivers to unionization.

AFSCME and SEIU had already been “canvassing” for years, identifying friend or foe. Providers have recounted how union canvassers would walk into their homes, often when young children were present, and pressure providers to sign a union card. Others would pretend the card was “just for information.” Or would refuse to leave or would return repeatedly until the provider signed the card. Out of fear or just get-out-of-my-house frustration, many providers signed the cards without understanding the consequences.

One child care provider recounted the first time she met a union organizer. “It was lunch time, so I was busy getting food prepared. The children were hungry and clamoring to eat. This guy just walked into my house and tried to get me to sign some card. I told him to get out of my house repeatedly but he just would not leave. Finally, I had to threaten to call the police.”

Because of experiences like this across Minnesota, a small group of home-based child care providers and PCAs became angry and organized. Then they hired legal counsel.

Labor attorney Doug Seaton, of Seaton Peters & Renew, has represented a group of child care providers and PCAs for years

and has seen them through many legislative and legal battles. Government unions call him an “extremist.” He is, indeed, when it comes to looking out for the unprotected and bullied.

Doug Seaton and his team took Governor Dayton and the unions to court. The executive order was struck down as unconstitutional. Yet Dayton did not give up.

After the DFL won majorities in the House and Senate in 2012, Dayton lobbied for and, after a ferocious floor fight in



Shortly after Dayton was sworn in, under the guise of helping “low-income workers,” he proposed that home-based providers be unionized as “state employees.”



**Kim Crockett** is vice president and senior policy fellow at center of the American Experiment, where she directs the Employee Freedom Project.

You can learn more at [MNPCA.org](http://MNPCA.org). If you would like to contribute to this effort, please contact Kim Crockett at [kim.crockett@americanexpreiment.org](mailto:kim.crockett@americanexpreiment.org)

This article is adapted from one that appeared in the *Star Tribune*.

both houses, won passage of a law that declared child care providers and PCAs “state employees.”

These newly minted “state employees,” if unionized, could now bargain collectively bargain. But over what? All the PCA program benefits are determined and funded by Congress and the legislature. In recognition of that fact, they are specifically excluded from benefits like health care and pensions.

The Star Tribune’s editorial board wrote, “It’s fitting that much of the Senate’s debate took place in the dark of night. But DFL lawmakers are fooling themselves if they doubt that Minnesotans see this overreaching legislation for what it is: the collection of a campaign IOU by labor interests who worked on the party’s behalf in 2012.”

Dayton signed the law in May 2013. While SEIU was organizing friendly PCAs for the election, something really big happened in June 2014. The U. S. Supreme Court ruled in favor of Pam Harris, a PCA from Illinois. Mrs. Harris sued Governor Quinn, arguing that she was not a “state employee” and could not be forced to pay mandatory dues like bona fide public employees. “Their intention was to turn our homes into union workplaces and siphon away precious Medicaid benefits from our sons and daughters. I refused to be bullied by their scheme.”

As is often the case, Pam Harris won a partial victory.

Harris v Quinn held that PCAs could no longer be forced to pay dues, but the Court did not strike down the scheme. Instead, the Court deferred to state legislatures, though the issue is still being litigated. That means SEIU can still speak for PCAs, whether they like it or not. And though it may surprise you, unions are still taking in tens of millions in dues.

As a result, SEIU was not deterred by Harris v Quinn. In August 2014, SEIU won a State-supervised mail-in ballot vote. Frankly, the ballots looked like junk mail or something you could put in the pile to read later. Only PCAs in the loop knew what to look for, and when.

Out of 27,000 PCA ballots, only 5,872 (22 percent) were returned in

time to be counted. PCAs voting “Yes” numbered 3,543 (13 percent of the PCAs). The SEIU won because it only needed a “Yes” vote from half of the returned ballots. Under the law, it does not matter that over 21,000 people in the new bargaining unit did not vote.

Labor law assumes that people being “organized” work together—that everyone knows about an upcoming election. But PCAs do not work together; they are not connected geographically or socially. They are very much focused on caring for someone—often someone with overwhelming needs. As a result, many PCAs were not aware of the union vote, and many remain unaware of it even today.

Now we understand why SEIU was not deterred by Harris v Quinn. When Governor Dayton signed a collective bargaining contract in May 2015, SEIU set union dues at an astonishing three percent of gross wages, up to \$948 a year for PCAs who had voluntarily, or unwittingly, signed a union card. Based on federal filings, we estimate that SEIU had 5,000 PCAs paying dues in 2015. That means the SEIU is collecting up to \$4.7 million a year in Medicaid money in Minnesota alone.

If SEIU is the champion of low-wage home care workers, why is it taking three percent from people earning \$12 to \$14 an hour?

Also, why would 5,000 PCAs give the SEIU up to \$948 a year? The answer: Some are on SEIU’s payroll or somewhere in the DFL network, while others believe the SEIU promise of better pay and benefits. Some unwittingly signed a card; others, it turns out, never signed a card. Someone forged their signatures, so dues are being deducted without their consent.

**T**hus a Medicaid benefit, generously offered by taxpayers for the disabled and their families, has been converted to a steady revenue stream for powerful government unions in Minnesota.

While the SEIU was “negotiating” its first contract with the Dayton administration, providers challenged the 2013 legislation. That’s how I met Kris

Greene and her daughter, Meredie, at the federal court house in St. Paul. I call her “a mama bear” because when I asked Kris about why she fought so hard, she told me, “I don’t want a union getting between me and my daughter.”

