



DIGGINGS

PUBLISHED BY THE BADGER INSTITUTE

**D.C.
takes over**
– Wisconsin
just takes



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**Unspent
CARES Act funding**

BY MARK LISHERON



The infantilization of America

Bob Woodson — the Black, onetime civil rights activist who stresses time and again that poor, Black people can be agents of their own uplift — has this bit that he does when speaking to largely white audiences.

I've seen him do it a couple of times now, including at an event that the Badger Institute hosted recently in Burlington. It never fails to elicit howls of laughter and what could be either mock or real relief.

Woodson, president of the Woodson Center, talks about how we can't come together until we "take race off the table." Smiling, he tells the audience that it is exceedingly "lucky today" because he is what he playfully describes as a "self-appointed racial exorcist."

"All I gotta do is wave my hand, and all you guilty white folks are free," he says, raising his hands in absolution: free of the guilt of slavery and discrimination and free of self-serving "race hustlers," too.

The audience roar was so loud you could barely hear him speak.

White guilt — this mindset that poor people, Black or otherwise, need more and more and more help and oversight — isn't the only force behind the massive expansion of the entitlement state. Believers in big government seem to think they're the only adults in the room and know best how to run other people's lives and spend other people's money.

Our cover package — both Ken Wysocky's article on cradle-to-grave welfare and Mark Lisher's piece on the move toward universal basic income — vividly illustrates the multifaceted government expansion taking place. As does Johnny Kampis' piece on the Trojan horse that is the federal infrastructure package.

Michael Jahr and Daniel Sem highlight the

push in Madison for government-engineered, taxpayer-funded venture capital — now featuring federal pandemic funding. Far too much of that spending is unrelated to health and safety — or work — and that will be debilitating long term.

In this issue, the Badger Institute begins its look at how local governments in Wisconsin spent — and failed to spend — hundreds of millions of dollars from the CARES Act.

And for a thought-provoking discussion of how massive government expansion can cause cycles of dependency, take a look at the excerpts of a Free Exchange podcast I recently did called "Black and Conservative." One of the participants is Shannon Whitworth, director of the Free Enterprise Academy at Milwaukee Lutheran High School.

"What I try to do at Milwaukee Lutheran is we try and drill it into these kids' heads to try and change that cycle to say, 'You know what? Build it yourself.' I say it almost every day in my class. I say, 'Whoever controls your money controls you ... If you control your own money, you control your own destiny,'" he says.

Whitworth has told me that part of what is going on in this country is the infantilization of Black people.

I suspect after reading *Diggings* and listening to our podcast, you'll see exactly what he's talking about. But you might also wonder how much of the rest of America is being infantilized as well.

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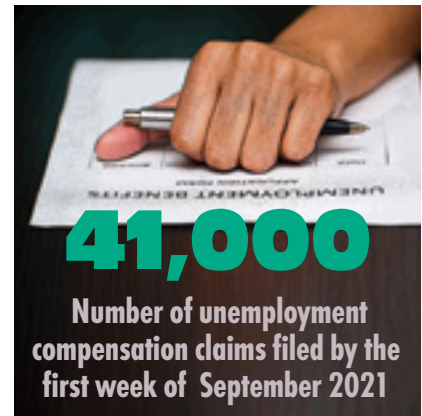
Free Markets ■ Opportunity ■ Prosperity



“Of course, their theory is that if you get people hooked onto government support from cradle to grave, they’ll never give it up. ***I do worry about that. I worry a lot about that.***”

– **Robert Doar**, president of the American Enterprise Institute, from a podcast with Badger Institute President Mike Nichols

(You can subscribe to Free Exchange on Apple Podcasts, Stitcher, Spotify and wherever else podcasts are available.)



41,000
Number of unemployment compensation claims filed by the first week of September 2021

Nearly twice the number of ongoing claims made by the same week in 2019

Rachidi Research and Consulting, LLC, Madison

2021 ATTENDANCE: **409,386**

Down **-54.1%** compared to the music festival's 40th anniversary record attendance in 2007 of 892,005.

Down **-43%** from 2019, the last time the festival was staged.

Summerfest



The amount of money – \$15.6 million in direct and \$12.7 million in indirect spending – generated by the Milwaukee Bucks playoff games and NBA Championship.

Milwaukee World Festival Inc. figures

VISIT Milwaukee, the city's convention and tourism bureau

“**W**e’ve been forced to do this. We’ve been forced to take back our schools because the people we trusted to make the right decisions are not.”



–**Jennifer Walworth**, co-founder of Facebook group Tomah Area Parents Against Mask Mandate, one of a growing number of parent rebellions against public school districts over COVID mandates

JULY 2021

Bar and restaurant sales

+6.8%

Compared to July 2019

Wisconsin Policy Forum study, September. https://wispolicyforum.org/wp-content/uploads/2021/09/Taxpayer_21_05_Restaurants-2.pdf

“**T**he most fascinating thing, I think, about what is happening nowadays is that I’m seeing just blatantly how many white people think that they have the absolute right to tell us exactly how we should think.”

– **Shannon Whitworth**, director of the Free Enterprise Academy at Milwaukee Lutheran High School, on the attitude toward Blacks of the progressive elite

Overwhelmed by COVID-19 relief

Local governments, awash in federal cash, still trying to spend down millions from the CARES Act



APPLETON AIRPORT PHOTO

Extending spending deadlines has allowed communities all over the state to hang onto what was supposed to be federal emergency money to fight the pandemic. The Appleton International Airport has yet to spend \$11.5 million, a full 18 months after the CARES Act was passed.

By Mark Lisher

Outagamie County's Appleton International Airport is sitting on \$11.5 million of federal COVID-19 relief money.

Despite a formal request from the Badger Institute for documents and an exchange of emails over two months with county finance officials, it remains unclear what the money will be used for and why it hasn't been spent in the more than 18 months since the funding became available with the passage of the \$2.2 trillion Coronavirus Aid, Relief and Economic Security Act (CARES Act).



“It’s mind-blowing the amount of money we’ve spent, and we have no idea how or why it was spent. There are supposed to be some lessons in how the CARES Act money was spent, and we don’t have them, which is why I voted against the \$1.9 trillion (ARPA).”

– U.S. Rep. Bryan Steil (R-Wis.)

Madison has \$16.1 million of unspent funding. The city plans to use \$12.4 million of it for operating assistance in transportation in 2021 and transit capital projects in 2022. When asked what either had to do with COVID or why the money hasn’t been spent yet, the city’s finance director, David Schmiedicke, declined to respond to an email.

Brown County spent \$7,951,770 of its allocation covering operational losses at its airport. Another \$1,663,300 remained as of July 6, according to county finance director Bradley Klingsporn. When asked to explain why, Klingsporn stopped replying to emails.

Through July, the Badger Institute identified more than \$100 million of CARES Act funding that remained to be spent in Wisconsin. That figure is surely much higher. Of the 10 largest counties and 10 largest cities in Wisconsin that we formally asked for an accounting, seven failed to fulfill their legal obligation to respond.

In all, Wisconsin received \$2.26 billion in CARES Act funding, according to the Legislative Fiscal Bureau. The City of Milwaukee and Milwaukee and Dane counties got a total of \$260 million, and the state distributed another \$190 million to more than 1,150 other counties, cities, villages and towns.

While each of those government entities is bound by CARES Act rules to maintain an accounting, finding out how they spent — or didn’t spend — the money is a matter of filing formal requests of each for documentation.

Johnson, Steil impatient for an accounting

The Badger Institute undertook tracking down CARES Act spending in the state because, frankly, no one else is doing it. The bill was an emergency action, meant to quickly get funding into and out of the hands of health professionals and related government agen-

cies. It’s why conservatives like Johnson and Steil are demanding to know why emergency money has gone unspent after a year and a half.

And without such an accounting, it’s impossible for lawmakers at every level of government to know how much of the deluge of \$4.7 trillion in six separate COVID relief bills, including CARES, was necessary or came close to doing what it was supposed to do.

The lack of accounting of the CARES Act funding is the cause of great frustration and one of the principal reasons U.S. Sen. Ron Johnson and U.S. Rep. Bryan Steil, both Wisconsin Republicans, voted against the CARES followup, the \$1.9 trillion American Rescue Plan Act (ARPA), passed in March. Both voted for the CARES Act in March 2020.

Steil says he has sent a series of letters to Gov. Tony Evers asking for a breakdown of CARES Act spending. Steil described the response from the governor as “de minimis,” or inconsequential.

Both Steil and Johnson contend that the unspent money is proof that state and local governments didn’t need the CARES Act, let alone the ARPA, bailouts. They point to a memo from the Legislative Fiscal Bureau showing that general fund tax collections during fiscal year 2020-’21 under the COVID cloud were nearly 12% higher than they were the previous fiscal year.

“It’s mind-blowing the amount of money we’ve spent, and we have no idea how or why it was spent,” Steil told the Badger Institute. “There are supposed to be some lessons in how the CARES Act money was spent, and we don’t have them, which is why I voted against the \$1.9 trillion (ARPA).”

Lax oversight and reporting requirements at the →

federal level helped obscure the fact that ARPA wasn't necessary, Johnson says. "The whole approach to COVID was insane," he says. "We spent so much more money than was needed."

A firehose of federal spending

This isn't to suggest that no one is keeping track of COVID spending. There is the federal Pandemic Oversight tracker and the Wisconsin Department of Administration's COVID Spending Dashboard.

The DOA's Routes to Recovery guidelines are very explicit in requiring local governments to document the amount of every expenditure, the date it was paid, which department paid it, who received it and how the expenditure was related to dealing with the pandemic.

While the DOA has collected spending totals from those 1,164 local governments, the itemized spending and the documentation in support of that spending stay with the municipalities, unless requested by the DOA. And if a citizen in Kaukauna wants to know how much of its original CARES Act allocation the city has not yet spent, he or she must make an open records request to find out.

At the federal level, the people whose job it is to keep track have stopped breaking out the unspent funds by individual spending bills. As of mid-June, more than \$1 trillion in COVID relief had not yet been spent, according to the most recent report by the Government Accounting Office. The GAO estimated that \$210 billion had not yet been spent by state and local governments but provided no breakout of

CARES and ARPA funding.

