population declined by 4 million during the 1980s: reversing the downward trend, poverty in the '90s is rising again with over a million Americans falling into poverty in 1993.

14. The top income-tax rate was reduced from 70 percent to 28 percent in the '80s, but the top 5 percent of all earners paid more taxes, increasing their share of all federal income taxes paid from 36 percent in 1980 to 43 percent in 1990.

15. In the 1980s, the percentage of African-American families earning more than $50,000 in real dollars doubled from 7 to 14 percent, the unemployment rate for black teenagers fell by 21 percent and black employment in professional and managerial jobs expanded by one-third. After declining 10 percent between 1978 and 1982, the real median income of black families increased by 17 percent between 1982 and 1989.

16. From 1982 to 1987, the number of black-owned businesses increased by 38 percent, triple the overall business growth rate during that period. The number of new Hispanic-owned businesses soared by 81 percent.

17. The median weekly earnings of female workers grew 8 percent faster than male earnings in the 1980s, and women entrepreneurs ended the decade employing more people than all of the Fortune 500 companies combined. The number of women-owned firms expanded by 57 percent in the '80s and the sales volume of these firms tripled.

18. Following the double-digit annual inflation rates of 11.3 percent, 13.5 percent, and 10.3 percent during the Carter years, the annual inflation rate averaged 3.9 percent in the two Reagan terms.

Scoring: Each of the above statements is True. All information is based on Labor Department and Census Bureau studies. Readers missing more than 12 questions are eligible for Rhodes Scholarship assistance. □

THE FREEMAN
IDEAS ON LIBERTY

Hail to Prices!

by Jeffery G. Lee

Recently in South Korea I had an experience that bodes poorly for proponents of price controls. During my stay, a Korean friend, D.J., took me to a bar to soak up a bit of local flavor. After a good time, my friend and I left the bar just before midnight in search of a cab. As we were going in separate directions, I said goodbye and prepared to flag down a taxi. D.J., however, knew something I didn't and stayed with me despite my assurances that I could handle myself. I'm thankful he stayed.

I was completely unprepared for what happened. Crowds of people began creeping dangerously far out into the street. D.J. joined the fray, facing the oncoming taxis

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like a modern-day matador. Cabs slowed just enough for D.J. and others to yell their desired destinations into the open window (*Pangbae* Station in our case). Without fail, after hearing the places we and others were intent on going, cab after cab sped off leaving us in clouds of exhaust and bewilderment.

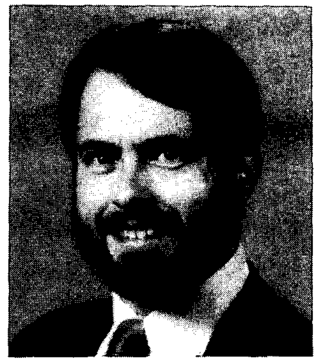
After about 20 minutes, it was apparent that it might take a while to actually get picked up. Interestingly, D.J. "upped the ante" for the ungracious drivers. "Pangbae!"—in endless repetition—had been all that I had heard for nearly a half-hour when my friend began yelling "Pangbae DOUBLE!" He even yelled "Pangbae TRIPLE!" at a driver who stopped only long enough to flash four fingers hoping for four times the normal fare. Later, we stopped a taxi with a "triple." We got in, only to be told to get out when the driver reconfirmed our destination. He said he had misunderstood us and wouldn't go to Pangbae Station.

Later I discovered the reason for this black market in transport. Taxi rates are set by the government. Ostensibly to protect the consumer, the government limits the price taxi companies can charge. The consequence of such myopic legislation should be obvious to any first-year economics student. The artificially low fare not only reduces the supply of taxis, but decreases the incentive of remaining drivers to provide good services to passengers. Full of good but misdirected intentions, government officials have taken it upon themselves to protect the consumer. Ironically, the result is just the opposite. As with all examples of price control throughout history, demand exceeds supply when an artificially low price is mandated, resulting in various degrees of chaos.

After an hour and a half we flagged down a willing driver and made it home. Because our quest was limited to cross-town transportation, the most we suffered was the indignity of standing in the middle of the road, in addition to a few lost hours of sleep. Raise the stakes from the taxi scenario and consequences are more devastating. Instead of commuters, picture physically ill folks clamoring for health-care professionals. "*Pangbae* double!" might suffice as a potential solution when negotiating for something as simple as a ride. I don't imagine, however, an equally likely *"heart attack* double!" would be a very amenable strategy.

Low prices might appear to the uninitiated as desirable. But prices are no culprit. Prices provide ready information on the availability of goods and services, and on the values of goods and services to competing would-be users. Attempts to artificially alter prices are tantamount to removing signs from dangerous roads. Prices fairly balance the amounts of a good available and the amounts demanded. Of course, prices are also the most visible and easily targeted feature of a market economy. Unfortunately, politicians, eager to placate their benefactors, have more influence than economic truths on the formation of public policy.

I do not mean to insinuate any backwardness on the part of Korea (which would upset my Korean wife immeasurably). It just so happened that this experience reminded me of the endless gas lines of the 1970s and of the recent debate over health care in the United States. As economically enlightened as we are in America, we are not immune to a "calculated reversion" to the illogic of price controls. Symptomatic cures for what some may see as the pestilence of prices are misdirected. Hopefully, people can now see through quick-fix solutions to economic problems. If not, maybe something as simple as a taxi ride in Korea would be sufficient to cure their economic myopia. □



Freedom from Taxes?

WASHINGTON—Income tax day may be behind us, but the pain is not over. We are still working for government, and we won't be finished until the middle of this month.

According to the Tax Foundation, the average American had to labor 126 days—to May 6—to pay his or her taxes this year. Looked at another way, people devote two hours and 46 minutes of every workday to government. This is the latest Tax Freedom Day ever, as a result of the 1993 tax hikes. And May 6 is just the national average. If you live in Connecticut or New York, you labor for government till May 28. Residents of Washington, D.C., and New Jersey start working for themselves only on May 18. Residents of Hawaii are indentured servants until May 17. The *least* taxed citizens of America work three and one-half months for the government. Far more people labor four to five months for politicians before earning a penny for themselves.

Even these horrible numbers understate the impact of government on taxpayers. The Tax Foundation only looks at tax collections. The federal government, however, relies on deficits to expand its outlays and regulations to control even more private activities. Thus, the Washington-based Americans for Tax Reform estimates that while Americans may have finished with their taxes on May 6, Spending Freedom Day didn't occur until May 16, when people stopped paying for government outlays. And Cost of Government Day, when citizens were finally free of the total expense of government, including regulation, is still to come, on July 9.

In short, the average American spends more than *half* of every year working for government. Did you feel liberated after April 15? You shouldn't have—you had nearly *three more months* to go before the money you earned was truly your own.

This is unconscionable—feudal serfs were treated better than taxpayers today. People have a moral right to more of their incomes.

But you wouldn't know it from the debate in Washington. A few legislators freely admit that they want to keep on spending, so they prefer tax hikes to cuts. The more subtle—seen as "responsible" politicians by the opinion-making elite—say that deficit reduction must take first priority. Of course, many of them are convenient converts to budget responsibility, having never before found a federal program they didn't like.

Even many of the defenders of tax reduction seem half-hearted. Rather than simply returning money to people, letting them decide how to use it, they promote supply-side engineering: proposals for specific credits and the like. Moreover, even some tax-cutters fear being perceived as, horrors!, favoring the rich. Thus, they advocate denying any benefits to high earners.

Alas, no one in the nation's capital is making the basic moral case: government is taking far too much of everyone's income and Congress should just cut overall tax

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