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Robert L. Woodson, Sr.
Founder & President of the
Center for Neighborhood Enterprise

STANDING UP FOR THE UNDERDOGS

**How Congress can help those with the
deck stacked against them in life**



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Debate

- 4 **The Value of Encryption**
By Bruce Schneier
- 5 **Are Apple and Google Harboring Criminals? Maybe.**
By William Fitzpatrick

Politics & Perspective

- 8 **Facing Britain's European Obsession**
By Tim Oliver
Britons will soon vote on whether to remain in or leave the European Union. Whatever the result, the world should not expect an end to Britain's obsession with arguing about Europe.
- 10 **Getting a New Lease on Life**
By Jonathan Blanks
At a time when the U.S. incarcerates more people than any other nation on earth, it's time for Congress to lead the way on criminal justice reform.
- 12 **The Minimum Wage: A Flawed Remedy for Stagnant Earnings**
By Preston Cooper
Slow wage growth remains a defining challenge of the economic recovery. But the most obvious solution—a higher minimum wage—has serious drawbacks.
- 14 **Ike's Forgotten Legacy**
By Kasey Pipes
Dwight Eisenhower has seldom received credit for his support for civil rights during his career, but his efforts remain a lesson in leadership for today.

Cover Story

- 17 **STANDING UP FOR THE UNDERDOGS**
How Congress can help those with the deck stacked against them in life
- 18 **Fighting Poverty: Welfare vs. A Way Out**
By Robert L. Woodson, Sr.
After the expenditure of over \$20 trillion in a 50-year "war on poverty," the number of impoverished Americans has barely budged. Reform is vital.
- 21 **Helping Entrepreneurs Succeed**
By Wendy Guillies
From Uber to Airbnb, entrepreneurship has never been as highly regarded in pop culture as it is now. But entrepreneurship is not thriving -- at least not yet.
- 24 **The Rise of Single Parents**
By Abby McCloskey
The number of households headed by single parents in America has tripled since 1960. With family structures changing, conservative policy needs to keep up.
- 26 **The Rising Cost of College**
By Richard K. Vedder
America is facing a student loan crisis. Solving it will not only remove a financial burden on families, but will also provide young people with one less obstacle to overcome in life.

Sections

- 3 **In this Edition**
- 28 **Ripon Profile - U.S. Sen. Orrin Hatch (R-UT)**

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In this Edition

It's been said that 2016 is the year of the outsider. With Donald Trump leading in the polls and Bernie Sanders running a stronger race than expected, it's easy to see how that may be true.

But if their campaigns are being driven by their opposition to the establishment, it can also be said that their support is being fueled by those who believe the establishment has let them down. Indeed, this may in fact be the year of the outsider. But it's also the year of the underdog.

Low income Americans trying to climb out of poverty. Entrepreneurs trying to start their own business. Single parents trying to hold down a job and raise a family. Students trying to pay off their loans. These are just some of the underdogs in America who have the deck stacked against them in life. And in this edition of THE RIPON FORUM, we focus on their concerns.

Leading our coverage is Robert L. Woodson, Sr., the Founder & President of the Center for Neighborhood Enterprise. Woodson has dedicated his life to helping low-income people. He is also one of House Speaker Paul Ryan's top advisers in his effort to remake the war on poverty. In an essay, Woodson shares his thoughts on how Congress can help the less fortunate and why a new approach is needed. "The failure to develop an effective agenda is rooted in a misdiagnosis of the problem of poverty," he writes. "Even among those who have the best intentions, policymakers on the Left and Right are deadlocked in debates about solutions, but are talking about entirely different cohorts of the poor. All people are not poor for the same reason, and our remedies must be as diverse as the cohorts of the population in poverty."

Also featured in this latest edition is Wendy Guillies, the President & CEO of the Kauffman Foundation, who writes about the challenges facing entrepreneurs in starting a business, and the benefits for our country if they succeed. "The rate of business creation in the United States is about half of what it was in the 1980s," Guillies writes. "Despite this gloomy picture, there is reason to believe that we are about to enter a future with robust economic growth led by entrepreneurs." Another group of Americans facing challenges are single parents. They have not only tripled in number since 1960, but, economist Abby McCloskey writes, have also been ignored by GOP policymakers for too long. "Many conservatives have continued to exclusively focus on economic growth, while overlooking the specific economic challenges that single parents face," she writes. "Policymakers need to meet single parents where they are at, and put forward policies that address the unique challenges of working and raising children alone."

In another essay, Richard K. Vedder, the Director of the Center for College Affordability and Productivity, examines another struggle that an increasing number of Americans are facing – namely, how to pay for a college education. "We face a student loan crisis in America," Vedder writes. "It is a crisis that Congress helped to create. It is also one they must now help to end. Doing so will not only remove a financial burden being placed on millions of families, but will also provide young people with one less obstacle to overcome in life."

Also included in this latest FORUM are essays by Jonathan Blanks of the Cato Institute, writing about criminal justice reform, and author Kasey Pipes, writing about Dwight Eisenhower's forgotten legacy on civil rights. In other essays, the Manhattan Institute's Preston Cooper writes about the minimum wage, and Tim Oliver of the London School of Economics examines the upcoming referendum in Britain to leave the EU.

In a debate over an issue that is receiving a lot of attention, technologist Bruce Schneier and District Attorney William Fitzpatrick square off on the issue of encryption. And in our latest Ripon Profile, U.S. Senator Orrin Hatch discusses the one issue in America that no one is talking about and the one thing in the tax code he would like to see changed.

As always, we hope you enjoy this edition of the FORUM, and encourage you to contact us with any thoughts or comments you may have.

Lou Zickar
Editor of THE RIPON FORUM
louzickar@riponsociety.org

The Value of Encryption

BRUCE SCHNEIER

In today's world of ubiquitous computers and networks, it's hard to overstate the value of encryption. Quite simply, encryption keeps you safe. Encryption protects your financial details and passwords when you bank online. It protects your cell phone conversations from eavesdroppers. If you encrypt your laptop -- and I hope you do -- it protects your data if your computer is stolen. It protects your money and your privacy.

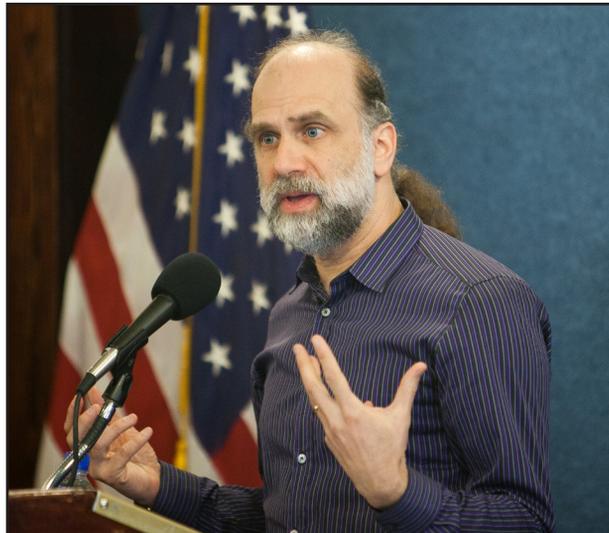
Encryption protects the identity of dissidents all over the world. It's a vital tool to allow journalists to communicate securely with their sources, NGOs to protect their work in repressive countries, and attorneys to communicate privately with their clients.

Encryption protects our government. It protects our government systems, our lawmakers, and our law enforcement officers. Encryption protects our officials working at home and abroad. During the whole Apple vs. FBI debate, I wondered if Director James Comey realized how many of his own agents used iPhones and relied on Apple's security features to protect them.

Encryption protects our critical infrastructure: our communications network, the national power grid, our transportation infrastructure, and everything else we rely on in our society. And as we move to the Internet of Things with its interconnected cars and thermostats and medical devices, all of which can destroy life and property if hacked and misused, encryption will become

even more critical to our personal and national security.

Security is more than encryption, of course. But encryption is a critical component of security. While it's mostly invisible, you use strong encryption every day, and our Internet-laced world would be a far riskier place if you did not.



Bruce Schneier (photo by David Brody)

While it's mostly invisible, you use strong encryption every day, and our Internet-laced world would be a far riskier place if you did not.

capability without weakening the encryption against all adversaries as well. This is critical to understand. I can't build an access technology that only works with proper legal authorization, or only for people with a particular citizenship or the proper morality. The technology just doesn't work that way.