In March, just before ARPA was signed into law, the Committee for a Responsible Federal Budget estimated that \$340 billion, most of it CARES Act funding, had not been spent. In the same report, the Committee said that an accounting of at least \$70 billion might be impossible because of lax or no reporting requirements.

Congress, as part of a \$900 billion COVID booster bill at the end of 2020, extended the CARES Act spending deadlines for everyone until the end of 2021. Most of the ARPA spending deadlines extend out until the end of 2024.

The Evers administration told a Madison television news outlet on Dec. 15, 2020, that Wisconsin had beaten the deadline and spent its entire CARES Act sum. It wasn't until the last paragraph of the news report that mentioned that less than half of the money — \$949 million — had actually been spent. Another \$635.9 million was to have been "distributed" by the end of December and \$414.3 million had

been "allocated" but also not distributed.

"From the start, it's been smoke and mirrors," Steil says. "This bill was supposed to have gotten money into people's hands quickly. Instead, we get this D.C. sleight of hand. And I continue to get stonewalled by the governor's office at every turn."

A Badger Institute project

When we contacted the Department of Administration to ask for an accounting of unspent CARES Act funds, the Badger Institute was instructed to contact



"Unless it becomes a public issue and people start caring, you've got a disaster waiting to happen."

— U.S. Sen. Ron Johnson (R-Wis.)

the individual government caretakers of the data.

In early July, we sent emails making clear our requests were a matter of public record, according to CARES Act guidelines and under the state’s Public Records Law.

The cities of Milwaukee, Madison, Green Bay, Waukesha, Eau Claire and Appleton and Milwaukee, Dane, Waukesha, Outagamie, Racine, Brown and Rock counties responded to the requests. The cities of Kenosha, Racine, Oshkosh and Janesville and Winnebago, Kenosha and Washington counties did not.

Two clear themes emerge from the responses to our requests: First, given a very broad COVID impact definition, the extension of deadlines and an ARPA windfall on the way, governments opted to allocate tens of millions of CARES Act dollars to plug holes in their budgets, particularly in the area of transit.

And second, few of the finance directors on the front lines of the CARES Act funding were willing to explain how or why they made their CARES Act budgeting decisions.

In response to our request in early July for a detailed breakdown of unspent funding, City of Milwaukee deputy comptroller Joshua Benson sent an Excel spreadsheet showing three numbers: \$178.6 million in CARES Act awards, \$135.4 million in expenditures and a balance of \$43.2 million.

After failing to get Benson to answer emails asking for a further breakdown and some explanations, the Badger Institute in September reached Jeff Fleming, a spokesman for Mayor Tom Barrett.

Following an extended exchange of emails, Fleming shared a 10-page internal report contradicting the comptroller’s numbers altogether. The city, the report says, received \$102.98 million, not \$178.6 million, and had spent \$101.94 million, not \$135.4 million, leaving an unspent balance of a little over \$1 million.

Fleming’s last word on the matter was to say the comptroller’s people “always have the least up-to-date information.”

Threat of a ‘fiscal cliff’

Josh Smith, Rock County administrator, said the influx of ARPA funding and the relaxed deadlines allowed the county to prioritize grants. As a result, the county has yet to spend nearly \$1.9 million in CARES

Act money, even though it was earmarked almost a year ago for its Infectious Disease Program.



Stein

“The receipt of these federal monies has been welcome,” Smith says. “Were it not for these funds, the county would have had to spend down its general fund savings account for pandemic response.

“The primary challenge with the CARES funding was the limited amount of time in which to spend the funds. With the timeline for spending ARPA funds significantly longer, we will have much more time to be thoughtful about how spending those funds can have a long-term impact on our community and recovery.”

The independent research group Wisconsin Policy Forum began breaking down the spending totals for the various COVID relief bills with a report in April. It could be many months before it begins the granular work begun by the Badger Institute, says research director Jason Stein.

Other than spending transparency and accountability, Stein says the latitude allowed in this avalanche of spending could cause local governments in the state to put money into new or ongoing programs. During the Great Recession years, Wisconsin poured federal economic bailout money into public schools and Medicaid, only to cut its school and local government funding when the money ran out.



Johnson

It might take what Stein describes as a “fiscal cliff” to get the attention of American taxpayers, who almost certainly consider the CARES Act old news, Johnson says.

In its zeal to make as many potential voters as happy as possible, Congress surrendered any hope of regulating or accounting for COVID spending.

“Unless it becomes a public issue and people start caring,” Johnson says, “you’ve got a disaster waiting to happen.” ❏

Mark Lisher is managing editor of Digging.

Pressing on with government venture capital

Gov. Evers
wants to use
\$100 million in
COVID funding
to underwrite
a 'fund of funds'

By Michael Jahr

After Republican legislators cut a \$100 million state venture capital proposal from Gov. Tony Evers' 2021-'23 budget, the governor now says he wants to use COVID-19 relief to achieve his goal.

Bypassing the Legislature to create a so-called fund of funds with federal money could pose legal and constitutional challenges. And while some champion the idea as a way to energize a lagging startup culture in Wisconsin, others point to the track record of existing programs in Wisconsin and elsewhere that put taxpayer money at risk without producing meaningful returns.



Evers resuscitated his plan for a Wisconsin Fund using \$100 million in unspent COVID relief money during an Aug. 19 interview on the Madison-based Innovate 608 podcast. The original proposal also called for a \$200 million private match and Wisconsin Economic Development Corp. (WEDC) oversight.

The goal is investment in emerging Wisconsin companies in order to leverage private capital, according to the administration’s original summary of the proposal.

“In our recent budget proposal, we had \$100 million set aside for WEDC around the issue of startups and entrepreneurship with about 20% set aside for minority businesses or businesses that have ethnic diversity (as part of their effort,” Evers said on the podcast. “Unfortunately, that didn’t make it through the budget, so we’re trying to use some of our federal money that’s coming in to kind of backfill where that didn’t happen.”

Lucas Vebber, deputy counsel at the Wisconsin Institute for Law & Liberty, says he doubts Evers’ proposal is legal and if it is, he questions whether the law is constitutional.

“Wisconsin state agencies are creations of law and have only those powers given to them by statute. The governor cannot unilaterally expand an agency’s powers or direct agencies to do something that state law does not give them the authority to do,” Vebber says.

“If the law does allow for such unilateral lawmaking by the executive, then the question becomes whether that law itself is constitutional,” he adds. “Lawmaking is a core power of the Legislature, and they cannot simply give that power away, especially with no oversight.”

The federal government established parameters around the use of these funds, Vebber says, but it also provided states with a lot of flexibility. “Since we have not yet seen the governor’s formal plan to spend the dollars, it’s impossible to know for sure if it fits within the federal guidelines at this time,” he says.

WEDC Deputy Secretary and COO Sam Ridders



In a March webinar, WEDC Deputy Secretary Sam Ridders (left) expressed reservations about the state’s ability to use federal COVID dollars to fund the venture capital proposal.

expressed reservations during a March 24 webinar hosted by the Wisconsin Technology Council.

“We have been trying to be as creative as we can be. The initial guidance in the bill that was signed limited the eligible uses of the dollars coming to state and local governments for pandemic response,” Ridders said. “Are we trying to create this in response to the pandemic, or has this been an idea that the Tech Council has been really pursuing and making a case for since 2012?”

The Badger Institute reached out to the Evers administration and WEDC for comment but did not

receive a response.

Few jobs, high costs

The size of the fund of funds proposed by Evers is necessary to attract fund management talent, says Lydia Zeller, board chair of the Wisconsin Startup Coalition (WSC).

The nonprofit organization was founded last year to advocate for the improvement of the entrepreneurial ecosystem in Wisconsin.

“In the startup world, capital, talent and ideas are highly mobile,” Zeller says. “States that don’t have large tech hubs need to find ways to incentivize startup founders and investors to choose Wisconsin to start and headquarter their business.”

Wisconsin already has a venture capital program, the Badger Fund of Funds, created in 2013 with an initial appropriation of \$25 million that has since grown to nearly \$67 million under the Department of Administration.

According to its latest quarterly report, some \$27 million has been committed to five venture capital funds. Around \$8 million has been distributed to startup businesses. The investment has created only 100 jobs at a cost to taxpayers of about \$80,000 per job.

“Most job creation — and job loss — in a state goes on without the involvement of state economic development program administrators,” says James Hohman, director of fiscal policy at the Mackinac Center for Public Policy. →



Hohman has researched venture capital and economic development programs for over a decade in Wisconsin and Michigan. “Lawmakers should be more interested in business climate issues that can affect these numbers than in trying to sponsor a handful of businesses at taxpayer expense,” he says.

Fiscal watchdogs alerted

This spring, the Republican-controlled Legislature eliminated hundreds of Evers’ budget measures, but the Wisconsin Fund survived. Having been alerted, the Badger Institute requested an analysis from Andrew Hanson, an economist and associate professor in the Real Estate Department at the University of Illinois at Chicago.

Hanson, a Badger Institute visiting fellow, concluded that state economic development efforts often fall short of expectations. He cited the recent example of Foxconn, the Taiwanese electronics manufacturer that Wisconsin offered nearly \$3 billion in incentives and subsidies to locate a manufacturing facility near Racine.

Foxconn has since reduced its planned investment from \$10 billion to \$672 million and slashed its jobs projection from 13,000 to 1,450.

“Venture capital is inherently risky,” Hanson says. “Even private investors putting their own money on the line backed by intense research do not know with any reasonable certainty what these investments will bring — why should we think a government program will do any better?”

“A program like this opens the door for conflict of interest among those administering the program and choosing where investments go.”

Government’s role in encouraging business investment, he says, should be limited. “Offering a stable and predictable tax and regulatory environment for businesses to operate and grow would fit better within the purview of what, to me, make sense for the state.”

Armed with Hanson’s analysis, the heads of the Badger Institute, Americans for Prosperity-Wisconsin, the Wisconsin Institute for Law & Liberty, the MacIver Institute and Empower Wisconsin issued a joint letter to state lawmakers urging them to drop the proposal.

“According to *The Wall Street Journal*, 95% of startups fail to meet specific revenue growth or break-even dates, 30% to 40% are forced to liquidate and lose all investor money and only 35% survive until their 10th anniversary. Three-quarters of venture capital-backed firms never fully return their original investment,” the letter said. “Why would we want state government taking such a risk with taxpayer dollars?”

