Attacks on basic American freedoms are occurring at such a fierce pace and in such disparate arenas that it is easy to lose sight of the bigger picture. But with a little effort, we can connect the dots.

Strange Priorities
In his State of the Union address last year, President Barack Obama said his
top priorities were overhauling immigration laws, passing new gun-control legislation, expanding early childhood education, and raising the minimum wage. Really?

Illegal immigration is down dramatically since the Great Recession started. Gun-control laws don’t reduce crime, but armed citizens do. Early childhood education programs don’t produce benefits that last more than a year or two. And only 6 percent of the population is paid the minimum wage, and the overwhelming majority move quickly to better-paying jobs.

So ... why these priorities? Why not propose pro-jobs policies like removing unnecessary regulations and taxes (like the highest corporate income taxes in the world) to improve the business climate, so that the “jobless recovery” becomes a real recovery that creates new jobs and opportunities for advancement for millions of Americans?

Why not support pro-consumer health care reform, like replacing the tax exclusion for employer-provided health insurance with an individual tax credit that rewards people for being smart consumers of health care services? That would lower the cost of health care without rationing and without erecting a massive bureaucracy.

Why not propose pro-energy policies like extending the Keystone Pipeline, removing obstacles to exploration and fracking on public lands, and repealing ethanol mandates?

Why not push for pro-parent school reforms like vouchers and tax credits? Such programs are known to improve student achievement, retention and graduation rates, and success in college, and they close the achievement gap between minority and white students.

Head Fakes and Real Objectives

If the Obama administration wanted to end the recession, make health care more affordable, protect the environment, or improve K-12 education, its policies in these arenas would be much different. Since it can’t defend its policies, it offers head fakes instead, inviting its critics to dive down rabbit holes of bad ideas that don’t matter or have no chance of being adopted.

What is the Obama administration’s real agenda? What is the hidden architecture of what it is actually doing, rather than what its spokespeople and allies say it wants to do?

Obama and the folks around him are trying to create a new economy that looks a lot like the one liberals in the 1960s and 1970s imagined: lots of central planning, income redistribution, the illusion of world peace, and windmills. Achieving this transformation requires destroying existing institutions in finance, health care, energy, and education.

The stated goals of “financial reform,” “health care reform,” and so on are designed to hide real objectives and effects.

Dodd-Frank and QE

In this new economy, big banks and financial institutions are controlled by politicians to steer investments to favored industries and individuals. Some (e.g., J.P. Morgan) are kept alive and profitable to be milked later for massive amounts of cash to finance income redistribution schemes to satiate true believers and provide theater to low-information voters.

Implementation of Dodd-Frank is the real behind-the-scenes story. It is systematically destroying small banks and independent traders. Quantitative easing (QE) – monthly purchases by the Federal Reserve Bank of government and mortgage bonds – is also part of the real story. It is being used to fuel a credit-driven economic recovery at the expense of a stable currency and low rates of inflation and unemployment.

Dodd-Frank and QE are destroying equity markets and the price system, the foundation of a free-enterprise system. They are creating a vacuum to be filled by government planners who have been proven over and over to be incapable of directing capital to its best and highest use.

Obamacare, Global Warming, and Common Core

The purpose of Obamacare isn’t to reduce spending or even expand insurance coverage, as all experts confirm it will do neither. Instead, it is to destroy the private insurance industry, leave a few huge corporate hospital
conglomerates standing, and then to plunder them for contributions and special favors.

Same with energy. Obama and his allies in the environmental movement are using the global warming scare to destroy the coal, oil, and gas industries and prop up wind, solar, and ethanol producers. Then it plans to milk those industries, which are highly dependent on subsidies and government mandates, for campaign contributions and insider profit opportunities (e.g., Al Gore).

Never mind that the science of the global warming scare has been debunked and that these “alternative” energy sources are much more expensive, unreliable, and environmentally damaging than fossil fuels. The object isn’t to protect the environment, it’s to destroy an industry that stands in the way of the new economy.

