

By KARL ZINSMEISTER

# Indicators

## MISMEASURING THE COST OF LIVING

Economists have known for a long time that the government's Consumer Price Index overstates yearly increases in the U.S. cost of living. Is this a big deal? Yes it is. The index is used as a basic inflation yardstick by employers and unions negotiating contracts, by banks and financial institutions setting interest rates, by the government to make large annual increases in entitlement payments, and by statisticians who rely on the CPI to calculate basic social indicators, like our official family income figures, that tell us how we ought to feel about our national condition.

Recognizing the seriousness of any errors in the CPI, the Senate Finance Committee appointed an advisory commission last year to look into the problem. The commission was chaired by Stanford economist and AEI fellow Michael Boskin, and included the foremost academic experts on the subject of cost-of-living changes. The group issued a final report in December. (See *ECONOMIST*, page 78.)

Their conclusion: **The CPI currently overestimates annual price increases by between 0.8 and 1.6 percentage points a year, and it will continue to do so indefinitely into the future.** Given that the CPI has indicated total inflation rates of around 3 percent a year over most of the last decade, this indicates that **our estimates of the nation's annual inflation rate have recently been exaggerated by a third or more.**

That is important in two ways: It warps our understanding of the nation's

recent development and history. And it will distort our economy in the future.

First, history. We have been hearing a great hullabaloo since the 1980s about how the nation has stopped making economic progress—about how worker and family incomes have been “stagnant” for more than two decades. The numbers underlying those claims are all built on CPI measures of annual inflation, and many of us have been warning that such data are flatly contradicted by other ample evidence showing that Americans as a whole have never enjoyed greater economic abundance than today. The Boskin Commission CPI figures confirm this.

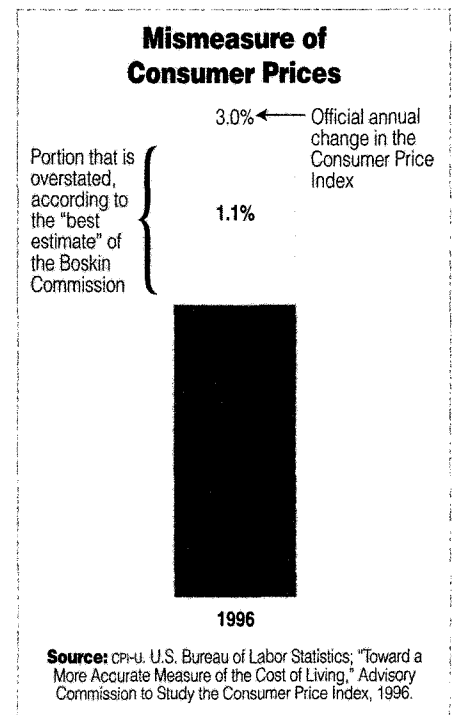
Using the commission's “best estimate” of the upward bias in the CPI, after-inflation earnings of the average worker didn't fall 13 percent over two decades as Robert Reich and company claimed. They actually *rose* by 13 percent. **Family income wasn't flat. It increased 36 percent in real terms from 1973 to 1996.** National productivity may actually be double or triple what's been reported.

The implications of this reality-check are very large. Polemicists, including our President, challenger Bob Dole, and many others have been arguing for major national economic alterations on the basis of *a false understanding of where the nation stands and where it has been.* Score one in this case for Americans who resisted the “change” that incautious national officials were trying to peddle on the basis of false information.

Big Implication #2 from the Boskin Commission report concerns not our past

but our future, specifically the future of government spending. **If today's upward biases in the CPI are not fixed, the commissioners report, spending on inflation-indexed government programs will increase so much faster than actual inflation that the net result will be an extra \$1.07 trillion in national debt over the next ten years** above what an accurate CPI would yield.

The commissioners urge Congress and the President to fix the CPI and the way government programs and taxes are indexed, because “even small differences compound over time and matter a lot.”