One of the signers, AFP-WI State Director Eric Bott, says, “This approach to economic development, by necessity, creates winners and losers. Those with powerful friends make out like bandits while the remaining 99.9% of entrepreneurs see little or no benefit.

“The correct approach is for government to remove barriers and level the playing field so that all

entrepreneurs have as great an opportunity to succeed as possible.”

Zeller supports the Evers plan. The success of a Wisconsin Fund will depend on degrees of separation between the state and private investment, she says. “If structured properly, state officials will have no role whatsoever in determining which companies receive investments,” she says.



Bott

The Wisconsin Fund Coalition, advocates that including nine former state cabinet-level secretaries, other individuals, businesses and organizations, drafted a public letter pushing back against criticism of the fund. Based on Wisconsin’s existing venture and angel capital programs and the experiences of other states, concerns about the risk to taxpayers are “unfounded,” the authors wrote.



Michigan as a model?

The authors cited Michigan, recently identified by the business investment website Crunchbase as the fastest-growing venture capital state in the nation. “It (Michigan) seeded its own clouds with public and private money that drew dollars and expertise from other states to invest in Michigan-born companies, especially those companies with enough traction to succeed.”

Despite the state’s claims of success, Michigan made “no special new commitments” in venture capital between



“Most job creation — and job loss — in a state goes on without the involvement of state economic development program administrators.”

– James Hohman, director of fiscal policy at the Mackinac Center for Public Policy

2016 and 2020. The reality, Hohman says, is the state’s efforts were “expensive and underwhelming.”

“The standards of success for economic development programs seem to be low,” he says.

“Michigan lawmakers created a number of different

programs to encourage early-stage companies. Most of them lost all the money that taxpayers had pledged while creating few, if any, jobs,” he says. The Venture Michigan Fund, for instance, was pitched as costing taxpayer money

FUND →

Let private venture capital work its magic

Public-private hybrids underperform and are fraught with risk

By Daniel Sem

Wisconsin has always struggled to attract venture capital. But this does not mean the solution is to involve state government, as Gov. Tony Evers has proposed.

Government-funded venture investing is a proven bad idea. The many experiments with state-sponsored funds have shown that government, even with all of its resources, doesn’t play the venture capital game well.

The existing data supports the conclusion that government-run funds generally make poorer investment decisions than private-sector venture funds.

The United States venture capital system is the envy of the world, with returns of 25% or more per year, compared to the roughly 10% returns on publicly traded stock. It remains a largely private-sector operation unhindered by government, testimony to the value of our free enterprise system and the reason the U.S., at least for the time being, leads the world in innovation.

At 5%, the U.S. has by far the lowest level of government venture investment in the world, according to an

analysis by the National Bureau of Economics Research (2010). Countries such as China, Canada, France and Germany are often at more than 50%. U.S. private venture capital consistently outperformed publicly funded efforts in other countries, the study said.

Consistent with the higher return of venture capital

is the risk. Half of startups fail, and maybe a quarter roughly break even.

Only one or two in 10 offers the 100 times or more return on investment that venture capitalists seek. Picking winners is the province of experienced investors with a track record of success, unfettered by the government’s poor decision-making, meddling and lack of expertise.



Evers

Those fund managers are clustered primarily in the Silicon Valley, New York and Massachusetts, where 84% of venture capital assets are under management, according to the National Venture Capital Association. In 2019, 1,473 venture capital deals were done in California, 525 in New York and

HYBRIDS →

FUND

only if everything went poorly. Everything went poorly, and it cost every dollar that was authorized to support the fund.

In his analysis of the Venture Michigan Fund, Hohman says the state issued tax vouchers for deals that didn't work out, at a cost of \$450 million. The small number of jobs created cost taxpayers more than \$250,000 per job.

The state's 21st Century Jobs Fund in 2005 supported "a number of high-risk investments. Unfortunately, more than \$1 billion of taxpayer money has probably been spent, and what the state has received in return is uncertain," he wrote. A venture capital program within the fund reported the creation of a paltry 1,403 jobs over the past 15 years.

Often, the justification given for involving the state in the venture capital fund business is competition with other

states. State officials defended the \$3 billion for Foxconn, for example, from concern over losing the factory to another state.

Legislators from both parties in 15 states (none in Wisconsin, however) have gotten wise, introducing legislation for an interstate compact to Phase Out Corporate Giveaways.

Hohman thinks such a compact is much needed.

"Economic development programs are unfair to the businesses that don't get them, ineffective at creating jobs and expensive to the state budget," he says. "States would be better off competing with each other over business climate and quality-of-life issues rather than in how much taxpayer dollars they can offer to the few business projects that seek state subsidies." ❏

Michael Jahr is the senior vice president of the Badger Institute.

HYBRIDS

265 in Massachusetts. This compares to 91 in Illinois and 19 in Wisconsin.

State lags badly

Wisconsin ranks at the very bottom of venture investing in the Midwest (see Figure 1) with \$570 million in assets under management in 2019. California had \$125.4 billion in that same year (see Figure 2 for the disproportion in all states).

Wisconsin has gotten better since 2001, when I moved back home to Milwaukee from San Diego. But there is still only one venture capital firm in all of Wisconsin — Venture Investors — that has the needed expertise and resources for capital-intensive investments, such as health care startups developing new therapeutics.

Many venture capital investors view Wisconsin — and all of the Midwest, for that matter — as a flyover between coasts, proximal to their home bases where they often invest with other resource-rich firms as a syndicate. Syndicates outperform individual investments with their checks and balances on investment decisions.

Wisconsin has few such venture firms that can make a \$10 million to \$15 million investment contribution to a syndicate. Fewer than 10 are capable of \$2 million to \$5 million

for early-stage tech companies.

The Badger State does have some successes, such as the companies Promega, NimbleGen, Third Wave and Exact Sciences. But more often, we have firms that invest in less risky companies that already have revenue, such as Capital Midwest Fund and Baird Capital.

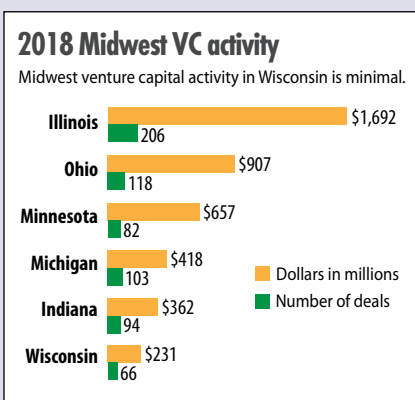
Republican legislators in June refused to budget \$100 million for another so-called Fund of Funds called for by Gov. Evers. There was some support. Local venture

firms would welcome new partners to syndicate with on larger investments, and some private venture capital professionals I have interviewed believe matching funds from the state would entice coastal firms to have a presence in Wisconsin. The reason the U.S. excels at venture capital, however, is the extent to which we embrace free markets with minimal government intervention. Government cannot attract the experts who know how to do this investing well because it cannot pay them what they earn in the private market — and they prefer to have the freedom to locate

where the deal flow is.

Because of this reality, most proposals for publicly funded venture capital are designed to require matching from private funds, usually 2-to-1 private to public, with private fund specialists, not bureaucrats, making the

Fig. 1



Source: PitchBook, 2019 data

investment decisions.

It is argued that the public money is a kind of economic multiplier or catalyst, to use a chemistry analogy, for the private venture capital market. (I am a chemist, by the way.) But to make this work without the catalyst “poisoning” the private-sector reaction is a significant challenge. The catalyst — government — cannot be involved in strategic investment decisions, even indirectly, if investments are expected to succeed.

Limited government involvement is articulated very well in Josh Lerner’s excellent book, “Boulevard of Broken Dreams: Why Public Efforts to Boost Entrepreneurship and Venture Capital Have Failed, and What to do About It.”

Like Lerner’s recommendations, the Evers Fund of Funds plan proposed a 2-to-1 private-public match and the quasi-governmental Wisconsin Economic Development Corp. (WEDC) to help keep government at arm’s length.

In practice, such a structure is vulnerable to what economists call rent-seeking or what pundits call crony capitalism. Opportunists will look to curry favor with elected officials, fund managers and WEDC to tip the balance toward some individual or company.

Wisconsin has operated a smaller Fund of Funds, but it’s too soon to assess if it is working. So far, Madison-based Curate has provided the only successful exit.

An alternative to a public Fund of Funds (FoF) is a corporate-funded FoF, like Wisconsin’s new NVNG fund (nvngia.com). Ohio’s Cintrifuse FoF and Michigan’s Renaissance Venture Capital have reported relatively successful experiments as private funds. These remain experiments to be monitored, but at least they rely on the private sector and free markets.

Cautions for public-private Fund of Funds

Should Wisconsin lawmakers decide to create a larger publicly funded venture capital pool, I offer this advice:

- Match private and public funds, with the private funding dominant by a factor of at least 2-to-1.
- Provide oversight from a quasi-governmental organization

like WEDC, but require all investment decisions to be made by experts in the free and private market, with no preference given to funds based on potentially subjective criteria from elected or appointed government officials.

- Keep the fund manager out of any discussions involving the funds to match or the selection of investments, other than to ensure compliance with statutory requirements and pre-defined matching criteria. These decisions should be largely formulaic, as is the case for the very effective QNBC system.

- Require diversity in syndication with at least two private firms to create the checks and balances that decrease the chances of poor investments and discourage rent-seeking and bias by government appointees. Discourage repeat investment by the same syndicates.

- Encourage syndication with investors from outside of Wisconsin to increase smart investment, bring funding into the state and prompt experienced coastal venture capital firms to open branches here. But minimal deal flow likely will remain a barrier so perhaps only smaller firms would consider branches in Wisconsin. Still, that would be a positive start.