If a backdoor exists, then anyone can exploit it. All

(cont'd on p. 6)

When it's done right, strong encryption is unbreakable encryption. Any weakness in encryption will be exploited -- by hackers, criminals, and foreign governments. Many of the hacks that make the news can be attributed to weak or -- even worse -- nonexistent encryption.

The FBI wants the ability to bypass encryption in the course of criminal investigations. This is known as a "backdoor," because it's a way to access the encrypted information that bypasses the normal encryption mechanisms. I am sympathetic to such claims, but as a technologist I can tell you that there is no way to give the FBI that

Are Apple and Google Harboring Criminals? Maybe.

A District Attorney's Perspective on Why We Need Reasonable Restrictions for Mobile Device Encryption

WILLIAM FITZPATRICK

Imagine a frantic call to 911 from a woman who relays to emergency personnel that she has just been gang raped. Also imagine that woman mercifully telling police that the perpetrators videotaped this vicious sexual assault on one of their iPhones. The perpetrators and iPhone are recovered. Case solved? Every district attorney in the United States, myself included, wishes that were the case. Due to Apple's decision to install default encryption on their smartphones, prosecutors and law enforcement face a problem unlike any before: private corporations denying law enforcement access to valuable evidence, irrespective of compliance with the Fourth Amendment. This is not something that should be praised or endorsed.

With the advent of more advanced technological capabilities and the rise of sophisticated state-sponsored hacks from China, Iran and North Korea, as well as from rogue entities, it is somewhat understandable why Apple and others have intensified their concern toward encryption. But encrypting phones so a device cannot be accessed by the company who created the device, even when presented with a valid search warrant, should be a cause of great concern to the public prosecutors are sworn to protect. Apple's measures are unjustified, and frankly, one step away from harboring criminal activity. I can see the

advertisements now—"Enjoying Child Pornography? Buy an iPhone. Protection from law enforcement guaranteed."

And if this type of encryption is allowed, what's next? Security systems that prevent law enforcement from entering a home? Ford manufacturing a trunk and glove box that can't be opened? You may think of these examples as hyperbole, but in essence, this is exactly the type of anti-law enforcement atmosphere that Apple has created.

Don't get me wrong -- I like my cellphone as much as the next guy. Many of us live our lives on our smartphones. Some of our most intimate conversations, videos and pictures are now on these devices. Absent a clear showing of probable cause as determined by an independent magistrate, every American has a reason to expect privacy in these communications. That reasonable expectation of privacy does not trump the right to conceal criminal activity, which is the way our criminal justice

system has managed to operate since the phone was invented without the destruction of any company.

There are reasonable measures that can be taken to appease both sides in this debate, such as making mobile devices searchable only pursuant to judicially-issued warrants, requiring federal legislation that

(cont'd on p. 6)



William Fitzpatrick

**Encrypting phones so a device
cannot be accessed by the company
who created the device, even when
presented with a valid search
warrant, should be a cause of
great concern.**

(SCHNEIER, cont'd from p. 4)

it takes is knowledge of the backdoor and the capability to exploit it. And while it might temporarily be a secret, it's a fragile secret. Backdoors are one of the primary ways to attack computer systems.

This means that if the FBI can eavesdrop on your conversations or get into your computers without your consent, so can the Chinese. Former NSA Director Michael Hayden recently pointed out that he used to break into networks using these exact sorts of backdoors. Backdoors weaken us against all sorts of threats.

Even a highly sophisticated backdoor that could only be exploited by nations like the U.S. and China today will leave us vulnerable to cybercriminals tomorrow. That's just the way technology works: things become easier, cheaper, more widely accessible. Give the FBI the ability to hack into a cell phone today, and tomorrow you'll hear reports that a criminal group used that same ability to hack into our power grid.

Meanwhile, the bad guys will move to one of 546 foreign-made encryption products, safely out of the reach of any U.S. law.

Either we build encryption systems to keep everyone secure, or we build them to leave everybody vulnerable.

The FBI paints this as a trade-off between security and privacy. It's not. It's a trade-off between more security and less security.

The FBI paints this as a trade-off between security and privacy. It's not. It's a trade-off between more security and less security. Our national security needs strong encryption. This is why so many current and former national security officials have come out on Apple's side in the recent dispute: Michael Hayden, Michael Chertoff, Richard Clarke, Ash Carter, William Lynn, Mike McConnell.

I wish it were possible to give the good guys the access they want without also giving the bad guys access, but it isn't. If the FBI gets its way and forces companies to weaken encryption, all of us -- our data, our networks, our infrastructure, our society -- will be at risk.

The FBI isn't going dark. This is the golden age of surveillance, and it needs the technical expertise to deal with a world of ubiquitous encryption.

Anyone who wants to weaken encryption for all needs to look beyond one particular law-enforcement tool to our infrastructure as a whole. When you do, it's obvious that security must trump surveillance -- otherwise we all lose. **RF**

*Bruce Schneier is a security technologist and Chief Technology Officer of Resilient Systems, Inc. His latest book is *Data and Goliath: The Hidden Battles to Collect Your Data and Control Your World*.*

(FITZPATRICK, cont'd from p. 5)

technology companies must retain the ability to decrypt data, and for law enforcement to deliver the device to the corporation so it, and not the government, can use its proprietary technology to decrypt the device. These sensible restrictions ensure that the government is able to maintain public safety while protecting individuals' constitutional rights and allowing Apple and others to market attractive products.

Apple CEO Tim Cook has said in multiple interviews that complying with the Federal Bureau of Investigation's request to create a software patch that could allow Apple to access information on a specific device would be akin to creating a backdoor that will open Pandora's Box to hackers and those who wish to invade people's privacy. But in the alternative, not creating reasonable restrictions

There are reasonable measures that can be taken to appease both sides in this debate, such as making mobile devices searchable only pursuant to judicially-issued warrants.

on encryption has created a backdoor to a safe harbor for criminals.

My job as President of the National District Attorneys Association, representing America's 2,500 elected prosecutors, is to make sure that citizens live in a safe environment and that the Constitution of the United States is preserved, protected and defended. Apple's corporate profits notwithstanding, there is nothing inconsistent about those obligations and the government's right under the restrictions of the 4th Amendment to review a terrorist's phone, a murderer's iPad or a child molester's computer. **RF**

William Fitzpatrick serves as President of the National District Attorneys Association. He also serves as Onondaga County District Attorney in Syracuse, NY.



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Facing Britain's European Obsession

Britons will soon vote in a much-anticipated referendum on whether to remain in or leave the European Union. Whatever the result, the rest of Europe and the USA should not expect an end to Britain's obsession with arguing about Europe.

TIM OLIVER

I was recently emailed by a UK high school student asking me a frequently asked but deceptively simple question: why is the UK holding a referendum on EU membership? Whole books have been written to explain Britain's difficult relationship with the EU. The referendum debate has seen endless pages of analysis and arguments about whether Britain should 'Brexit' or -- in an equally awful abuse of the English language -- 'Bremain.'

There is no denying Britain's unease at being a member of the EU. A victor in the second World War, Britain was left feeling it could stand aloof from an integration project intended to help defeated and occupied countries come to terms with the trauma of war. Britain only joined after a slow realisation that the Union was economically successful and about more than just economics. As a major European power, Britain could not sit outside what was fast becoming Europe's predominant organisation for politics, economics and non-traditional security. Today, UK-EU relations reach deep into large areas of the UK's politics, constitution, economics, society, identity, security and global position.

The EU has been a great success, but has recently run into no end of problems. The Eurozone crisis, the refugee crisis straining the Schengen common travel area, European ineptness at handling the Ukraine crisis, and a feeling the EU is falling behind the USA and emerging powers have left little positive news for the EU in Britain. The UK's government undertook its own detailed assessment of the relationship and found that despite the EU's problems, membership remains beneficial for the UK. But long-ingrained unease about membership has

made it difficult to dispel the feeling in British politics that something is wrong.

When it comes to politics, there is one politician responsible more than any other for the vote: David Cameron, leader of the Conservative party. He has shown himself to be no strategist in dealing with Conservative divisions over Europe that date back to the late 1980s and which have in recent years been heightened by unease – sometimes verging on hysteria – over immigration. He is a risk taker and a manager of events as they unfold. He has repeatedly failed to develop a strategy for dealing with his party's European question other than buying off Conservative Eurosceptics through offers of reviews or renegotiations of UK-EU relations, and, finally, a referendum. He now has to deliver on a vote he hoped would never happen and which he must now realise he is far from guaranteed to win.