Same with education. Federal law prohibits the national government from imposing a national curriculum on public elementary and secondary schools, but this is exactly what Common Core state standards are. Their object isn’t to improve learning – many critics point out the new standards often are lower than the state standards they have replaced – but to put leftists in charge of what is taught in public and even private schools.

As the Russian communist Vladimir Lenin once said, “Give me four years to teach the children, and the seed I have sown will never be uprooted.” Do you think Obama’s allies on the left are unfamiliar with this quotation?

Share the Burden
In his 1954 autobiography titled Invisible Writing, Arthur Koestler described a trip he took across the Soviet Union during 1938–39 sponsored by the Communist Party. He was being paid to produce a propaganda book about the new Utopia being built there, but everywhere he looked was evidence of massive starvation, power outages, and huge migrations of starving peasants to impoverished cities.

According to Koestler, every city had two newspapers, one published by the government and the other by the Communist Party. Both were filled with stories of factories and collectives “exceeding their quotas” and making amazing progress toward the goals of the latest Five-Year Plan. Koestler admits to being blind to what was right in front of his eyes. He was conditioned by official propaganda to believe things were even worse before the Revolution, that only counter-revolutionaries were starving, that progress was being made, that ordinarily folks wouldn’t understand that sacrifices were necessary, so these stories shouldn’t be told.

It’s difficult not to draw a parallel to the situation here in the U.S. today. The national government and its sycophants in the mainstream media tell us everything is going great, but the truth apparent all around us is nearly exactly the opposite.

We don’t need to follow the Obama administration and the left down the path to what Ronald Reagan so accurately called “the ant-hill of socialism.” We can search for and report the truth, talk to our friends and neighbors, and make sure they know what is at stake in November.

It’s a heavy lift, but with everyone helping, the burden isn’t too great.

Joseph Bast (jbast@heartland.org) is president of The Heartland Institute.
By the Numbers

During the fourth quarter of 2013, The Heartland Institute ...  
▶ mailed 3,000 copies of Climate Change Reconsidered II: Physical Science.  
▶ released 33 Research & Commentaries, one Policy Study, one Policy Brief, and one Policy Tip Sheet.  
▶ contacted elected officials 251,792 times, including 4,072 one-on-one contacts by phone, email, or in person.  
▶ generated at least 138 broadcast and print media hits reaching more than 14.2 million subscribers and 626 online hits.  
▶ added 48 interviews to podcasts, attracting 232,464 listeners.  
▶ spoke at 17 events reaching 1,472 people.  
▶ attended and distributed literature at meetings of state elected officials, conservative political activists, and Tea Party activists in a dozen states.

Consumers for Health Care Choices  
▶ We released two Research & Commentaries and 11 issues of the weekly Consumer Power Report e-newsletter.  
▶ Senior Fellow Richard Dolinar, MD, addressed five audiences – including a meeting of the World Health Organization in Geneva, Switzerland – on the topic of biosimilar drugs.  
▶ The government relations team logged 665 personal and 45,776 group contacts for a total of 46,441 contacts with legislators on health care issues.  
▶ Nine interviews were added to the Health Care News podcast series, attracting 41,038 listeners. We generated at least 25 broadcast media hits on specifically on health care issues and 16 online hits.

Center on Climate and Environment Policy  
▶ We released three print and digital issues of Environment & Climate News, nine issues of Climate Change Weekly, and 12 issues of the NIPCC Update e-newsletter.  
▶ A Policy Study, Policy Brief, Policy Tip Sheet, and nine Research & Commentaries were produced on energy and environment issues.  
▶ We generated at least 58 broadcast and print media hits on environmental issues reaching more than 10.1 million subscribers and 475 online hits. Six new episodes of the Environment & Climate News podcast attracted 34,110 listeners.  
▶ Heartland spokespersons made 11 presentations on energy and environment issues, reaching a total audience of 1,217 people.  
▶ Heartland’s government relations team logged 1,164 personal and 81,570 group contacts for a total of 82,734 contacts with legislators on environment and climate issues.