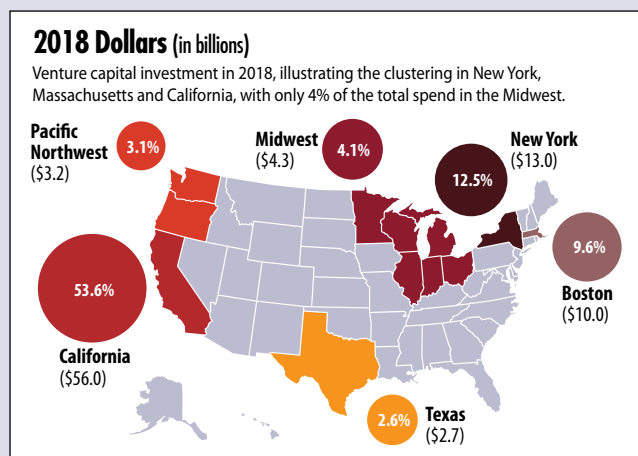
- Require the demonstration of tangible economic impact, either by investing in startup companies incorporated in or with most of its employees in Wisconsin. This requirement should be reasonable and flexible, erring on the side of the success of the company and, ultimately, of the overall investment.

The private U.S. venture capital system’s support of world-changing technologies has brought with it unprecedented economic growth, prosperity and well-being. Whatever we do to bring more capital into Wisconsin, let’s allow the free market to keep working its magic.

If we are to consider a public-private hybrid of this already proven system without considering the costs and potential dangers deviating from it, we risk poisoning the already small venture capital well in our state and wasting precious taxpayer dollars. ❌

Daniel Sem is president of CU Ventures and dean of the Batterman School of Business at Concordia University Wisconsin in Mequon.

Fig. 2



Source: PitchBook, 2019 data



Walker
Framed
Wisconsin

Act 10 is 10

The former governor reflects and responds to his critics

By Johnny Kampis

This is the 10th anniversary year of Act 10, the bill that will forever define Scott Walker. And his opponents.

The impact of the legislation 10 years later is enormous when measured in savings to taxpayers alone: \$13 billion saved by state and local governments, according to the MacIver Institute.

Brett Healy, MacIver president, calls Act 10 “the most successful public policy proposal in

the state’s history.”

Media took sides

The anniversary stories that began pouring out of legacy media outlets in February and March mostly reflected, somberly, on the view of those revulsed by, rather than grateful for, Act 10. These looks back reflected the views of much of the media itself toward Walker and his bill, indulging as they were to those who used



Tractors took over State Street in Madison, but the protests that rocked the Capitol had been taken over by out-of-state backed-public employee unions.

former Gov. Walker’s name interchangeably with “dictator” and “fascist.”

At the time, John Gurda, a lefty *Milwaukee Journal Sentinel* columnist, felt free to shed any guise of objectivity and essentially campaigned for Walker’s recall. “He (Walker) threw the first punch, and the second, and the fifth; everyone else simply reacted,” Gurda wrote. “Describing himself as ‘unintimidated’ is like praising the playground bully for his courage.”

Mike Konopacki, who describes himself as a “labor cartoonist” in Madison, recalled with pride being one of the first to publicly compare Walker to Adolf Hitler.

To its credit, *The New York Times*, long a biased Walker antagonist, gave the former governor, now president of the nonprofit Young America’s Foundation, a chance in August to offer his opinion of what Act 10 meant to Wisconsin.

“The true test of our reforms is that they are still working — a decade after we enacted them,” Walker wrote. “If common-sense conservative ideas can work in a blue

state like Wisconsin, they can work anywhere.”

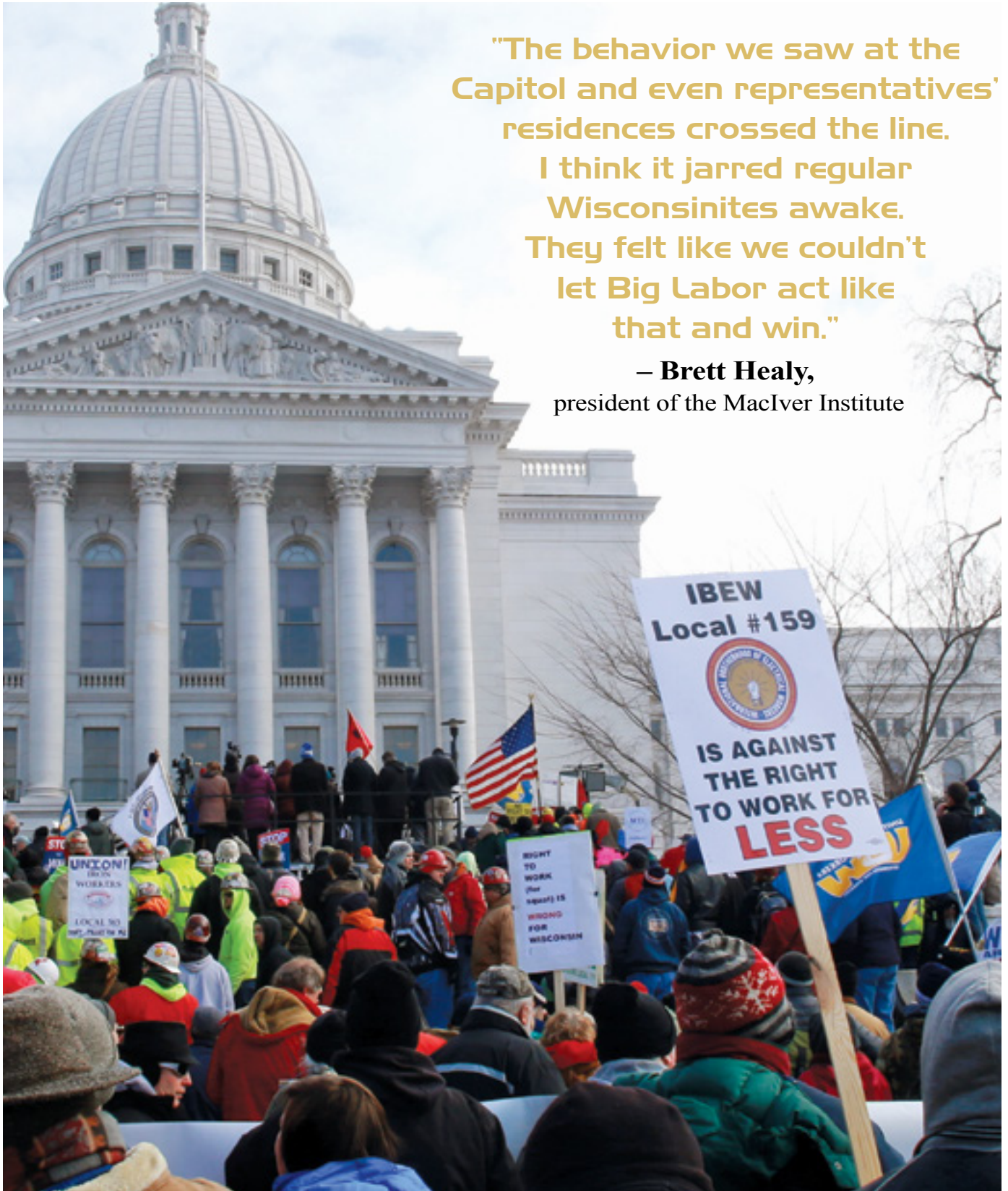
The Badger Institute offered him the same opportunity in early September, having been a chronicler of Act 10 as a proponent of free and not unionized markets.

Act 10 mandated that many public-sector employees would have to pay a portion of their pensions and health insurance premiums. It also allowed school district and local government officials to make staffing decisions based on merit, not seniority.

A major power shift

Eliminating collective bargaining, Walker told us, took back the political power of “unelected union bureaucrats” to dictate how taxpayer resources would be used and gave it back to taxpayers and their elected representatives at the state and local level.

Unions, he says, were more concerned about protecting the pensions of the old membership than in the future benefits for new members. “They weren’t fighting for the little guy. They were fighting for themselves.” →



"The behavior we saw at the Capitol and even representatives' residences crossed the line. I think it jarred regular Wisconsinites awake. They felt like we couldn't let Big Labor act like that and win."

– Brett Healy,
president of the MacIver Institute



A decade after protesters crammed every floor of the Capitol in Madison, Act 10 has saved local governments and public school districts billions and helped restore local decision-making.

Among the proudest accomplishments in Act 10, Walker told us, was the fight for schoolchildren. Act 10 was about a lot more than money. It made teaching a meritocracy again, he says. “They can put the best and the brightest in the classrooms and keep them there.”

Vehement pushback

Threatened with the potential loss of millions of dollars in union dues, public union leaders with the backing of national union organizations unleashed ugly protests – invariably referred to as peaceful and orderly in the press – that went on for months and triggered the recall effort. The attacks on the governor were visceral and felt personal.

Walker told the Badger Institute he “knew there would be pushback, but we never expected it to be as intense

as it was.”

“The union pushback was like nothing we had ever seen before in Wisconsin,” Healy told the Badger Institute. “The behavior we saw at the Capitol and even representatives’ residences crossed the line. I think it jarred regular Wisconsinites awake. They felt like we couldn’t let Big Labor act like that and win.”

A review by the Institute for Reforming Government says that 10 years after “Wisconsin’s policy changes, including those made within Act 10, continue to be something that other states should review when analyzing how to address an economic and fiscal crisis.” ❖

Johnny Kampis is a freelance writer who has been published on Fox News, in The New York Times and Time and serves on the Federal Communications Commission’s consumer advisory committee.

A welfare spasm to d

Progressives ignore past failures, and have no idea how to pay for a 'greater society'

By Ken Wysocky

State unemployment benefits extended, despite a rebounding economy and businesses struggling to find workers amidst a severe labor shortage. Expanded federal child-tax credits — \$3,600 per child — and larger Obamacare subsidies that even middle-class families with substantial incomes are eligible to receive.

“Free” two-year, community-college educations and universal preschool for 3- and 4-year-olds. The largest increase in the Supplemental Nutrition Assistance Program (food stamps) in the program’s history. Guaranteed income proposals under consideration in Milwaukee, Madison and Wausau (*see story on guaranteed income on page 24*) and dozens of other cities across the country.

It’s a mind-boggling blowout of federal, state and local benefits, new and expanded, in fulfillment of an ardent progressive’s wildest dreams of cradle-to-grave depen-

dence on government.

How governments intend to pay for all of it remains murky at best. But one thing is crystal clear: The American Dream, based for centuries on rugged individualism — citizens bootstrapping their way to financial success — is getting plowed under by an all-grasping government nanny state.