If he loses the vote, then he is to some extent reaping what he and his party have sown. For several decades, the Conservative party has had nothing positive to say about the EU. Yet in

private UK-EU relations, British governments – including Conservative ones – have been more positive, a recognition of the realpolitik of EU membership. This Janus faced approach has left only a poisoned, twisted public face to Britain's EU membership.

The Prime Minister and senior members of his party now find themselves making a case for an organisation they have long played the easy game of maligning for cheap political point scoring. To be fair, the Labour party has been little better.



Tim Oliver

There is no denying Britain's unease at being a member of the EU.

Their current leader, Jeremy Corbyn, is a 1970s socialist who was once quite public in his opposition to an EU he saw as a capitalist free-market club. He says his opinions have changed. Like Cameron, the British people doubt his sincerity.

With opinion polls showing the vote is too close to call, it could be that the long-running inability in British politics to give the British people a reasoned and fair analysis of EU membership could lead them to vote to leave.

As no end of analysis points out, a vote to leave would have profound implications for the UK's economy, politics, unity, identity, and standing in the world. A country famed for its economically liberal, outward looking view of the world could instead move towards being more inward looking, disunited and protectionist.

It would also be a defining moment for the EU and an unwanted headache for the USA. A British exit could change the EU in any number of ways. Germany's leadership of the EU would be strengthened; the EU could become less Atlanticist; free-market economics less in vogue. Rid of a member that has been an obstacle to integration, the EU might unite further. A British exit might also begin the Union's unravelling, much to the delight of Putin's Russia.

It is these wider changes to the EU and Europe's

geopolitics that will be the first concern of the US government. If the UK-US relationship is special, then the same must also be said for the much bigger US-European relationship. Despite their differences, no two regions of the world are as integrated economically, politically and in shared security. A Brexit that changes the EU and Europe in ways that are counter to those

of the USA or a strong transatlantic relationship will hardly leave the UK in the USA's good books.

This is not to suggest that a vote to remain will resolve the issue. Divisions within the Conservative Party are too deeply embedded.

Europe is a multifaceted issue that reaches deep into almost every aspect of the UK's existence and political debates. A vote to leave will not see that disappear. It is an issue that can only be managed, never settled – something Britain's politicians have shown themselves repeatedly incapable of doing.

If Cameron thought the referendum would settle the debate about UK-EU relations, then he is deluding himself. Future divisions and referendums on European/EU matters are highly likely whatever the result of the vote on 23 June. **RF**

Tim Oliver is a Dahrendorf Fellow for Europe-North American relations at the London School of Economics.

It could be that the long-running inability in British politics to give the British people a reasoned and fair analysis of EU membership could lead them to vote to leave.



Getting a New Lease on Life

How Congress can lead the way on criminal justice reform

JONATHAN BLANKS

The United States incarcerates more people than any other nation on earth. According to the Bureau of Justice Statistics' most recent data, roughly 6,850,000 individuals were under some form of correctional supervision in the United States and over 2,220,000 of those were incarcerated in jail or prison. An estimated two and a half million children have at least one currently incarcerated parent. The vast majority of incarcerated people will return to society sooner or later – an estimated 650,000 come home each year – but many will not be prepared to move forward with their lives and will face additional obstacles to becoming successful on the outside, making recidivism more likely. National leaders now face the problem of mass incarceration.

The federal prison population is relatively small compared to state prisons and local jails. The most recent tally of federal inmates is just shy of 200,000 people. A large number, to be sure, but federal inmates make up less than ten percent of the incarcerated population. Any Congressional action will thus have limited direct effect on most of America's incarcerated people, but that doesn't mean Congress doesn't have a role to play in alleviating mass incarceration and its effects on society.

In the current Congress, the best shot at reform is a sentencing bill sponsored by Senate Judiciary Committee Chairman Charles Grassley (R-IA). (This is, in part, because other bills with far broader sentencing reforms – such as the SAFE Justice Act introduced by Reps. James Sensenbrenner (R-WI) and Bobby Scott (D-VA) – would not stand a chance in Grassley's committee.) The Grassley bill – known as the Sentencing Reform and Corrections Act – primarily benefits non-violent drug offenders. It would, among other things,

broaden the current “safety valve” to allow judges to give sentences below federal guidelines for individuals with non-violent criminal histories and make certain previously passed sentencing reductions retroactive. It's a lot less than many advocates were hoping for, but it appears to be the best bill that might pass this session.

Of course, sentencing reform addresses individuals who will be tried and convicted of crimes. Congress can also influence, albeit indirectly, what happens before arrest and conviction. On this “front end” of the criminal justice system, a de-escalation of the war on drugs would lower the number of people going in to prison in the first place. This de-escalation doesn't have to mean full legalization or even decriminalization. A future Congress could take steps toward de-escalation by removing federal incentives that encourage police departments to pursue and prioritize drug interdiction over other law enforcement functions.

For example, the Department of Justice currently has the authority to institute – and just reinstated – “equitable sharing” agreements with local law enforcement. Such agreements allow local police forces to profit directly from asset forfeiture – the taking of cash or property associated with alleged criminal activity – a practice that is common in drug cases. These agreements typically divide the funds 80/20 in favor of the local law enforcement agency. Thus, local departments

may seek funds through enforcement, what the Institute for Justice calls “Policing for Profit.” Congress could repeal the DOJ's authority to remit asset forfeiture proceeds back to local police departments and thus take away the federally enabled profit motive.



Jonathan Blanks

The vast majority of incarcerated people will return to society sooner or later – an estimated 650,000 come home each year – but many will not be prepared to move forward with their lives.

Congress could also amend the law enabling the Drug Enforcement Administration to establish drug task forces with state and local police agencies. The task forces are federally subsidized drug enforcement, which intrinsically creates an incentive to focus on drug interdiction rather than other aspects of policing. And very often, that enforcement is concentrated in poor and minority neighborhoods. The needs of a community alone should determine how that community allocates its law enforcement resources rather than federal money in order to lock-up more of that community's most vulnerable citizens.

Finally, Congress could re-assess some "collateral consequences" of arrests and convictions. These include legal restrictions on voting, licensing, employment, and other benefits to individuals who at one time ran afoul of the justice system. The felony drug ban, for example, can limit food assistance to vulnerable people who are looking for work after serving a drug sentence. Drug convictions can also kick families out of public housing and make students ineligible for financial aid. These restrictions add hardship to already disadvantaged people and further marginalize them from society.

This is not to say that drugs and their attendant problems – such as overdoses, addiction-fueled crimes, and gang violence – are not important to communities.

But decisions on the best way to deal with those problems will vary between states and localities, precluding a one-size-fits all federal intervention that typically focuses on interdiction. Specifically in response to the recent spike in heroin and opioid use, needle exchanges, supervised injection sites, opioid alternative treatments, and medical amnesty for overdose emergencies are ways in which local organizations and governments can help those in need without relying on law enforcement, and often without federal assistance.

The bulk of criminal justice reforms will have to come at the state and local levels because those governments are responsible for the majority of law enforcement. But Congress can set an example by reducing some of the harshest criminal penalties without being "soft on crime," by removing unnecessary incentives that prioritize enforcement of consensual crimes, and by tearing down punitive barriers that make re-entry harder for those who have made mistakes and paid their debt to society.

Many of the punitive state laws and policies followed the federal government's lead. Perhaps if Congress starts fixing their past mistakes, states will follow again. **RF**

Jonathan Blanks is a research associate at the Cato Institute's Project on Criminal Justice.



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The Minimum Wage: A Flawed Remedy for Stagnant Earnings

PRESTON COOPER

Slow wage growth remains a major challenge for the continuing economic recovery from the Great Recession. Since 2009, real wages have risen at a rate of just 0.6 percent per year, according to the Bureau of Labor Statistics.¹ It is understandable, then, that many states and cities have sought to increase earnings by raising the minimum wage. Several cities, including Seattle and Los Angeles, have raised their minimum wages to \$15 per hour, and recently California passed legislation to do so by 2022.

Such brute-force solutions allow lawmakers to claim victory over stagnant wages while not adding more spending to already-strained budgets. But the costs of such policies are real, and they disproportionately fall on small businesses and young jobseekers. For the workers who keep their jobs, higher minimum wages will mean a welcome boost in earnings. But many more people, particularly the young, will find themselves out of work as employers cut back on hiring.