Center for Transforming Education  
▶ We published three issues of School Reform News and three Research & Commentaries.  
▶ We released 13 issues of School Choice Weekly, our weekly education e-newsletter.  
▶ The government relations team logged 675 personal and 12,539 group contacts for a total of 13,214 contacts with legislators on education issues.  
▶ We generated at least 58 broadcast and print media hits reaching nearly 1.4 million subscribers and 475 online hits. Twelve interviews were added to the podcast series, attracting 18,952 listeners.
Center on Budgets and Taxes
► Heartland personnel appeared in several large-market and national broadcasts, including The Blaze TV’s “Real News” (twice), “All In with Chris Hayes” on MSNBC (four times), “Hannity” on the Fox News Channel, Background Radio (Washington Post) in Washington, DC, National Public Radio, and the Chicago ABC affiliate (ABC 7).
► We published two issues of Budget & Tax News and nine Research & Commentaries.
► The government relations team logged 973 personal and 47,208 group contacts for a total of 48,181 contacts with legislators on budget and tax issues.
► We generated at least 21 broadcast and print media hits reaching more than 1 million subscribers and 60 online hits. Fourteen new podcasts attracted 40,400 listeners.

Center on the Digital Economy
► Twenty stories appeared in the Tech section of the Heartlander digital magazine and we produced five Research & Commentaries.
► Heartland’s blog, Somewhat Reasonable, featured 24 entries about telecommunications and technology policy from six different authors.
► Three new episodes of the InfoTech & Telecom News podcast, now part of the Heartland Daily Podcast, were produced.
► The government relations team logged 124 personal and 41,954 group contacts for a total of 42,078 contacts with legislators on digital economy issues.

Center on Finance, Insurance, and Real Estate
► We published three issues of FIRE Policy News, and printed and mailed the October issue to more than 12,000 policymakers and opinion leaders.
► We released five Research & Commentaries.
► The government relations team logged 101 personal and 18,673 group contacts for a total of 18,774 contacts with legislators on finance, insurance, and real estate issues.
► Four interviews were added to the FIRE Policy News podcast series, attracting 28,463 listeners.

R.I.P., LeRoy Bast
LeRoy Bast, father of Heartland Institute President Joseph Bast, passed away on January 1 at the age of 82 after a brief hospitalization. “No son could ask for a kinder father or better role model,” Joe writes.

Heartland Vital Signs

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<td><img src="image2" alt="Graph showing Facebook fans from December 2013 to December 2014" /></td>
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- **Twitter**: 8,622 Twitter followers (December 2014)
- **Facebook**: 63,135 Facebook fans (December 2014)
Consumers for Health Care Choices

Obamacare Train Wreck

Defenders of the Affordable Care Act (a.k.a. Obamacare) said it would bring about a new era of improved insurance coverage, lower premium prices, and a better health care experience for Americans of all walks of life. Instead, its launch at the end of 2013 was a massive train wreck, millions of people have lost their private insurance coverage, and premiums are rising.

Critics of Obamacare, including The Heartland Institute’s senior fellows and spokespersons, predicted this during the Congressional debate prior to the law’s passage in 2010 and every year since then. So the nation’s media came to us for reactions on the law’s latest problems. Senior Fellow Benjamin Domenech appeared on Fox News, MSNBC, National Public Radio, and a number of other outlets.

We issued news releases offering expert reactions to the decisions to delay enforcement of Obamacare mandates and to HHS Secretary Kathleen Sebelius’s testimony to the House of Representatives. Health Care News and Consumer Power Report detailed how the law made the state exchanges just as disastrous in some instances as the federal implementation, despite the states’ best efforts.