Williams

“I’m alarmed (by ever-expanding social programs) in the sense that in a lot of ways, this is a regression to where we were 30 years ago,” says Noah Williams, an economics professor and director of the Center for Research on the Wisconsin Economy at the University of Wisconsin-Madison.

Warf the Great Society



“I don’t doubt the sincerity of the majority of people that advocate for these programs,” he says, “but experience has borne out, broadly speaking, that the welfare and social programs in general have not been effective and sometimes serve to make problems worse.”

He adds, “The consensus at that time, which has not been overturned, is that a lot of programs had adverse incentive effects, weren’t effective at delivering the services promised and ultimately produced a culture of dependency.”

Williams cites the expansion of child-tax credits, set to expire at the end of the year but which the Biden administration would like to make permanent. The new rules for the credits essentially turned them into refundable entitlement checks instead of offsets to household tax burdens, he says.

Williams also is concerned that the expanding welfare state is increasingly including families with higher in-

comes. Earning a certain level of income once meant the loss of some benefits. But the current push toward more universal programs that benefit people with relatively high incomes “eliminates those revenue cliffs and other adverse economic effects,” he says.



Comparisons have been drawn between the Biden administration’s multitrillion-dollar spending splurge and President Lyndon Johnson’s Great Society. Johnson’s vaunted centerpiece War on Poverty largely failed.

fundamental knowledge of how an economy works and have never met a payroll or had experience in private industry,” says Bauer, whose organization represents →

“You also get more buy-in from more people with a broader class of programs,” he adds. “The more people that rely on programs, the more people that want to make them permanent.”

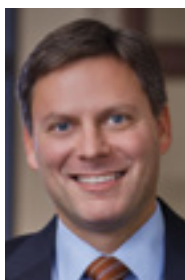
Jeopardizing state’s economy

Kurt Bauer, president and chief executive officer of Wisconsin Manufacturers & Commerce, is troubled by the growth of government-subsidized disincentives to work.

“The people proposing things like universal income have no

Cradle-to-grave dependence

more than 3,800 companies from all sectors of the state's economy. "We're in a situation right now where everyone who wants to work can find not just family-supporting jobs but a career path with merit-based advancement. Now is not the time for proposals like universal income."



Bauer

manufacturing positions — jobs that pay 35% above the state's median income level.

"Wisconsin is known for its work ethic, but we've charted a decline in that ethic, which is sad," Bauer says. "We're frustrated because what we have is government that works against us on this with overly generous benefits, universal income proposals and generally incentivizing behaviors that aren't good for the country in the long run. Not working removes people's sense of pride. There's dignity in work."

The benefits baggage

Williams agrees with Bauer and several other economic researchers that failing to take part in the labor market is linked to drug abuse, crime, unstable families and other social pathologies.

When people are fully dependent upon government, they become complacent and ultimately don't reach their full potential, according to Stan Veuger, a senior fellow at the American Enterprise Institute.

"We also run the risk of creating a culture of non-work



Veuger

— children who get used to entire communities that don't work. In the long run, we'll all be much poorer," Veuger says.

War on Poverty failed

Unheeded in all of this is the fact that despite roughly \$23 trillion in federal spending since the so-called War on Poverty was launched in 1965, the poverty rate has barely budged, floating around 10% to 11%.

Had the government simply divvied up that money and made direct payments to the country's poorest people, poverty would have been eradicated many years ago,

wrote Duquesne University economics professor Antony Davies and James R.

Harrigan, managing director of the Center for the Philosophy of Freedom at the University of Arizona.

"We've spent trillions of dollars on eradicating poverty and

haven't gained much ground," says E.J. Antoni, an economist at the Texas Public Policy Foundation.

"We've created this bizarre Hydra of government programs that provide incentives not to work. If you can quit a job and enjoy almost the same standard of living, why wouldn't you do that?"

In 1965, total welfare costs per person were \$803, adjusted for inflation. Last year, with Medicaid and 13 other major federal programs, those costs were an adjusted \$22,735 per person, according to researcher Robert S. Pfeiffer, author of "Poverty in the United States: Why It's a Blight on the American Psyche. How We Can Wipe It Out." That's \$90,939 in benefits for a family of four, well above the poverty level, he says.

Difficult to sustain

A more practical and immediate concern is whether this hyper-inflation of entitlements is fiscally sustainable.

The top 1% of taxpayers paid 28% of federal income taxes in 2020, according to the Tax Policy Center. The top 20% of taxpayers kicked in 78%, which jumped by a full 10% from the year before, because of a variety of pandemic-related tax breaks for lower-income families.

"We've created this bizarre Hydra of government programs that provide incentives not to work. If you can quit a job and enjoy almost the same standard of living, why wouldn't you do that?"

— E. J. Antoni, an economist at the Texas Public Policy Foundation



If more and more people opt out of work, the balance of payment for an ever-larger welfare state will eventually become crushing. The problem, to paraphrase the late British Prime Minister Margaret Thatcher, is that eventually you run out of other people's money.

The twin pressures of social program expansions and tax increases can doom economies, Antoni says. "At some point, it just becomes catastrophic. The government needs to create hyper-inflation to pay for debt or keep raising taxes until the economy essentially shuts down because they're so burdensome, it makes no sense to keep working."

"Is it all sustainable? I don't know," Williams says. "But it's hard to see how it would be."

In search of solutions

Without economic growth, which at its very core means more people working, none of what Democrats — and a troubling number of Republicans — is doing from Washington, D.C. to Wausau makes any sense, says Michael Tanner, a senior fellow at the libertarian Cato Institute.

There must be a broad recognition that "Government isn't the cure-all for all that ails us. In fact, many people are poor because of past government actions. You can fund programs like universal income with taxes, but that decreases economic growth. And you can't redistribute wealth that doesn't exist," he says.

Rather than throwing money at poverty as we have for 56 years, Tanner says, the government should focus on breaking down the barriers to opportunity, including



Tanner

failing educational systems and the criminal justice system that penalize minority and low-income families, overregulation that stifles affordable housing and entrepreneurship and, increasingly, the perverse incentives in a booming social welfare system that flatten income and savings for families.

"These programs are designed for and are successful at making poverty a little less miserable, but that's not sufficient," Tanner says. "We want to get people out of poverty altogether and rise as far as their individual talents can take them."

Williams is a proponent of earned income tax credits as a subsidy to wages for low-income adults — but only because people have to work in order to get them. "It's not aimed at supporting people but rather at providing additional benefits for the working poor," he says.

Easing housing and zoning regulations to make housing more plentiful and affordable would also make it easier for people to move to places that offer greater economic opportunity, he says.

These feel like insignificant steps in the face of trillion-dollar social welfare hammer blows. The days of charities tending to the poor — something Antoni longs for — seem as long ago as the promise of Johnson's Great Society.

But Antoni is a realist. The more people addicted to social programs, the greater the power accrued by the politicians and bureaucrats dedicated to providing them.

"This country is a big old battleship, and it takes a long time to turn it around," he says. "Is it too late to do that? I don't know. But one thing is for sure: We're definitely headed in the wrong direction." ❏

Ken Wysocky of Whitefish Bay is a freelance journalist and editor.

Wisconsin mayors test guaranteed income

By Mark Lisher

Officials in Milwaukee, Madison and Wausau are laying the groundwork for programs that would pay a monthly stipend, no strings attached, to low-income families.

Encouraged by the federal government's direct payment of \$870 billion in stimulus checks to Americans since the outbreak of COVID-19, they are among nearly five dozen local elected officials across the country, all of them Democrats, who have begun to experiment with adding a local welfare payment to the social safety net.

For the time being, these so-called guaranteed income pilot programs are being underwritten by private donations. Wausau Mayor Katie Rosenberg told the Badger Institute that her City Council agreed to support the pilot only if no tax dollars were involved.

However, the Milwaukee Common Council is likely to approve using \$400,000 in federal tax money from the

No strings attached entitlements for targeted groups is preview of something more permanent

city's American Rescue Plan Act (ARPA) allocation to fund its pilot.

The goal as outlined by Mayors for a Guaranteed Income is to establish permanent programs, wherever the funding comes from, for stipends that are "unconditional, with no strings attached and no work requirements. A guaranteed income is meant to supplement, rather than replace, the existing social safety net and can be a tool for racial and gender equity."

Unlike the three rounds of federal economic impact payments designed to offset the pandemic's effects and the economic damage done by the government response, guaranteed income is designed to combat "rising income inequality," "compounded by a growing racial wealth gap," particularly for women in "low-paying occupations," according to the group's Statement of Principles page on its website.

And while much of the heavy lifting is being done locally, the aims of the nonprofit organizations behind the guaranteed income idea are more expansive.



Rosenberg

“These mayors feel flush with money to do things they wanted to do all along. It’s just another way to shove money to a favored voter constituency. I think it’s really irresponsible.”

– Veronique de Rugy

Senior research fellow, George Mason University’s Mercatus Center



by the Badger Institute to ask Rhodes-Conway about the scope of the pilot and its timetable, Bottari

“While the primary purpose is to help Madison families,” Mary Bottari, in charge of the pilot for

Madison Mayor Satya Rhodes-Conway, said, “I’m committed to designing the program in a way that allows us to collect data that will make the case for a national program.”

Flush with money

Conservative and libertarian economists are appalled but not surprised, given the fact that American cities are awash in federal bailout money that many haven’t dreamed up ways to spend.

“These mayors feel flush with money to do things they wanted to do all along,” said Veronique de Rugy, senior research fellow at George Mason University’s Mercatus Center. “It’s just another way to shove money to a favored voter constituency. I think it’s really irresponsible.”



Rhodes-Conway

Madison and Wausau are among the dozens of cities sharing a \$15 million donation from Twitter CEO Jack Dorsey and distributed through Mayors for a Guaranteed Income.

Madison has added another \$300,000 in donations for the pilot from corporate stalwarts such as American Family Insurance and CUNA Mutual Group. Despite a request

issued only a statement that said, “We’re currently working to hire staff and finalize the research design so we can start enrolling participants in the program.”

Milwaukee Mayor Tom Barrett is a member of the group but so far has publicly supported neither a pilot proposal nor a request by Milwaukee Ald. Chantia Lewis that the city dedicate \$400,000 in ARPA money to launch it.