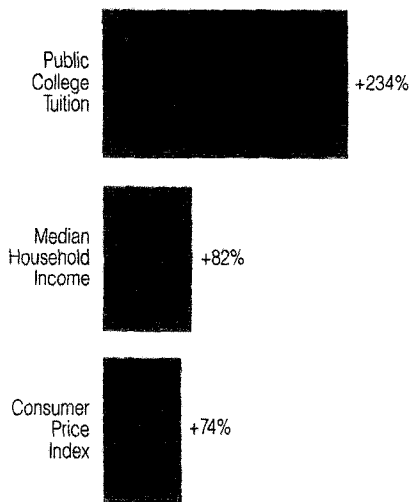
## LOGS ON THE COLLEGE TUITION FIRE

President Clinton has proposed new college tuition tax subsidies costing around \$10 billion a year. These would create a middle-class entitlement to federally subsidized college education for families with incomes as high as \$100,000. Many observers warn that one of the likeliest effects of this will be a perverse one, carrying no benefit for families: **Colleges will just push up their tuition rates that much faster.**

There is good reason to worry on this front. A recent report from the U.S. General Accounting Office shows that from 1980 to 1995, tuition at 4-year public colleges increased 234 percent—more than three times as fast as the CPI (which itself exceeds actual inflation, as we've just seen), and nearly triple the rise in median household income (a good measure of the ability of families to pay for tuition). The biggest factor driving these soaring fees, states the GAO, is rising faculty salaries.

Over the last two decades, colleges have shown no stomach for keeping costs under control. To the extent that a new federal entitlement dissipates consumer pressure on campus administrators to curb tuition hikes, economists warn, we are likely to see the hikes grow even bigger.

### Rocketing Tuition 1980–1995 Changes



Source: U.S. General Accounting Office, "Tuition Increasing Faster Than Household Income and Public Colleges' Costs," 1996.

## DON'T CUT THAT—LOBBYISTS WILL STARVE IN THE STREETS!

Ken Weinstein of the Government Reform Project at the Heritage Foundation recently published some eye-popping numbers on the nature of testimony now being heard at congressional hearings.

By reviewing the backgrounds of 3,400 witnesses who testified before 15 House and Senate committees in 1995, Weinstein and research assistant August Stofferahn find that a large majority of all witnesses called to testify before Congress these days are direct recipients of funding from federal taxpayers.

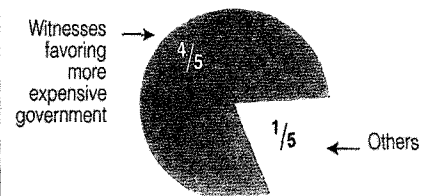
More than a third of all witnesses are federal employees. Nearly another quarter are from an organization that depends directly on federal grants. Of the remaining witnesses, "their exact financial relationship to the federal government is uncertain. Some are federal contractors, while many represent trade associations, businesses, or interest groups with significant economic interests in the outcome of pending congressional legislation.... Even among this 43 percent, at least half testified in favor of more government spending or increased government power."

Overall, witnesses favoring more expensive government outnumbered their opponents by a ratio of 4:1 in 1995 (and this in a Republican Congress!). Because of this "avalanche of self-serving testimony" from riders on the federal gravy train, the authors warn, "Congressmen find themselves almost cocooned in a pro-spending environment."

Unfortunately, "almost none of these witnesses disclosed the amount and source of their government funding." The authors recommend that "simple disclosure would be the first step toward a more balanced congressional hearing process. Committee members appear to be unaware of the high percentage of government-subsidized witnesses appearing before them.... Because it is so rarely recognized, the potentially self-serving nature of grant-recipients' testimony is almost never addressed."

A "Truth in Testimony" disclosure rule proposed by Rep. John Doolittle (R-Calif.) will be considered as a House rules change in the new Congress.

### Congressional Witnesses 1995



Source: "Congressional Hearings and the Culture of Spending," The Heritage Foundation, December 1996.

## ILL-EDUCATED AMERICANS

In the feature article and sidebars on pages 42–45 of this magazine, we discuss the decline of high standards and excellence in the U.S. education system over the last two or three generations. Comparing public surveys of civics knowledge over the last 50 years, *Washington Post* reporter Richard Morin confirms that average citizens are now much more ignorant than they were in the past.