Low wages are a problem. But not having a job is an even bigger problem. According to the Census Bureau, in 2014 just three percent of prime-age people with a full-time, year-round job were in poverty. For prime-age people with no job at all, the poverty rate was 34 percent.²

Proponents of higher minimum wages often argue that job losses from higher wage floors are a myth. They often point to a 1994 study by economists David Card of UC-Berkeley and Alan Krueger of Princeton, which found

no adverse employment effects after New Jersey raised its minimum wage and neighboring Pennsylvania did not.³ While some scholars have criticized the mechanics of Card's and Krueger's study, one of its major weaknesses was simply the time frame: it only looked at a nine-month period after New Jersey's minimum wage increase.

More recent research suggests the negative effects of minimum wage increases take longer to show up. Some of the best recent research on this has been done by Jeffrey Clemens and Michael Wither of UC-San Diego.⁴ In a 2014 study, Clemens and Wither used a dataset that followed individuals affected by minimum wage rises for three years after the increases took effect.

The results were startling. The individuals most affected by the increases saw their average monthly incomes fall by a total of \$150 over three years, the equivalent of 90 cents per hour for a full-time job. Rather than boosting earnings, the minimum wage reduced them. A follow-up study by Clemens in 2015

found that federal minimum wage increases in the late 2000s accounted for nearly half of the job losses suffered by young, low-skilled workers during the Great Recession.⁵



Preston Cooper

**Low wages are a problem.
But not having a job is an
even bigger problem.**

3. David Card and Alan Krueger, "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania." *American Economic Review*, September 2014. <http://davidcard.berkeley.edu/papers/njmin-aer.pdf>

4. Jeffrey Clemens and Michael Wither, "The Minimum Wage and the Great Recession: Evidence of Effects on the Employment and Income Trajectories of Low-Skilled Workers." *NBER Working Paper No. 20724*, December 2014. <http://papers.nber.org/tmp/91897-w20724.pdf>

5. Jeffrey Clemens, "The Minimum Wage and the Great Recession: Evidence From the Current Population Survey." *NBER Working Paper No. 21830*, December 2015. <http://papers.nber.org/tmp/66431-w21830.pdf>

1. Data are from the Current Employment Statistics survey and adjusted for inflation using the Personal Consumption Expenditures index.

2. "Income and Poverty in the United States: 2014: Table 3." *U.S. Census Bureau*, September 2015. <https://www.census.gov/content/dam/Census/library/publications/2015/demo/p60-252.pdf>.

How did this happen? Workers with the least job experience, unsurprisingly, have the most to gain from job experience. A few months on the job, even a minimum wage job, provide workplace skills and employer references that cannot be replicated. The first job enables a young worker to get his second. This is why taking a long-term view of minimum wages is so important—they affect not only the first job but others later on in a young worker’s career.

Minimum wages have a higher cost than many policymakers acknowledge. When employers are forced to pay more, in the short term they may deal with the extra costs by raising prices or cutting back on other benefits. But in the longer term, fewer businesses will open if they face daunting labor costs—particularly on the order of \$15 per hour. Existing businesses will close faster as it becomes more difficult to raise revenues sufficient to cover operating expenses. This would exacerbate an already-troubling trend: from 2009 to 2011, more American businesses closed than opened for the first time in generations.⁶

6. Ian Hathaway and Robert Litan, “Declining Business Dynamism in the United States: A Look at States and Metros.” *Brookings Institution*, May 2014. http://www.brookings.edu/~media/research/files/papers/2014/05/declining%20business%20dynamism%20litan/declining_business_dynamism_hathaway_litan.pdf

What can be done about this? We all want people to have higher earnings, and minimum wages are not the only, nor the most effective, solution. One idea is expanding the earned income tax credit—a cash transfer conditional on work. Rather than limiting employment, the earned income tax credit draws more people into the labor force. Such a scheme costs money upfront, but in the long term it places a much lighter burden on the social safety net. It is cheaper to help people if they have low-wage jobs than if they have no jobs at all.

Another idea is the youth minimum wage, a program which allows young people to work for wages below the standard minimum. Young people, for whom wage floors are most likely to destroy employment opportunities, would benefit from more entry-level job openings, while policymakers could still maintain higher minimum wages for older workers, with fewer adverse effects.

Slow wage growth, particularly for those at the lower end of the income spectrum, remains a defining challenge of this economic recovery. But the most obvious solution – a higher minimum wage – has serious drawbacks. Policymakers should look for solutions which both rejuvenate wage growth and maintain employment opportunities. A higher minimum wage does not fit the bill. **RF**

Preston Cooper is a Policy Analyst at the Manhattan Institute.

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Ike's Forgotten Legacy

A lesson in leadership for today

KASEY PIPES

Dwight Eisenhower's journey to Little Rock began in World War II at the Battle of the Bulge. Here, needing more troops to send to the front, Ike went against War Department policy and encouraged African-American soldiers in the Supply Service to train for combat and be treated "without regard to color or race...." Many responded. And served well. Ike took note and later told an African-American aide during the 1952 presidential campaign that he was inspired by the heroic service of black troops in World War II. "They fought nobly for their country," he said. "And I will never forget."

But if World War II changed Ike, it also changed America. African-Americans who went to the front of the line in battle weren't eager to go to the back of the bus in Birmingham. The civil rights movement gained new momentum. By the time Eisenhower ran for president, a civil rights revolution was building as new claims were made for equal rights in government, business and public schools.

Eisenhower's conservatism can perhaps best be seen in the actions he took over the course of his presidency in handling civil rights. Even though he preferred the velvet cords of persuasion to the iron bonds of law, as president he did pursue gradual change.

First, Ike desegregated the District of Columbia. Having full constitutional power over the nation's capital, he effectively ended decades of segregation. He even pressured Hollywood executives to open up their DC theaters on a color-blind basis. They did.

Second, Ike desegregated the military. In response to Truman's executive order in 1948, many in the military had dragged their heels. Eisenhower used his military aura to help finish the job of creating a desegregated military.

Interestingly, Truman's executive order in many ways can be traced back to Ike's decision at the Battle of the Bulge, which proved that African-Americans were just as brave as any soldiers.

Third, Ike weighed in on *Brown v. the Board of Education*. He had mixed feelings about the case, worrying about the size and scope of it. But he agreed to let Attorney

General Herbert Brownell file a brief on behalf of the NAACP that separate schools were unequal. When the ruling came down, he vowed to enforce it.

Fourth, Ike pushed for and signed the first major civil rights legislation since Reconstruction. His only disappointment with the new law was that Senate Majority Leader Lyndon Johnson successfully attached a "jury-trial" amendment so that whites accused of racial crimes would have the home field advantage offered by a white jury.

Fifth, he appointed fair-minded judges who would hand the civil rights movement its biggest victories for years to come. "The best civil rights judges in the South," remembered Andrew Young, "were the Eisenhower appointees..."

Each of these steps was important. But none settled the issue. Ike had tried to move carefully, taking action where he thought he had the power and where he thought he could make a difference. He was trying to create an evolution. But he soon realized a revolution was coming.

Eisenhower had long feared that inflamed passions on civil rights might one day erupt into a "conflict of the police powers of the states and of the nation" and he feared that when that day came it might "set back the cause of progress in race relations..."

That day came in September 1957 at Little Rock.



Kasey Pipes

Eisenhower's conservatism can perhaps best be seen in the actions he took over the course of his presidency in handling civil rights.

When Arkansas Gov. Orval Faubus obstructed a court-approved desegregation plan by posting Arkansas National Guard troops in front of Central High School, the nation faced its gravest constitutional crisis since the Civil War. All of Ike's fears about "another civil war" appeared to be coming to fruition.

Yet he never wavered. He allowed Faubus time and space to reconsider. He met with him in person. He urged him to do the right thing. And at last, when no other option was available, he sent elements of the 101st Airborne to Little Rock. The nine African-American children integrated the school. The crisis ended. The civil rights movement had scored one of its greatest victories ever.

Eisenhower has seldom received credit for this victory because he seldom sought credit for it. He saw the use of troops at Little Rock as a failure, not a success.

He was saddened that it had come to that. He later said that sending troops into an American city was as difficult a decision as ordering the D-Day invasion.



He later said that sending troops into an American city was as difficult a decision as ordering the D-Day invasion.

In later years, Ike continued to think about civil rights. In a private conversation with a friend he said that Barry Goldwater's vote against the 1964 Civil Rights Act made him "sick." Yet Goldwater's presidential nomination in '64 combined with Lyndon Johnson's support of civil rights led to most Americans associating the Democrats with civil rights.

As a result, Ike's civil rights record has been largely forgotten even though it deserves to be remembered. **RF**

Kasey S. Pipes serves as the Norris Public Policy Fellow at the Eisenhower Institute of Gettysburg College and authored "Ike's Final Battle: The Road to Little Rock and the Challenge of Equality."