Barrett’s spokesman, Jeff Fleming, described the mayor as very early in his research.

“I’m curious about the potential positive impacts of universal and guaranteed income programs,” Barrett said in an email response to written questions. “Certainly, there are individuals for whom such a program could be life-changing. At the same time, there are unanswered questions about what we can expect from a broadly structured program.”

When asked about his support for using ARPA tax money, Barrett said, “Guaranteed Income programs are being considered, but they have not been included in the first rounds of local funding allocations from the American Rescue Plan Act funds.”

Still, the Common Council’s Community and Economic Development Committee on July 14 approved Lewis’ →



Lewis



request. Lewis has the votes to win final approval, but a Common Council vote on the issue was postponed after Lewis was charged with felony counts including defrauding campaign donors, falsifying campaign documents, embezzlement and misconduct in office.

Lewis is free on a \$1,000 signature bond.

Dry run for taxpayer support

Milwaukee Ald. Mark Borkowski, a staunch fiscal conservative who has voted and will continue to vote against guaranteed income, said there aren't enough votes on the council to stop it.

People have told Borkowski it's federal money, "free money." But it's their tax money just the same, he said.

"This is a program with no work requirement. What happened to the work ethic?" Borkowski said. "There are going to be unintended consequences, and we're going to be in a world of hurt. We're trending in the wrong way."

Lewis did not respond to a request by the Badger Institute to discuss her guaranteed income plan. However, in April 2020, a month after the first of \$292 billion in CARES Act stimulus checks went out, Lewis issued a statement calling on her constituents to demand that Congress create a universal basic income payment of \$2,000 a month to every American adult.

By February 2021, Lewis told WUWM that she had shifted her focus exclusively to Milwaukee. "We would select, randomly select, a total of 50 households throughout the city," she said in an interview. "So, this is 25

lower-income folks and then 25 working family households. We would provide them with a monthly stipend for 18 months. So, it's a \$500 18-month program where they would be handheld and walked through because the goal is to bring them into a more comfortable space that they can provide for their families a lot more."

Rosenberg said she was anxious to set up a pilot program for Wausau, but even though it had private funding, some business owners in town complained that this was just another socialist program.

"I wasn't concerned about the issue of another government program because the council made it clear nobody was interested without the seed money," Rosenberg said.

An added, not replacement, entitlement

Mayors for a Guaranteed Income so far has received almost entirely admiring and uncritical coverage from the legacy media. Many of the stories are misleading because they use the terms guaranteed income and universal basic income interchangeably and claim this latest local welfare pitch has bipartisan support, said William Lee, chief economist for the fiscally conservative Milken Institute.



Lee

Universal basic income, as its name suggests, was conceived as a way of giving all Americans base income as championed by libertarian economist and Nobel laureate Milton Friedman

— who saw it as a direct, transparent social program that would replace the perverse bureaucratic tangle that is the social safety net.

Mayors for a Guaranteed Income have no intention of replacing or dismantling anything, Lee said. He finds it particularly rich that the seed money for these pilot programs is coming out of the pockets of Silicon Valley tech titans who like the idea of experimenting with ways to reduce income inequality — at relatively little cost to them.

“If someone offers you a chance to increase entitlement spending at no cost to you, you’d be insane not to take the money,” Lee said. “It would be very different for those mayors to create this



**MAYORS FOR A
GUARANTEED
INCOME**

targeted entitlement and say, ‘Now, the rest of you are going to have to pay for it.’”

Michael Tanner, a social welfare policy specialist with the libertarian Cato Institute, said there is very little hard evidence that giving low-income people cash with no restrictions on spending or no work requirement achieves any of the goals of its supporters.

Progressive, socialist trials

Advocates lean almost entirely on the preliminary results of an unabashedly positive study by two social work professors of a pilot launched in 2018 in Stockton, California.

In 2018, Democrat Michael Tubbs, the first black mayor of Stockton, won a \$1 million grant from philanthropist Carol Tolan through the progressive nonprofit Economic Security Project for its initial experiment with guaranteed income. For 18 months, 125 low-income Stockton families received \$500 a month.

Tubbs extended the program for another six months, still drawing on private funds. But the threat that eventually the program would become a taxpayer burden became a key issue in his November 2020 reelection bid. Tubbs did not outlast his guaranteed income program.

A study released by the American Enterprise Institute in February strongly suggests that giving a monthly stipend to men who have been out of the labor force for an extended period of time will only provide added comfort

to their idle days.

The study of self-reports to the Bureau of Labor Statistics from 10,000 adults living on the current social services welter paints a picture of “anomie, alienation, or even despair in the daily lives of men entirely free from work in America today.”



Eberstadt

Nicholas Eberstadt, the Henry Wendt Chair in Political Economy at AEI and co-author of the study, said the mayors considering guaranteed income programs would do well to take his research as a warning.

“I think you would like to see what you’re paying for already and ask yourself, ‘Do you want to pay for more of this?’”

Eberstadt said. “Is this something you want to subsidize?”

The evidence suggests that some governments are saying yes. Last month, California became the first state in the country to offer a taxpayer-supported guaranteed income, \$35 million a year for checks of up to \$1,000 a month based on a variety of needs prioritized by the state government.

The New Mexico legislature is considering taking a \$400 monthly Mayors for a Guaranteed Income pilot program for Santa Fe statewide. The estimated annual cost for what is a true universal basic income is \$800 million.

And in May, Spain’s socialist government approved a guaranteed income of between \$540 and \$1,287 a month, depending on numbers of children and employment status, to 850,000 families. To help offset the \$3.5 billion annual bill, Spain will tax digital companies and stock transactions.

Eberstadt wonders, a bit pessimistically, whether the direct checks to Americans during the pandemic, in effect an \$870 billion pilot program for universal basic income, has changed the attitude of Americans toward redistribution of wealth.

Americans put up with stimulus checks because they came from a government that shut down their economy and took away millions of their jobs, Lee said. Taxpayers are going to think very differently when their mayors try to take money out of their pockets and give it to their neighbors, he said. ❖

Mark Lisher is managing editor of Diggings.

A frank conversation excerpted from the Badger Institute's podcast series, Free Exchange

Eloise
Anderson



Black *and* Conservative

Mike: I'm Mike Nichols, president of the Badger Institute, and this is our Badger Institute podcast, Free Exchange. *(You can subscribe to Free Exchange on Apple Podcasts, Stitcher, Spotify and wherever else podcasts are available.)*

Today, we're going to talk about a topic on which there's actually almost no free exchange in most places in America. We call this episode "Black and Conservative." A lot of Americans seem to think that's an oxymoron, actually, Black conservative. Not here in this room today.

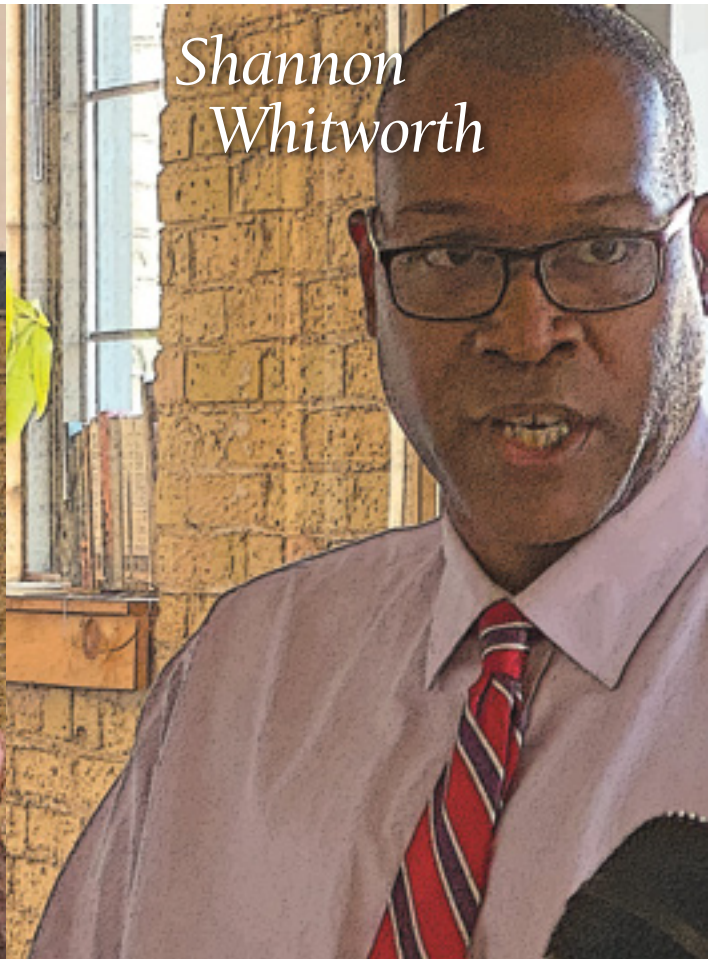
So, our guests are: **Cindy Werner**, who is the state ambassador for the Frederick Douglass Foundation of Wisconsin, who has also run for Congress in Milwaukee as a Republican; **Eloise Anderson** — who just before we got on the air

was accused of being both a maverick and a contrarian — former secretary of the Wisconsin Department of Children and Families under Scott Walker and a visiting fellow here at the Institute; and **Shannon Whitworth**, who is a Cedarburg resident, a lawyer, director of the Free Enterprise Academy at Milwaukee Lutheran High School.

Mike: (Eloise), you actually said to me at one point, "Skin color tells you nothing about a person," and I've been thinking that's a pretty radical statement. A lot of people don't believe that in America right now. They think skin color, regardless of whether it's white or black or any other color, tells you everything about a person. You don't believe that.



Cindy
Werner



Shannon
Whitworth

Eloise: No, I don't. My experience doesn't bear that out. My experience just is, well, you maybe cannot take as much sun as I can but, other than that, what does it tell you? It doesn't tell you what my values are. It doesn't tell you what I like to eat. It doesn't tell you where I'm from. It doesn't tell you where I'm going. What does it tell you?

Conservatism and independence

Mike: Can we just talk a little bit about what conservative means? It's just so hard to define nowadays.