Privacy, Fraud, and Access to Drugs

In an October Research & Commentary sent to legislators, Senior Policy Analyst Matthew Glans highlighted Obamacare’s numerous privacy and fraud risks. Policy Advisors Merrill Matthews and Sean Parnell in December publicized the other options still available for Americans frustrated by the challenges of the health care law.

In a December issue of Consumer Power Report, Domenech explained how the exchange structure prevents the offering of key medications or requires patients to pay as much as 50 percent of the cost per prescription in coinsurance, which in some cases works out to more than $1,000 a month. The problem affects drugs used to treat cancer, multiple sclerosis, rheumatoid arthritis, and autoimmune diseases. It is another example of the ways Obamacare offers worse coverage and reduces access to care.

Opposing Medicaid Expansion

Heartland fellows and staff continued to oppose expansion of Medicaid, which has been expanded under Obamacare in 25 states so far. Two critical states for expansion battles in the coming year are Ohio, where Republican Gov. John Kasich is in favor of expansion, and Virginia, where incoming Democratic Gov. Terry McAuliffe has said he will force expansion through no matter what legal barriers arise.

Policy Advisor Avik Roy has been a leading voice on the pitfalls of Medicaid expansion. In Consumer Power Report and a series of Research & Commentary reports, Heartland staff detailed how state Medicaid programs fail to serve the constituencies they are designed to help, making them poor candidates for expansion.

In remarks to a meeting of several members of Congress in November, Domenech outlined the need for broader Medicaid reform to address the failings of the current system, beyond simply block-granting the program to the states. As fiscal pressure continues to grow on state budgets saddled with rising Medicaid costs, the opportunity for major re-
form of this program will present itself, and Heartland’s longtime work on the issue will continue to receive attention.

Save Medicare Part D
Liberal advocacy groups continue their campaign to impose taxes and price controls on drugs offered to seniors under Medicare Part D, despite that program’s remarkable success at extending prescription drug coverage at affordable prices. Heartland is fighting back with research and commentary and a Web site at http://savemedicarepartd.com.

In the fourth quarter we expanded the Web site’s coverage of the issue by adding more than a dozen pieces of new research, including “Ten Years On, Obamacare Advocates Can Learn from Medicare Part D’s Success,” by Rep. Peter Roskam (R-IL); “Medicare Part D: Good for Chicago Economy,” by Bob Robinson; “Don’t Impose Drug Rebates on Medicare Part D,” by Douglas Holtz-Eakin; and “If You Like Your Drugs, Can You Keep Them?” by Domenech.

Health Care News
No Longer Monthly
Health Care News, a familiar visitor to the mailboxes of thousands of elected officials and opinion leaders for 14 years, went all-digital in 2013. Monthly issues of the publication were still available online in PDF format and sent for free to subscribers, and new articles were posted continuously at news.heartland.org. They also could be read in the “news” box in our health care issue suite at www.heartland.org/issues/health-care.

We’ve now decided to stop producing the monthly compilation of articles. The pace of the national health care debate is simply too fast for a monthly print publication and virtually everyone is now able to access information online. Domenech continues to produce Consumer Power Report, a weekly e-newsletter presenting his views along with links to and summaries of the best research and commentary from around the Web. To view past and current issues, go to http://news.heartland.org/consumer-power-report. For a free subscription, go to http://heartland.org/subscribe.
Renewable power is less efficient and substantially more expensive than its conventional counterparts, as documented by government reports and peer-reviewed economic studies. Nevertheless, 30 states have laws requiring utilities to derive a specific percentage of electricity generation from renewable sources. Called Renewable Portfolio Standards (RPS), these laws were adopted during the height of the “global warming” scare.

The Heartland Institute, working closely with state allies, has been calling on legislators to reconsider RPS laws in light of new science and information about their significant costs to consumers.

In December, Senior Fellow James M. Taylor analyzed and compiled U.S. Energy Information Administration data for Kansas electricity prices before and after the state imposed its RPS. The analysis found Kansas electricity prices, which were previously well below the national average, rose approximately eight times faster than the national average after the law was implemented in 2009.