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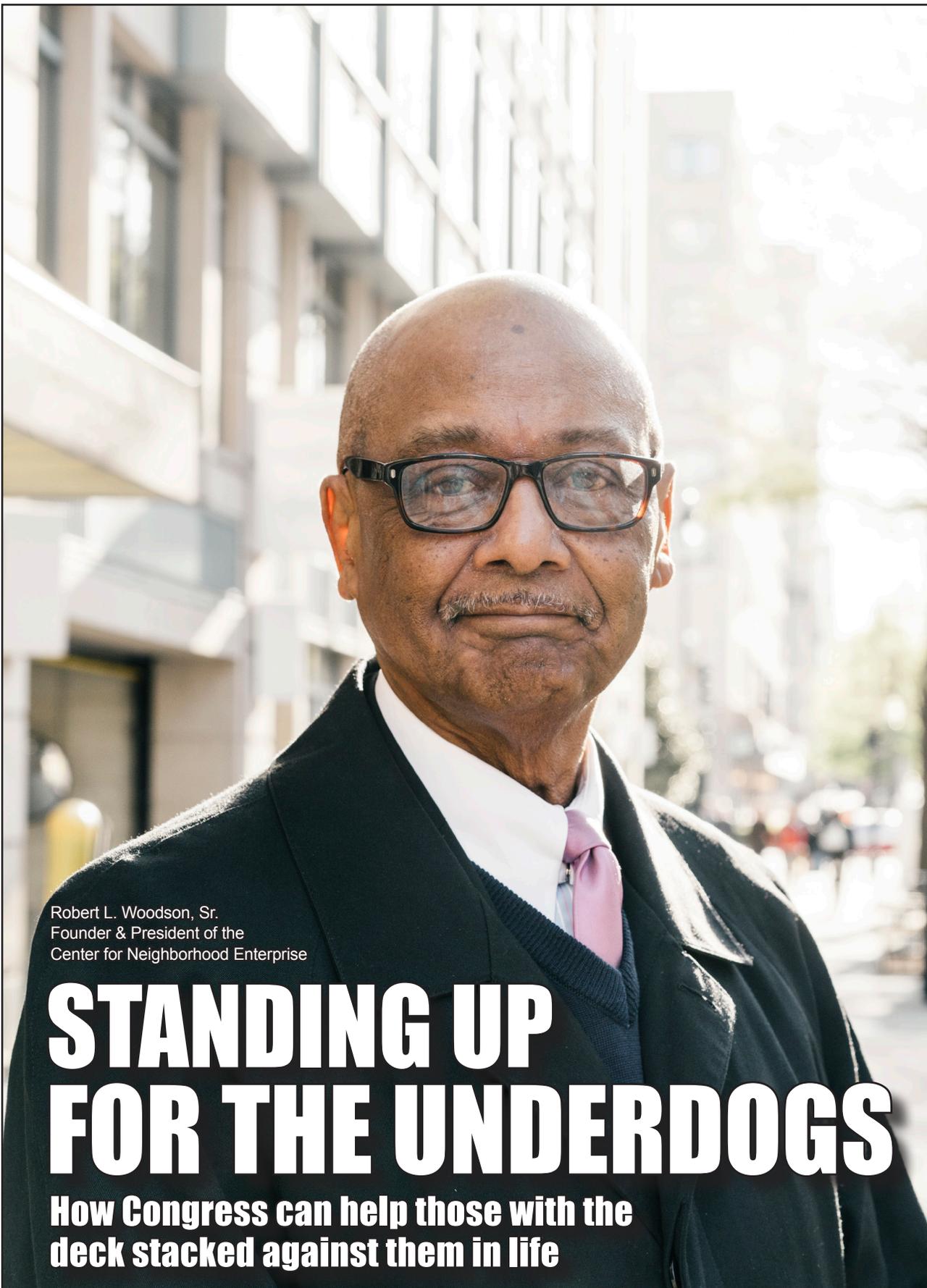
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Robert L. Woodson, Sr.
Founder & President of the
Center for Neighborhood Enterprise

STANDING UP FOR THE UNDERDOGS

**How Congress can help those with the
deck stacked against them in life**

Fighting Poverty: *Welfare vs. A Way Out*

ROBERT L. WOODSON, SR.

The facts are incontestable: After the expenditure of over \$20 trillion in a 50-year “war on poverty,” the number of impoverished Americans has barely budged. The obvious failure of the strategy that has dominated our nation’s antipoverty agenda is testament to a critical need to reassess the fundamental assumptions that have guided policies and the qualifications of those who are considered “experts.”

Reform is vital – not only to stop the waste of what is now an annual expenditure of almost \$1 trillion on an ineffective strategy, but, more importantly, for the sake of millions of Americans and generations of families who are spending years in demeaning dependency.

Misdiagnosing the Problem

First of all, the failure to develop an effective agenda is rooted in a misdiagnosis of the problem of poverty. Even among those who have the best intentions, policymakers on the Left and Right are deadlocked in debates about solutions, but are talking about entirely different cohorts of the poor.

All people are not poor for the same reason, and our remedies must be as diverse as the cohorts of the population in poverty. Through my experience with the Center for Neighborhood Enterprise and the nearly 3,000 community groups working in low-income neighborhoods that it has served, I have come to understand that there are four basic categories of the poor.

There is one cohort whose poverty is the result of an unexpected setback, such as the death of a breadwinner or a job loss. For these people, the welfare system can function as it was originally intended—providing temporary support until recipients can find their footing again. A second cohort is comprised of those who have remained dependent on the system because the disincentives to

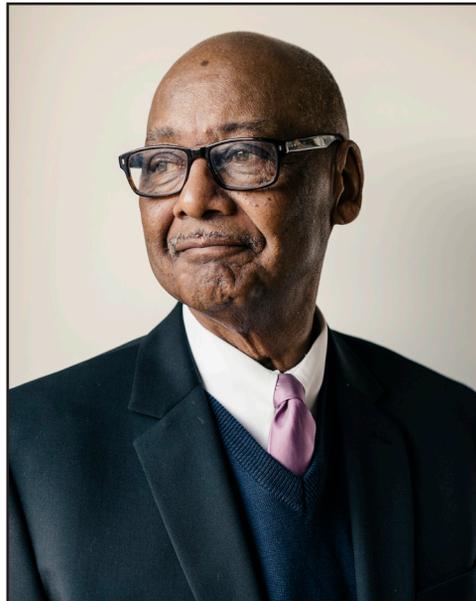
marriage and work that are embedded in its regulations make it a rational choice to avoid those stepping stones to self-sufficiency. In sum, they’ve “done the math” and realized it’s not worth the loss of benefits to take the first steps toward upward mobility. The third group is comprised of the disabled, who will always be in need of some support. The fourth cohort is made up of those

who are in poverty because of the choices they make and the chances they take—for example, those who are living with the consequences of alcoholism and addiction.

It is not surprising that, with regard to those in category two, there has been no rush to reform a system that has trapped thousands in dependency or to promote their move toward self-sufficiency. The welfare system has swelled to comprise 80 different programs. States are rewarded for the numbers on its welfare rolls rather than those it has helped rise from dependency, and a bloated bureaucracy absorbs 70 cents of every dollar designated to address poverty. In short, poverty has become an industry and its commodity is the ranks of its dependents.

With regard to category four, giving no-strings attached aid to those whose poverty is due to the chances they take and the choice they make simply enables them to continue their self-destructive lifestyles—in essence, injuring with the helping hand. For this group, a fundamental revitalization in vision, character, and values is a prerequisite for them to reclaim their lives and escape from dependence. Until that is achieved, no amount of cash payments or benefits can engender a change in their circumstances.

The good news is that agents that can engender such fundamental transformation are even now at work in disadvantaged and devastated communities throughout



**All people are not poor for
the same reason.**

the nation. That life- salvaging work is the forte of the hundreds of community leaders and grassroots neighborhood healers who I have had the privilege to know and support throughout the last 40 years.

Within-the-Box Mindset

On both the Left and the Right, those who have dominated the policy arena share one trait in common: They are locked in a “program” mentality that is averse to innovation and thinking “outside the box.” Debates amount to no more than tinkering within the system.

One side sees the ineffectiveness of the welfare system as evidence of the need to cut spending, while the other side uses stagnant poverty as proof that programs must be expanded. In sum, liberals believe the pathway out of poverty is lined with benefits, while conservatives think the poor can be starved into self-sufficiency. Meanwhile, the poor are trapped in a virtual laboratory maze in which, through material incentives or disincentives, the “cheese” is moved around to direct the path they take.