Cindy: Well, to me, it means that I have independence. I can have that independent thought When I deal with pro-life, I do no exceptions. I have a son. He's an adult child now. We knew before he was born that there would be some complications. And we still chose, my husband and I (at the time) still chose to go ahead and have him, to deal with him. But he's been a joy because right after him were twins, so don't tell me God doesn't have a sense of humor.

Mike: I wonder, when you sit down and talk to members of the community about what you believe, whether or not you're often in sync with them until you say, "Hey, I'm conservative" or "I'm Republican."

Cindy: One of the examples I can give you is that I used to do a program called Women Off of Welfare. We would help them go from the rolls of welfare into the workforce. . . . And to talk to the ladies, and we would get them together to put out résumés so they could better their situation, and it wasn't until I was actually running for Congress that one of the ladies says, "Wait a minute, Miss Cindy. You're a Republican?" And I go, "Yes."

Mike: After you'd known her for a long time.

Cindy: Yes.

Mike: And talked to her about issues?

Cindy: Exactly, and the thing is that she would agree with

me. And so, she would tell me. She would say, “I never knew you were a Republican.” And she goes, “Because you’re so nice.”

Mike: [Laughter]

Cindy: And I think what the thing is that it’s a relationship. It’s a matter of building up those relationships, which we as Republicans have done a horrible job in doing.

Self-sabotage

Shannon: There’s a theory out there, which I personally believe to be true. And the first time I heard it articulated ... was when I was reading John McWhorter’s “Losing the Race: Self-Sabotage in Black America.”

I can’t remember who the person, whose theory this was, but what they posit is that a lot of Black people — in fact, most Black people — that you would talk to really are conservative. They have conservative thoughts and, politically, they are really on that side of the fence.

However, there’s a dual consciousness going on in that we are so emotionally invested in keeping white people on the hook for slavery that we will actually promote policies that are not in our self-interest, even to the point of self-sabotage. I tend to think that’s true.

The heist and hustle

Eloise: See, I think there’s a certain group of people who view the whole notion of keeping Black people tamed is of economic interest to them.

Shannon: Well, I think not only economic but political power.

Eloise: Well, political power gives them economic power because they can go and — I call it — heist corporations. They can go and heist the media. They can go and heist,

actually, the Democratic Party because the Democratic Party stays in power as long as you have these hustlers who hustle the Black community on the ground.

I think the problem that Blacks have — many Blacks, not all — is that we are convinced that we will lose the little we have if we get off this wagon and go over to the Republican side or even an independent place because they believe that everything they’ve gotten so far is not because of their effort. It’s because somebody gave them something. ... My belief is affirmative action created another weight on us in terms of it being our effort vs. somebody giving us something.

Cindy: What I see when I talk to the ladies that I worked with, taking them from the rolls of welfare into the workforce, it was that lack of confidence is what it was. It was the lack of confidence in being able to do things because the government has replaced the man in your life and the government has become your man, or the government has





Podcast images by Remso Martinez

become your God. ... So there are so many rights that are taken away from you because you need or because you use government assistance. And that was one of the things my mom always said was that this should never become a lifestyle. I think it's a matter of actually just building up that confidence and getting people to become more self-sufficient because, at one time, we were there.

Shannon: There are so many pernicious ways that I believe not necessarily liberalism but progressivism and the Democratic Party and government have (made) Black people feel less than. I almost use the analogy, nowadays most Black people are taught that the only way they can score a touchdown is to have all the referees remove all the other players from the field.

Infantilization

Shannon: The most fascinating thing, I think, about what is happening nowadays is that I'm seeing just blatantly

how many white people think that they have the absolute right to tell us exactly how we should think.

I remember playing a video in one of my classes last year — two years ago — where they were talking about the voter ID requirement, and they were on college campuses talking to students about voter ID requirements. And I was listening to these white kids talk about just how stupid they thought we were that we could not get a driver's license. And saying, "Well, I just don't think that they have the capacity, or maybe they don't have the way to do, you know, this sort of thing, trying to sound nice.

Watching my kids' jaws just drop until one of them said — he was a little bit younger — he's like, "Well, exactly how hard is it to get a driver's license?" And when I explained the process, he was dumbfounded. "You're telling me that I can't do this?"

Or Chelsea Handler when 50 Cent came out for (George W.) Bush, and she came up and literally said, "You know what? He is a Black man, and I'm going to call him. I'm going to tell him that he's a Black man and he needs to be voting a certain way."

And I sat there thinking to myself, "You know what? She couldn't have been more racist if she had walked down to a Planned Parenthood and made a donation in blackface."

But nobody called her on it because nowadays if you are on a certain side of the political fence, you can do anything you want with no accountability whatsoever.

Mike: You've used the term before of "it's infantilizing."

Shannon: Yes. Yes.

Mike: That has really stuck with me — in a prior conversation that we had.

Being American

Cindy: My backstory is this. My late husband was white, so my children are biracial. My grandchildren are biracial, except for one grandson. He's triracial. He has a grandma that's Asian, a grandma that's Black and a granddad that's white. So, how do you explain to these children that part of them is oppressors and part of them are being oppressed and one is being a victim?

It was just so sad to see where our country is getting to because when there's real racism — and there is racism in our country, but not to the point that every time you turn your head around the corner, racism is stalking. You know? So, it becomes nothing.

Eloise: I tell my grandkids who are also mixed, I tell them, “You're an American.”... Just forget all that other stuff. There is no hyphen here. It's just American, and I think that's where Black people have to get — I think the first thing for us to do is to get rid of the “African” piece and just say “American.” If we can do that, I think the road towards freedom is going to be one we can handle.

I think it's because we lost our history that we kept trying to find it. I think the best way to find it is to tell every Black kid, “We're going to have a genetics day. Go get your genetics done, and let's see where you're from. Then you go and adopt that country and know something about it.”

I was here when they started doing June 19th, and I know why it happened. It happened because we don't have a holiday, so we're going to do Juneteenth. And I said, “That's not when we got emancipated. We got emancipated on Jan. 1 (1863, when President Abraham Lincoln signed the Emancipation Proclamation).”

So, I think it's trying to recover something we'd lost, but we also need to move forward.

Critical race theory

Eloise: I think critical race theory is doing exactly the opposite of what it thought it was going to do. I think

what they thought they were going to be able to do was pit whites against Blacks, and that is not what's going on.

What they've done is to make Blacks (by and large) look at (it and say), “Do you really think I'm that stupid?”

Cindy: Mm-hmm.

Eloise: Remember, critical race theory comes out of critical theory. Critical theory comes out of the Frankfurt School. The Frankfurt School comes out of Germany, and it's all out of the whole socialist, communist, Marxist movement. ... If you read the Frankfurt School and you read the critical race theory stuff, it's the same stuff. It's just not class. It's race. Which has always been the Achilles' heel of this country.

The foot off the neck

Mike: Do you agree then that maybe America is at maybe a freeing moment for the Black community?

Cindy: Yes. Yes.

Eloise: I think it's not just a freeing moment for us. I think white people need to be freed from thinking they need to take care of us and that we don't have agency of our own. I think it will free them up.

Remember I told you that my grandfather said that when you put your foot on somebody's neck, they can't move, and neither can you. I think we're maybe at

the point where the feet are going to come off the neck, and my concern has always been whose foot is going to go on whose neck now.

Maybe we don't have any necks with feet on them. For a white American, they need to be forgiven and move on.

Shannon: The great Black abolitionist Frederick Douglass has a great essay, “What Shall We Do with the Negro?”

Cindy: Mm-hmm.

Shannon: He starts it off by saying, “People come to me and say, after liberation, ‘What shall we do with the Negro?’ and my answer is, ‘Do nothing with us.’ Your doing has already done the mischief with us.” ❏





An infrastructure Trojan horse

Inside a \$1.2 trillion bill, state Republicans say, is a progressive spending dream list

By Johnny Kampis

As a \$1.2 trillion infrastructure bill moved toward a possible House vote, Republican leadership in Wisconsin seethed over the amount and the kind of pork stuffed into it.

The Biden administration and its allies in Congress “have stretched the definition of infrastructure beyond recognition in their attempt to justify trillions of dollars in new spending,” state Sen. Duey Stroebel (R-Saukville) told the Badger Institute in an email.

As our magazine went to print, the infrastructure bill was knotted up in Congress. Senate Majority Leader Chuck Schumer, D-N.Y., said he hoped to get the bill and another \$3.5 trillion spending bill passed by the end of October.

U.S. Sen. Ron Johnson (R-Wis.), one of the 30 “no votes” when the Senate passed the Infrastructure Investment and Jobs Act in August, says he initially voted for the CARES Act 18 months ago, calculating that about \$700 billion was going to be spent on infrastructure.

Johnson criticized his 19 Republican colleagues who didn’t recognize that and voted for another round of so-called infrastructure spending. “That should have been the Republican position,” he said. “We shouldn’t be signing up to the Green New Deal, Part I.”

State Republicans are particularly piqued that despite razor-thin majorities in the House and Senate, Democrats have yoked the infrastructure bill to a \$3.5 trillion budget bill that includes still more infrastructure. —>

National Review called it “preposterous” that the Biden administration could consider imposing seven-and-a-half times more in COVID-19 relief than the Obama administration spent with the American Recovery and Reinvestment Act while the international economy flirted with collapse in 2009.

More than that, as *The Wall Street Journal* editorial board pointed out in September, “the Democratic (budget) bill would fundamentally alter the relationship between government and individual Americans. Entitlements, once created, will be all but impossible to repeal. Even if they start small, they will inexorably expand.”

Even as the vote approached, the left continued to redefine infrastructure. David Kieve, director of public engagement for the White House Council on Environmental Quality, explained at a virtual event sponsored by news aggregator WisPolitics.com that infrastructure included programs designed to reduce the nation’s carbon footprint such as public transit projects and green energy jobs.

Progressive U.S. Sen. Kirsten Gillibrand (D-N.Y.) drew fire in April for her notorious definition. “Paid leave is infrastructure. Childcare is infrastructure. Caregiving is infrastructure,” Gillibrand tweeted.

A recent *Boston Globe* op-ed has Democrats dividing “hard infrastructure” such as roads and bridges and a newfangled “soft, or social, infrastructure” that includes all sorts of social spending.