Kris Greene and others took their case all the way to the U.S. Supreme Court, where they hit the 4-4 wall created when Justice Scalia died. At least for now, her judicial remedies have been exhausted, but other challenges are being litigated. The future of these cases hangs on the next appointments to the nation’s highest court.

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**Out of 27,000 PCA ballots, only 5,872 (22 percent) were returned in time to be counted. PCAs voting “Yes” numbered 3,543 (13 percent of the PCAs).**

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What is the Center doing about this? The Center has walked alongside these providers, advocating against “welfare unions” for years. In 2015, we decided to go on the offensive by launching the Employee Freedom Project. The goal is to help bona fide public employees who are being forced to fund the agenda of government unions. But given this cynical capture of welfare dollars, our first objective is to reverse the trend of these deviant “welfare unions.” Once this model becomes the new normal, it will be impossible to reverse. The money is that big.

You may have heard about our first victory: When AFSCME finally made its move against child care providers, the providers were ready, and Doug Seaton and the Center were there to help. The state conducted another mail-in ballot election, but this time the union was decisively defeated by a margin of greater than 2 to 1.

What about the PCAs now represented by SEIU? Encouraged by the victory

against AFSCME, we decided to form a coalition of PCAs across Minnesota called “MNPCA.” The goal: To decertify the SEIU by forcing a new election.

MNPCA has a steep mountain to climb. And while it is climbing, it has to fight off the union and the Dayton Administration. MNPCA has to get 30 percent of the bargaining unit to sign a card calling for a new election. That just gets them to base camp. If they get enough cards, the State is required to call a new election. Then MNPCA has to go back to PCAs and make sure that at least half of them vote “NO.” The Center and MNPCA are confident that if we can reach enough PCAs in time, MNPCA can reach the summit and defeat SEIU.

The SEIU and Dayton administration are attempting to defeat MNPCA.

First, the state gave MNPCA a bad list—twice. Obviously, a good list is the key to reaching PCAs. On top of being out of date, the list is full of questionable data: for example, addresses that do not exist or lead to gas stations or empty lots; names and addresses that turn out to have nothing to do with the PCA program, like someone just filled out a union card from the phone book.

Second, when MNPCA launched the decertification, the Dayton administration began negotiating with SEIU for a new contract, even though the current contract does not expire until June 30, 2017. If a new contract is signed before MNPCA decertifies SEIU, MNPCA has to start all over again.

So MNPCA sued the Dayton administration.

As we write this, a judge has ordered the State to turn over a good list. We do not know how this story ends, but we know this: MNPCA has forced SEIU to defend hard-won turf, and to do so during a busy election season. Moreover, PCAs are fleeing the bargaining unit and the Dayton administration is being forced to defend the indefensible. They are not accustomed to that.

The Employee Freedom Project has made Minnesota hostile territory for the SEIU and AFSCME. And we have encouraged PCAs and child care providers all over the United States.

We count that as a success. ★



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# A BANNER YEAR

American Experiment generates serious momentum on several levels



John Hinderaker

**2016 was American Experiment's biggest year ever. But we are just getting warmed up. In 2017, we will have an even bigger impact on Minnesota's civic culture. Stay tuned!**

**2016 has been a banner year for Center of the American Experiment.** As the end of the year approaches, I can't resist ticking off some of our accomplishments:

- We put Minnesota's economy front and center, with Peter Nelson's blockbuster paper on income migration in March and Dr. Joseph Kennedy's paper, "Minnesota's Economy: Mediocre Performance Threatens the State's Future" in May. Our efforts have ignited a lively debate on whether Minnesota's economy lives up to the praise it so often receives from the state's politicians.
- We played a key role in defeating AFSCME's stealth attempt to unionize home child care providers, and we are now working on a vote to decertify SEIU's representation of personal care attendants, which basically provides a slush fund to the union and the left-wing causes it funds.
- We sponsored a sensational series of public events in 2016. Our Annual Dinner featured former White House press secretary Dana Perino. Our quarterly lunch forum series was dedicated to explaining how liberal policies hurt the middle class, minorities and low wage earners. We hosted Jason Riley on how liberal policies hurt blacks; Peter Wallison on how Dodd-Frank has devastated community banks and damaged small businesses; and a dialogue on the pros and cons of the minimum wage that included Dr. Mark Perry. Soon to come is our December 8 forum featuring Heather MacDonald, author of *The War On Cops*. And our Fall Briefing featured an insightful (and hilarious) talk by Jonah Goldberg.
- Mitch Pearlstein continued his cutting-edge work on education, marriage, and the family with his leadership of Opportunity for All Kids and his virtual symposium on what to do about family fragmentation.
- Kathy Kersten's local and national columns triggered a long-overdue controversy about violence in the public schools.
- We conducted an issues briefing for new candidates for Minnesota's legislature in July.
- So far in 2016, we have placed op-eds supporting free markets and government accountability in 64 Minnesota newspapers.
- We brought our messages to Greater Minnesota, with meetings and press conferences in Duluth, Fergus Falls, St. Cloud, and Mankato.
- We completely revamped our website ([www.americanexperiment.org](http://www.americanexperiment.org)), our weekly emails, and our Facebook page, which will have 10,000 "likes" by the end of 2016.
- We brought our commonsense conservative messages to the internet and the radio, with ads currently playing on 40 Minnesota radio stations, and with internet videos that have been seen by more than 300,000 Minnesotans.
- We developed *Thinking Minnesota* into the state's must-read public policy magazine.
- Using all the media at our command, we delivered our messages to Minnesotans more than ten million times.

2016 was American Experiment's biggest year ever. But we are just getting warmed up. In 2017, we will have an even bigger impact on Minnesota's civic culture. Stay tuned! ★

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