Nothing short of a paradigm shift is needed to develop an antipoverty agenda that can effectively move the poor to a pathway of upward mobility and an escape from dependence to self-sufficiency. And it is among those who suffer the most entrenched and debilitating poverty, the “category four” poor, where authentic reform of the nation’s antipoverty agenda will have the most powerful and striking impact.

Recognizing and Building on Capacity

To date, the anti-poverty agenda has been built on what I call “failure studies.” Typically, researchers go into low-income neighborhoods to tally the youths who have dropped out of school, births outside of marriage, and incidences of gang activity and crime. In contrast, my organization, the Center for Neighborhood Enterprise, goes into those communities to talk to the parents of families that are intact, the youths who have not been involved in substance abuse or crime, and the kids who have graduated from high-school to learn how they accomplished what they did in spite of the odds they faced.

We go into corner stores, barbershops, and beauty salons and ask the people who they would turn to in times of crisis. Invariably, they point to some person within the community that they can trust and rely on. (Government programs are deemed the resource of last resort.) These “healing agents” exhibit common characteristics. They share the same geographic and cultural zip-codes with the people they serve; they have a first-hand understanding of the challenges they face; and, they are available on a 24-7 basis and are committed for the long haul.

The testimonies of those who have been empowered to reclaim their lives through the work of these grassroots mentors are awe-inspiring. Men and women who had virtually lost their lives to drugs and alcohol have emerged as responsible employees, spouses, and parents. Fatherless youths who were raised on the streets and were drawn to the lures of gang violence and drug trafficking

have become agents of peace and renewal in their communities. Men released from prison—with the mark of a felon and no prospects for a job—have risen to become successful businessmen and entrepreneurs who provide employment to others in the community.

These agents of change and renewal not only have the potential to make a substantive and sustainable impact on the most entrenched poverty in this country, but should be incorporated into

the nation’s antipoverty agenda. As policymakers develop this agenda, I would suggest they keep the following five principles in mind:

- 1) People must be agents of change in their own transformation.
- 2) Those suffering a problem should be involved in the design and implementation of its solution.
- 3) For poverty rooted in self-destructive behavior, substantial and sustainable results entail a restoration of values and vision.
- 4) We must be willing to recognize a brand of “experts” who should be trusted and supported: Those whose authority comes not from diplomas and certificates on their walls, but from the testimonies of the men, women, and youths whose lives they have touched and changed.



Poverty has become an industry and its commodity is the ranks of its dependents.

STANDING UP FOR THE UNDERDOGS

5) The rules of the market economy should extend to our social economy. Social entrepreneurship should be rewarded on the basis of its outcome and impact – evidenced not by how many dependents are on the rolls, but how many have been empowered to rise from dependency.

Congress could take one action immediately that would further all five of these principles by allowing taxpayers' money to go directly to the sources of support in their community that they actively seek out rather than to their last resort, government programs.

To this end, some policymakers, including Speaker of the House Paul Ryan, have recommended that government anti-poverty funds be consolidated into one cluster and provided to the recipient in the form of a voucher that could be used for the resources of their choice. This vehicle would be administered by the state, and we have seen many cases in which state-level bureaucracies have proved to be as slow-moving and

burdensome as the federal bureaucracy. While I believe this idea is an improvement over the current system, I do not believe it goes far enough in getting government out of the way.

Social entrepreneurship should be rewarded on the basis of its outcome and impact – evidenced not by how many dependents are on the rolls, but how many have been empowered to rise from dependency.

permit these taxpayers a \$50 to \$100 tax credit for contributions to grassroots not-for-profit organizations that are operating within the same zip code as those experiencing the problems, millions of dollars would flow into these communities, making a substantial and sustainable difference in the lives of thousands of poor Americans.

RF

Robert L. Woodson, Sr. is the Founder and President of the Center for Neighborhood Enterprise.

A more finely targeted mechanism would be “Charitable Tax Credits” – a concept that garnered bipartisan support in the early ‘90s but was left to flounder. The average American has a tax liability between \$300 and \$500. If the government would



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Helping Entrepreneurs Succeed

WENDY GUILLIES

From Shark Tank to Silicon Valley, Elon Musk to Mark Zuckerberg, and Uber to Airbnb, entrepreneurship has never been as highly regarded in pop culture as it is now. Entrepreneurship and firm dynamism are critical for innovation, meaningful employment and a higher quality of life for all Americans. But entrepreneurship is not thriving -- at least not yet.

Research indicates that the number of new firms each year has been declining for decades, and the decline only accelerated during the Great Recession. Even with a modest recent uptick, our economy is now following a trend where the rate of business creation in the United States is about half of what it was in the 1980s. The decline in startups – coupled with the concentration of power in a small number of large firms – creates a less dynamic economy.

Despite this gloomy picture, there is reason to believe that we are about to enter a future with robust economic growth led by entrepreneurs. If we remove the artificial barriers that impede entrepreneurship, we may see a real world experience that matches the glamorous pop culture narrative.

To understand the entrepreneurial decline and general stagnant economic recovery since the Great Recession, take a look at the barriers entrepreneurs face. Burdensome regulations for new and young

businesses create a strong bias toward incumbent firms. Established firms sometimes seek out governmental protections under the guise of public good, but those protections ultimately just crowd out new firm activity. Curbing startups means fewer young, high-growth firms – the businesses that drive job creation and productivity gains.

Firm financing is always a point of concern for most new businesses, and the research shows traditional funding sources may be diminishing for entrepreneurs. While the total value of commercial loans has doubled in the past couple of decades, the share of those loans going to small businesses has decreased from about half of all bank loans to under one-third.

Demographics also are changing, creating further impediments to entrepreneurship. Millennials are having a stunted impact on economic

growth. Reaching working age during the recession and subsequent modest recovery for the U.S. economy certainly did not help. While it is true that millennials are not starting businesses at the same rate that older generations did at the same age, millennials also are not at the peak age for starting a business: late thirties and early forties.

The general aging of the population, including the retirement of “boomers,” can explain part of the decline



Wendy Guillies

Research indicates that the number of new firms each year has been declining for decades, and the decline only accelerated during the Great Recession.

STANDING UP FOR THE UNDERDOGS

in economic mobility and productivity. However, we have been fortunate that older Americans increased their participation in the labor force at the same time that the participation rates of other age groups decreased. And, boomers have shown higher propensities to start companies even into retirement.

As technology continues to lower the costs for some aspects of entrepreneurship – software, computing power, robotics, artificial intelligence and cloud storage – we can imagine a not-so-distant future filled with entrepreneurial activity. The Kauffman Foundation outlined how we can get to this future in our “New Entrepreneurial Growth Agenda.” Forty researchers, academics, policy experts and other thought leaders contributed essays that lay the framework for reaching robust entrepreneurial growth. A few of the key policy recommendations are:

1) *Adapt existing regulations for the new economy* -- Federal policy should provide clarification of how the changing nature of work (gig economy, irregular work) affects worker rights. Current employer and contractor worker classifications are no longer sufficient to capture the nature of employment today. Without clarification, this raises uncertainty for startups.

2) *Reduce the opportunity cost of entrepreneurial experimentation* -- Policymakers should consider allowing individuals to maintain unemployment insurance when they are starting a business. This policy change has already worked in France by increasing not only the number of startups, but the quality of those firms as well.

3) *Increase the labor market supply and velocity* -- As the United States confronts lackluster labor force participation rates, we would benefit from expanding immigration quotas. One component of immigration reform that is particularly urgent is the nation’s lack of

a startup visa. Fifteen other countries have some form of a startup visa that allows immigrant entrepreneurs to stay and create jobs. The United States is missing out on a great way to enhance the global exchange of ideas.

4) *Decrease incumbent bias to support entrepreneurial entry and competition* -- We should ensure current beneficial policies – regulatory exemptions, loan guarantees, subsidies – take in to account company age instead of just size. We also should remove unneeded occupational licensing, which artificially limits employment and startups. We need to safeguard against incentives that inhibit growth, especially fast-growing startups.

5) *More data and research on entrepreneurship* -- Collecting and publishing more data and research on entrepreneurship is imperative to making wise policy decisions. We can make evidence-based policies rather than emotional or political responses to topics ranging from student loans, regulations, immigration, unemployment insurance, education and health care reform.

Our founder, Ewing Marion Kauffman, who would have turned 100 this September, believed in the power of “making a job.” That’s exactly

what entrepreneurs do when they bring new ideas to the market.