Infrastructure, yes; social uplift, no

Scott Niederjohn, director of the Concordia Center for Free Enterprise, told the Badger Institute that the infrastructure bill seems to be potentially wasteful. Even some moderate Democrats believe the bill is too big, risking the enmity of their progressive colleagues, he says.

“I think I and most economists can support the bill if it is spent on actual physical infrastructure that Wisconsin needs and that leads to productivity gains for Wisconsin’s businesses,” Niederjohn says. However, much of what’s

in the legislation, he says, appears to be “ideologically driven spending and handouts meant to satisfy the Democrats’ interest groups.”

Even the hard left-tilting *New York Times* described the bill “as if President Franklin D. Roosevelt had stuffed his entire New Deal into a piece of legislation.”

“They haven’t spent all of the prior COVID-19 relief package,” Niederjohn says. “Maybe we should wait and see what is done with that.

From preliminary estimates of the infrastructure state breakdowns, Wisconsin is expected to receive \$5.2 billion to improve its roads and \$225 million to replace bridges. Another \$592 million is earmarked to improve public transportation and another \$79 million for electric vehicle charging stations.

Although at least other COVID bailout bills have included funding for rural broadband in Wisconsin, the state would get another

\$100 million from the infrastructure bill for broadband.

Much of the reasoning for at least some of the infrastructure spending for the state is based on an American Society of Civil Engineers 2020 report card for all 50 states. Wisconsin got a C.

“Much of Wisconsin’s infrastructure requires capacity or maintenance upgrades or is reaching the end of its expected lifespan,” the ASCE said in the report. “The energy grid, transportation systems, sewers and drinking water systems of decades ago need upgrading to better prepare for security threats, larger storm events, increased use of renewable fuels and a changing population.”

The Biden administration considerably broadened the definition of its “historic investment in our nation’s infrastructure” for its Wisconsin fact sheet for the American Jobs Plan to include child care and clean energy job creation.



Progressive advocates for the infrastructure bill have distorted the word’s meaning to include spending for treasured social programs like federally funded parental maternity leave and child care.



Niederjohn



Local officials in Green Bay have fought for years over how to pay for a major lift repair on the Ray Nitschke Memorial Bridge, one of hundreds of bridges in the state that could be eligible for some part of the \$1.2 trillion infrastructure bill currently tied up in Congress.

Lessons of the Obama bailout

Stroebel told the Badger Institute that taxpayers have only to look at the Obama administration's American Recovery and Reinvestment Act to understand what can go wrong with a bill that includes nearly \$400 billion more federal spending.

Even real infrastructure projects are going to be hamstrung by endless federal regulation, such as the prevailing wage requirements in the Davis-Bacon Act and federally mandated project labor agreements, Stroebel says. And then there are the "Buy American" procurement requirements and the protracted environmental review process, he says.

"As a result, the United States has fallen behind many other developed countries when it comes to the time and cost associated with the completion of infrastructure projects," he says.

Stroebel is also deeply suspicious of the Biden administration's estimated 250,000 new jobs created by all of this federal spending in Wisconsin. "The purported 'multiplier effect' of profligate government spending is outweighed by the crowding out of the private sector, which is why these rosy economic projections fail to materialize," he says.



State Sen. Chris Kapenga (R-Delafield) agrees that the jobs created by the infrastructure bill will, inevitably, siphon employment away from the private sector. "Everybody is already scrambling to find employees, and this is just going to make it worse. The only infrastructure this is laying is infrastructure for their liberal policies. It's such a joke," he says.

The Legislature has worked hard to get on top of major projects, and costs for smaller projects and regular road resurfacing needs are now baked into the state budget, Kapenga says.

The federal spending plan offers not one specific infrastructure project or any priorities for Wisconsin or any other state. "I'd love to see a list of projects that are actually necessary. I'm not sure what they're going to do other than rebuild the bridges we've already rebuilt," he says.

Should the \$1.2 trillion bill pass in the House, Stroebel says, you can be sure that "Regardless of the share of the proposed spending that is financed by massive tax increases or tacked onto the national debt, current and future taxpayers across the country will be worse off as a result." ❏

Johnny Kampis is a freelance writer who has been published on Fox News, in The New York Times and Time and serves on the Federal Communications Commission's consumer advisory committee.

An assault on



free speech

Young conservatives fear and loathe cancel culture

By Remso Martinez

Young conservatives in Wisconsin say the threat of being ostracized or losing their jobs over their political ideas is very real to them.

In the soul-searching that followed the defeat of Donald Trump in the 2020 election, attention turned to young Republican voters in an effort to plot the direction of the party. When the Badger Institute recently went out to talk to those voters about the health of conservative ideas, we found that people were incredibly skeptical. Some refused to speak; others wanted anonymity. All were worried about being “canceled” by a culture intolerant of their beliefs.

And why not when so many of the targets are successful and influential: Tucker Carlson, the conservative populist with a huge audience on Fox News; Wisconsin Sen. Ron Johnson, whose fiscal conservatism is regularly twisted and pilloried; and J.K. Rowling, creator of the “Harry Potter” empire, for challenging the transgender rights movement.

As of this writing, rapper Nicki Minaj, hardly a conservative gadfly, faces a full-on cancel siege for posting on Twitter skeptical — and questionable — opinions about COVID-19 vaccines.

Livelihoods threatened

Young conservatives just getting started in their careers in a deeply polarized Badger State don’t have the leverage of Minaj’s global social media following or her \$100 million net worth to give a middle finger to progressive

cancel culture.

Questioning or opposing the new federally imposed COVID-19 vaccine mandates for businesses, advocating for expanded school choice, opposing critical race theory, proselytizing or defending free speech in public elicits derision from the mainstream media, on campus and most recently from corporations hoping to benefit from “woke” posturing.



Walker

Eric Brooks, a Twitter personality popular among politically active young conservatives in Wisconsin, was one of the few people approached by the Badger Institute willing to talk on the record.

“The suppression of free speech, especially through threats and coercion” has conservatives worried, says Brooks, 27, a former educator who has done grassroots work for Americans for Prosperity, Wisconsin Young Republicans and Concerned Veterans for America.

“Many people feel that their employment and livelihoods could be threatened because of their beliefs — it goes beyond just being ‘canceled’ on social media,” Brooks says.

Former Gov. Scott Walker recognized the gravity of the threat when he accepted the presidency of Young America’s Foundation in February. The nonprofit partner of Young Americans for Freedom supports student groups on roughly 2,000 campuses on an annual budget of about \$30 million.

In March, Walker announced “The Long Game,” an initiative to move beyond college campuses to reintroduce →



ideas of free individuals, free enterprise and traditional values.

“Free speech is under attack from Big Tech censorship, leftist radicalism and a culture of fear and intimidation,” Walker said at the time. “Conservatives are shamed into silence for fear of social stigma and even economic ruin.”

“We have to start with junior high and pre-teens, because that’s where the left is getting its foothold,” he said.

Brooks says, “When I was working in education, I would be very quiet about my political views. If I did speak up, I would usually have to be more of a centrist or pretend not to be as involved as I am.”

Don’t suffer in silence

Corrie Christiaansen, of Muskego, an associate researcher for the nonprofit group 2ndVote, goes out of her way to avoid the personal attacks and name-calling that are a regular feature of many Facebook and Twitter groups.

“Conservatives,” she says, “tend to stay in a clique and not reach out to those in other areas. “In general, I speak moderately and save my most disputed political beliefs for specifically conservative private Facebook groups or on Twitter. Since my conservative beliefs are connected with my personal faith life, people have been mostly respectful to me as long as I don’t use comment sections to argue or name-call like others do.”



Christiaansen

However, Christiaansen makes her living at the Hendersonville, Tennessee-based nonprofit whose mission is to identify and oppose companies and organizations that use their clout to undermine or attack traditional American values.

“We (young conservatives) cannot be afraid to be in uncomfortable places meeting new people,” she says. “We cannot be afraid to serve others in our communities, especially those outside who we already agree with.”

Rachel, a 30-year-old health care worker who asked that we not use her last name for fear of reprisal, is a member of several politically oriented organizations including Amer-

“Many people feel that their employment and livelihoods could be threatened because of their beliefs — it goes beyond just being ‘canceled’ on social media.”

— Eric Brooks,
popular conservative
Twitter personality

ica’s Future and the Policy Circle but will not risk the exposure on social media. “I don’t post about politics online as a rule,” she says.

Those willing to share their views with us agreed that at the root of the problem was a fundamental difference in the understanding of free speech between conservatives and those who identify as progressive.

The ultra-progressive Black Lives Matter movement, for example, has as one of its mantras the slogan “speech is violence.” Meaning, any speech contrary to that of Black Lives Matter adherents.

“I don’t believe speech is violence,” says Benjamin Garbedian, a 20-year-old Carroll University student and a mem-

ber of Wisconsin Young Republicans. “I’m of the mindset that more speech is almost always a good thing, even if I disagree with the speech. From what I’ve seen, modern progressives seem to take the opposite view.” (Garbedian is a former Badger Institute intern.)

Progressives downplay cancel culture, Brooks says, because “they are largely the same people who get to decide which speech is considered problematic,” and that speech, not surprisingly, is largely that of conservatives.

“Freedom of speech shouldn’t be a partisan issue,” Brooks says, “but it is largely people on the left who claim, ‘speech is violence,’ which leads to this environment.”

As toxic as the environment can be on Facebook and Twitter and despite conservative-centric alternatives like Parler or Gettr, the young conservatives we spoke with believe important battles will be lost by withdrawing.

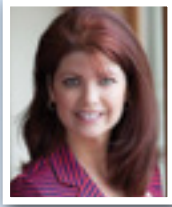
“How can I learn or make a difference if the only people I connect with believe the same things I do?” Christiaansen asks.

Brooks has resisted joining any of the conservative alternatives and thinks that more engagement on social media will send a strong message to both young conservatives and young people blocked by cancel culture on what conservatives are all about.

“I think we need to create a culture that is more welcoming to young people,” he says. ❏

Remso Martinez is the Badger Institute’s digital marketing manager.

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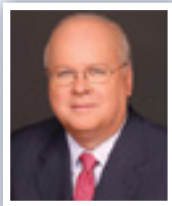


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