Today, only 26 percent of Americans know how many years are in a U.S. Senate term (six). Just 54 percent know who finally decides if a given law is constitutional (the Supreme Court). A mere 24 percent can correctly name both of the U.S. Senators from their state.

Same as it ever was, you may say. But that's not true. Morin compares the current survey with similar Gallup polls conducted in 1947 and 1952. He shows that ignorance has grown at all education levels:

### Americans who knew the name of the U.S. Vice President

	1995	1952
School dropout	33%	57%
High school graduate	56	80
Some college	69	89
College graduate	82	94

### Americans who knew which party controlled the House of Representatives

	1995	1947
School dropout	48%	59%
High school graduate	54	77
Some college	63	87
College graduate	80	90

Sources: *Washington Post*/Kaiser Family Foundation/Harvard University survey of December 1995; Gallup polls.

# “Live with TAE

WYNTON MARSALIS AND STANLEY CROUCH ARE TWO OF THE MOST SUCCESSFUL, FORWARD-LOOKING MEN IN JAZZ—LARGELY BECAUSE THEY LOOK BACKWARD, TOO.

## Wynton Marsalis & Stanley Crouch

*The Marsalis family doesn't have a jazz tradition; it has a jazz dynasty. Patriarch Ellis Marsalis is still going strong, more than a decade after one critic declared him "New Orleans' premier jazz pianist." His wife, Dolores, sang with jazz bands before her children were born. Number-one son Branford is a prominent saxophonist and band leader, while the second of their six sons, Wynton, is the only musician to win (or even be nominated for) simultaneous Grammy awards for jazz and classical recordings. Younger brothers Delfeayo and Jason are also active in jazz.*

*Since 1987, Wynton Marsalis has collaborated with author Stanley Crouch on projects that led to the creation of Jazz at Lincoln Center, the first program at a major American arts center to put jazz on par with European art forms like the ballet. Long an influential jazz critic, in recent years Crouch has also become known for his incisive commentary on politics, film, and race relations—all written in prose that leaps and glides and twists like a Sonny Rollins sax solo. Novelist Ralph Ellison has praised him for questioning "the views of both liberals and conservatives." The "key to Stanley Crouch," explains The New Republic's Leon Wieseltier, "is the music. Jazz gave him a standard of excellence by which he measures black culture and black politics."*

*TAE editor Scott Walter interviewed the two men in Marsalis's apartment in Lincoln Center.*

**TAE:** Tradition literally means handing on something. How has jazz been handed on in the Marsalis family?

**MR. MARSALIS:** The thing that had the most impact was just being around all of the jazz musicians, having an opportunity to see how they interacted with each other. It wasn't necessarily what they played.

My father was always much hipper than whatever was hip. Things are marketed to you



**My father was always much hipper than whatever was hip.**

—Wynton Marsalis

when you're younger to make you buy into the whole generation gap. With my father, you never really could do that.

**TAE:** What are some of the best lessons your father taught you?

**MR. MARSALIS:** He taught me so much. I guess the first thing is that you had to practice if you were going to learn how to play. It wasn't that he preached, "Man, you got to practice." You *saw* him practicing.

Another important thing I learned from him is that the value of something is not based on whether it's accepted.

Nobody really would go to his gigs, but he felt good about what he was playing. So we would play gigs, myself and my brother, and we couldn't play at all—we were 13, 14—and our gig would have 2,000 people. My daddy would get 30. But we never had the feeling that the fact that we had 2,000 people made us able to play—or that he wasn't playing.

**TAE:** In jazz, old songs are called standards. Do you think that a certain respect for tradition helps musicians keep up high standards?

**MR. MARSALIS:** That helps anybody keep up high standards, because it means that you are relating to the entire history of your field, rather than to whatever is current. Track and field records have stood for 35 years. You don't say, well, what did they jump this year? You're competing with the history.

If you're a doctor, if you're somebody working in technology, you have to keep current. What you're learning all the time is the tradition of your craft.

**TAE:** Perhaps part of respecting tradition is having a certain humility about yourself. Do you think humility is useful for a musician?

**MR. MARSALIS:** Humility means that your vi-