We don’t need to predict the future that entrepreneurs will create. We just need to get the unnecessary obstacles out of their way so they can go full steam ahead. **RF**

Wendy Guillies is President and CEO of the Ewing Marion Kauffman Foundation, a private, nonprofit organization that works to advance entrepreneurship and improve youth education to help individuals attain economic independence.



Despite this gloomy picture, there is reason to believe that we are about to enter a future with robust economic growth led by entrepreneurs.

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The Rise of Single Parents

Family structures in America are rapidly changing, and conservative policy needs to keep up.

ABBY MCCLOSKEY

Since 1960, the share of households headed by single parents in the United States has more than tripled. According to the Pew Research Center, 25 percent of households (8.6 million) were headed by single mothers in 2011. Another 6 percent of households (2.6 million) were headed by single fathers.

Single parent households face a unique set of economic challenges. According to Pew, single parents tend to be younger and less educated, and earn lower incomes than married parents. As such, economic opportunity can be harder to come by. An AEI study by Robert L. Lerman and W. Bradford Wilcox found that growth in median income for families with children would be 44 percent higher today if the 1980s level of married parenthood had persisted.

The economic disadvantages are particularly acute for single mothers, 43 percent of whom live at or below the poverty line, compared to 24 percent of single fathers and 10 percent of married parents.

Conservatives have been relatively slow to adapt their policy agenda to this major socioeconomic shift. Many conservatives have continued to exclusively focus on economic growth, while overlooking the specific economic challenges that single parents face. Others have continued to promote marriage and talk about its many economic benefits, which while also important, doesn't help single parents who aren't in a position to get married.

Policymakers need to meet single parents where they are at, and put forward policies that address the unique challenges of working and raising children alone.

First, we need to reduce the barriers to employment for single parents, one of the biggest of which is high childcare costs. Childcare costs increased by 70 percent from 1985 to 2011, in 2011 dollars. For single parents living in poverty, childcare costs can consume up to 30 percent (or more) of their monthly income, driving down their incentive to work.

Economists have consistently found that reducing childcare costs has positive effects on employment. For example, David Blau and Erdal Tekin found that childcare subsidies resulted in a 13 percentage point increase in the likelihood of employment for impoverished single mothers.

There are a number of ways that conservatives can reduce childcare costs for families, such as: regulatory relief for childcare workers and facilities, which are subject to numerous restrictions that increase costs with little or no impact on quality; streamlining the existing government maze of childcare credits to make them easier to access and indexing them to childcare cost inflation; and, allowing single parents in school to be eligible for childcare assistance so that they can learn work-related skills.

Second, we need to encourage low-wage workers to stay in the workforce. There has been a

downward pressure on wages for low-skilled employees as the result of globalization and technological change. Low wages discourage work and make it difficult to provide for a family on a single income. Single parents are especially vulnerable to this trend since they tend to have less education than married parents.



Abby McCloskey

Policymakers need to meet single parents where they are at, and put forward policies that address the unique challenges of working and raising children alone.

STANDING UP FOR THE UNDERDOGS

It's important for workers to stay in the workforce, even when wages are low, so that they can continue to acquire work-related skills and not lose future earnings potential. One way to do this is by expanding the Earned Income Tax Credit (EITC), which functions as a wage subsidy for low-wage workers.

Economists have consistently found that the EITC contributes to better economic outcomes for children and increased parents' workforce participation. One study found that the EITC alone explained up to 60% of the increase in single mothers' employment between 1984 and 1996. A larger EITC payment would also encourage noncustodial parents to work and improve their ability to provide child support.

Third, we need to create a culture of opportunity for the children of single parents. The economic impact of single parenthood persists across time. Harvard economist Raj Chetty concluded that single motherhood was the most significant correlate to low upward mobility across generations – much more than educational levels, segregation, or income inequality.

The eclipse of economic opportunity starts early. Since single parent households tend to have less income than their married counterparts, their children tend to grow up in poorer neighborhoods with worse performing schools. This sets them on a weaker economic trajectory from an early age. In two recent papers, AEI's Aparna Mathur and I find that school choice can help improve students' educational outcomes and

begin to break the cycle of poverty.

Some of these programs would require government spending. Funding could come from a broader overhaul of our existing welfare system, which is failing our poorest families. In a recent study, economist Robert Moffitt found that the poorest single parent families actually receive 35 percent less in government transfers than they did three decades ago, while spending for the disabled and elderly has increased. Moreover, the safety net has too often trapped single parents in poverty and dependence.

We can do better. By investing in programs that encourage work, education, and earned success, we can help single parent households achieve economic independence. The results would be especially powerful if combined with traditional conservative pro-growth policies, which provide the foundation for good-paying jobs and economic opportunity.

The rise of single parent households in America is one of the largest socioeconomic changes of our time. Conservative policymakers should accept the challenge and do all they can to help single parents and their children succeed. **RF**

Abby McCloskey is an economist and the founder of McCloskey Policy LLC. She previously served as an advisor for Jeb Bush's presidential campaign, and as Program Director of Economic Policy at the American Enterprise Institute.

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The Rising Cost of College

Lowering it will provide young people with one less obstacle to overcome in life

RICHARD K. VEDDER

In pursuing a college education, over 40 million Americans have gone into debt. These Americans owe about \$1.3 trillion on student loans, averaging nearly \$30,000 per borrower. To be sure, that average is inflated by graduate and professional students who often have obligations exceeding \$100,000. But typical borrowing for undergraduate degrees is still substantial, and Americans owe more on student loans than on credit cards or automobile borrowing. In some cases, young Americans have delayed marrying, having children and purchasing a house because of the large student loan debt burden.

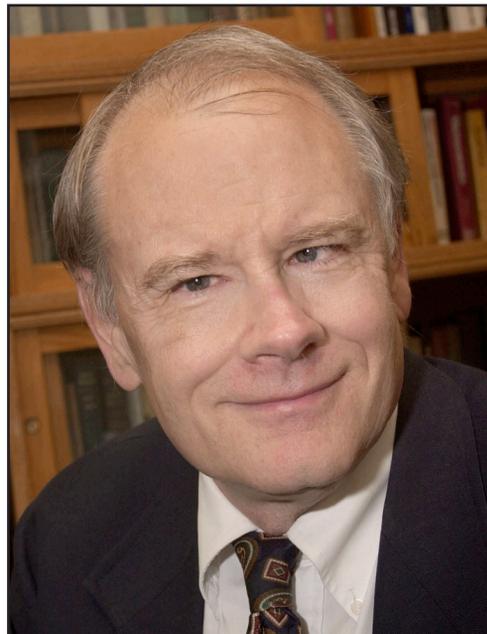
Ironically, well intentioned legislation that created guaranteed federally subsidized student loans a half century ago has also contributed to the problems that make the debt problem so large today. The rate of college tuition fee inflation has been significantly greater since the late 1970s (when the loan programs became a major financing source) than in the decades before. If tuition fees had risen at the same percentage rate from 1978 to today as they did from 1940 to 1978, they would now be only about half as high as they actually are – and the need to borrow large amounts would be vastly lessened.

Some politicians, such as President Obama, Bernie Sanders, Elizabeth Warren, and Hillary Clinton, have proposed to ease the problem by lowering interest rates on the debt to near zero, forgiving parts of student debt, or making college free altogether. These proposals do not deal with the root cause – high and rising tuition fees – and unfairly treat those who have sacrificed hard to pay back their loans. Moreover, they create what economists call a “moral hazard”

problem: if borrowers think the government will forgive or reduce their debt, they will borrow more and make fewer payments on their loans. This in turn would add to an already dismal federal fiscal situation – a situation in which a nation that is nearly seven years into a recovery from an economic downturn still runs large budget deficits that ultimately weaken the nation and imperil future generations.

As attractive as they sound, the “free college” proposals being put forward do not solve the debt problems of the tens of millions of past borrowers. Moreover, they give “free” education to millions of fairly to very affluent Americans who can easily pay tuition fees. The primary beneficiaries of college degrees are the recipients, who get better jobs as a consequence of their education. Why shouldn’t they pay for at least some of their education?

The long run solution to the student debt crisis must involve moderating the rate of tuition price inflation. As former Education Secretary Bill Bennett opined nearly 30 years ago, the current student loan programs incentivize colleges to raise tuition fees more aggressively than they otherwise would, turning the colleges – not the students – into the real beneficiaries of the loan programs. Recent studies published by the New York Federal Reserve Bank and the National Bureau of Economic Research affirm the basic truth of the Bennett Hypothesis. The colleges, in turn, use the higher tuition fee revenues to fund an academic arms race that includes vastly expanded administrative bureaucracies, elaborate student recreational facilities, million dollar salaries for university presidents, etc.



Richard K. Vedder

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What should Congress do? Three things come to mind. First, policymakers need to significantly modify the current lending and related (e.g., tax credit) programs – perhaps ultimately even phasing them out in order to reduce the upward pressure on fees that these programs provide. More severe time limits on the number of years of eligible lending are also probably needed, for example, and loans to parents of students probably should stop, as perhaps should tuition tax credits. Colleges should not be able to use student loans to raise fees indiscriminately.

Second, colleges should have “skin in the game.” The schools admit students who in many cases are ill equipped for college, yet they suffer no consequences when students default on their loans. If the colleges faced some of their financial consequences of their decisions, perhaps they would lead fewer students into the despair from being college dropouts (or low paying graduates) on the one hand, and deep in debt on the other.

Another idea that would cost the taxpayers absolutely nothing deserves a try: Income Share Agreements (ISAs). Students would sell equity in themselves – receiving funds

from private investors to help cover college expenses in return for paying those investors a share of their post-college earnings. The risks of financing college would be passed from students with little financial acumen to experienced investors. The terms of ISAs would inform students, legislators, and college donors which colleges provide a high return of college investments, and which majors are valued in the marketplace. Some modest changes in federal legislation assuring that ISA contractual terms are enforceable probably would also be needed.

The bottom line is that we face a student loan crisis in America. It is a crisis that Congress helped to create. It is also one they must now help to end. Doing so will

not only remove a financial burden being placed on millions of families, but it will also provide young people with one less obstacle to overcome in life. **RF**

Richard K. Vedder, Ph.D., is the Director of the Center for College Affordability and Productivity. He also serves as Professor Emeritus at Ohio University and Adjunct Scholar at the American Enterprise Institute.

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Ripon Profile

Name: Orrin G. Hatch

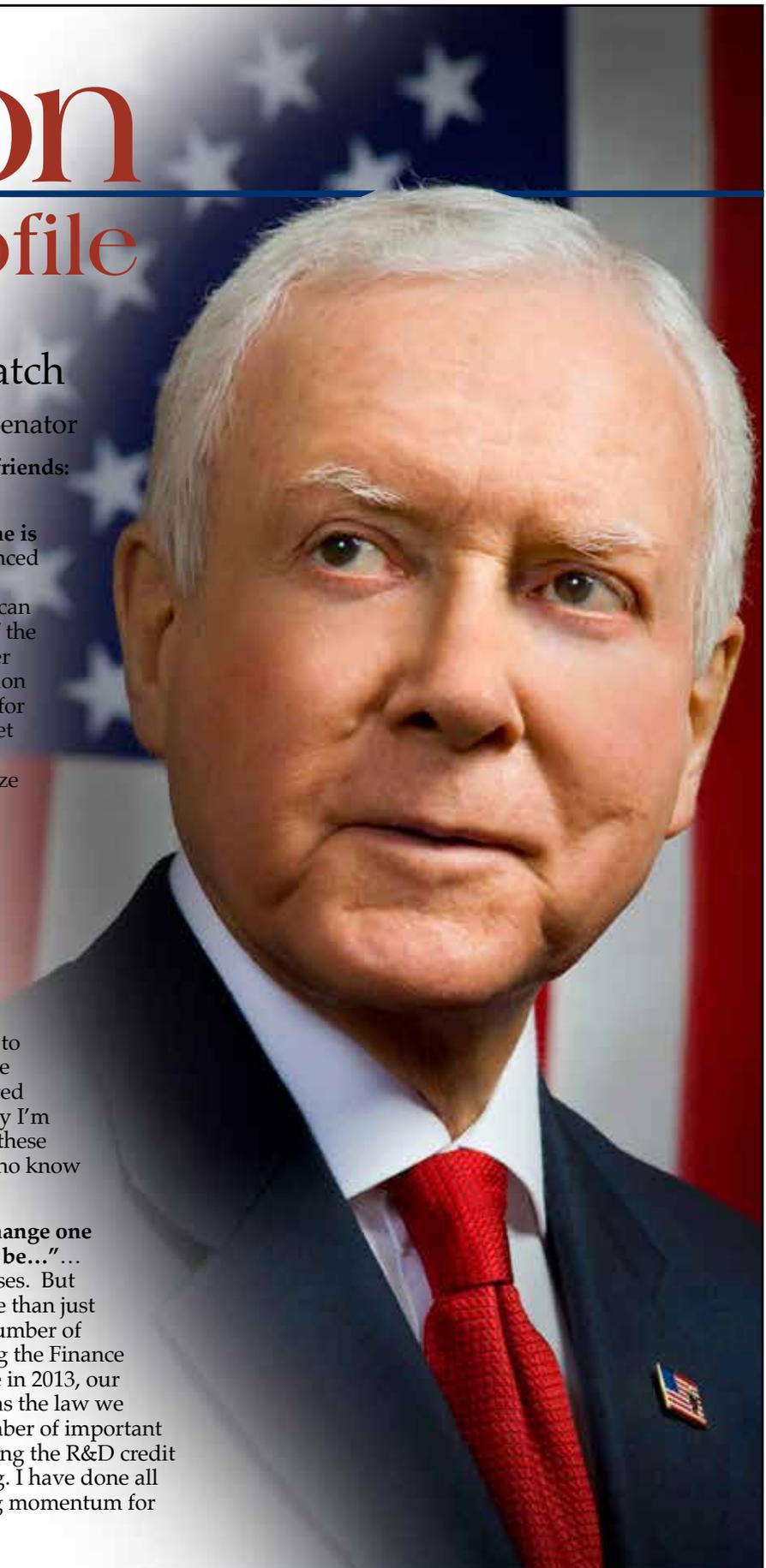
Occupation: United States Senator

Book(s) you're recommending to friends:
The Book of Mormon

Top issue(s) in America that no one is talking about: The need for a Balanced Budget Amendment. The federal government will handle the American people's money responsibly only if the Constitution requires it. Every other approach has failed. The Constitution is the American people's rulebook for government, and a Balanced Budget Amendment is the only way to ensure that elected officials prioritize spending and stop mortgaging our children's future.

Challenge facing your state that you're working hard to address: Approximately 67 percent of Utah lands are owned by the federal government and managed by bureaucrats in Washington. Unfortunately, this distant federal control can burden taxpayers, lead to poor management, and even silence the voices of the people most affected by federal land policies. That's why I'm working to return management of these public lands to the state officials who know it best.

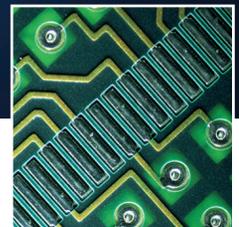
Finish this sentence: "If I could change one thing about the tax code, it would be..."... to repeal the Obamacare tax increases. But when it comes to taxes, I have more than just one objective in mind. I've led a number of tax efforts in recent years, including the Finance Committee's "Blank Slate" exercise in 2013, our Working Groups last year, as well as the law we passed in December making a number of important tax provisions permanent—including the R&D credit and Section 179 business expensing. I have done all of this with an eye toward building momentum for comprehensive tax reform.





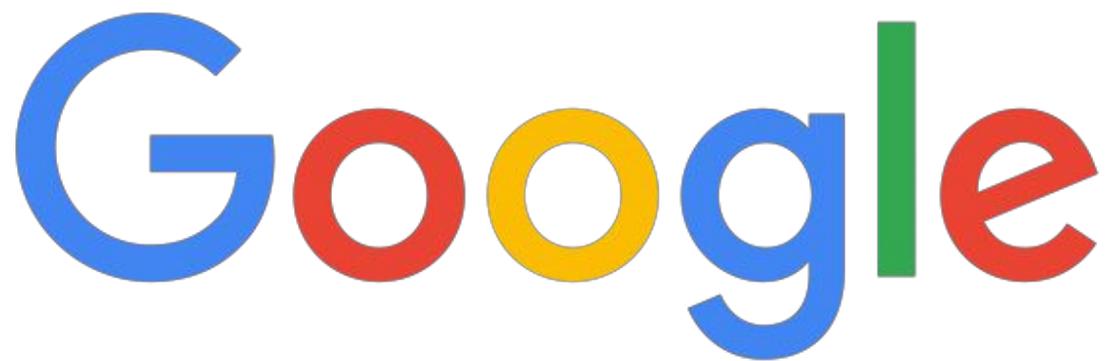
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