The analysis documented how the rapid price increases are imposing real financial hardship on Kansas consumers. Had electricity price increases in Kansas matched the national average since 2009, the state’s electricity consumers would have saved $557 million in electricity costs. The average Kansas household has paid an extra $506 in electricity costs (nearly $130 per household per year) above what it would have paid if the state’s electricity price increases rose merely at the national average.

Taylor and Heartland are producing similar analyses for other states.

Ending the Ethanol and Biofuel Racket

Ethanol and other biofuels remain substantially more expensive than gasoline despite the promises of renewable fuels advocates. Ethanol delivers fewer miles per dollar while being more damaging to fuel systems and auto parts than gasoline. Nevertheless, the federal government and many state governments heavily subsidize ethanol and other biofuels and require consumers to purchase billions of gallons of these expensive products.

The U.S. Environmental Protection Agency now proposes raising the amount of ethanol blended into gasoline from 10 percent to 15 percent (E10 to E15). On December 6 Heartland published a new Research & Commentary examining E15 in Ohio. Policy Analyst Taylor Smith sent the R&C to Ohio legislative staffers and more than 300 energy and environment allies. Smith wrote, in part, “A proactive solution to the problems caused by E10 and E15 would be further reductions in the federal ethanol mandate, culminating in its total elimination. If blended fuels have any economic and environmental merit, competition and consumer choice will recognize it much faster and more accurately than any government institution can do.”

Also in December, Environment & Climate News published an in-depth article documenting unique and severe environmental damage caused by ethanol. Ethanol production requires heavy water withdrawals from dwindling freshwater aquifers, requires the development of millions of acres of land that otherwise would remain in a natural condition, and causes net increases in air pollution versus gasoline.

The popular Web site Human Events asked for and received permission to reprint the En...
article, spreading word of ethanol and other biofuels shortcomings and the work of The Heartland Institute to an even wider audience.

Destroying the Consensus Myth
The Bulletin of the American Meteorological Society published a survey of American Meteorological Society members on global warming topics, along with a paper by the survey authors interpreting the results. The lead author, a sociologist working for a global warming activist group, stated in his paper the survey showed political ideology motivates scientists who do not believe humans are causing a global warming crisis. The media amplified this message, creating a news cycle of stories attempting to undermine skeptical scientists.

The Heartland Institute widely distributed by email a brief announcement of the AMS report pointing out three things the AMS and its sycophants in the mainstream media had tried to hide: That only 52 percent of AMS members who responded to the survey believe the warming of the past 150 years was man-made; that members who self-describe as being liberals are far more likely than other members to believe this; and since 76 percent of those who say they believe in man-made global warming also believe it is “very harmful” or “somewhat harmful,” we can estimate that only 39.5 percent of respondents believe man-made global warming is dangerous. That is somewhat less than a “consensus.”

The result was a swift and frantic reaction from the executive director of AMS objecting to our message, though not disputing any of the facts we cited. The AMS kindly distributed its reaction to our post to all AMS members, something we couldn’t have done ourselves, so we are grateful!

We effectively turned a propaganda piece by some global warming alarmists into a way to call attention to the lack of consensus in the science community. Whenever global warming activists claim 97 percent of scientists agree humans are causing a global warming crisis, realists can now point to this survey of more than 1,800 atmospheric scientists showing no such consensus exists.

Performance Highlights

- Three print and digital issues of Environment & Climate News (November and December 2013 and January 2014) were released. We also released nine issues of Climate Change Weekly and 12 issues of the NIPCC Update e-newsletter.
- Two Policy Briefs, one Policy Tip Sheet, and nine Research & Commentaries were produced on energy and environment issues, addressing climate change (7), renewable energy mandates, ethanol, hydraulic fracturing, the private management of public parks, and coal power.
- We generated at least 58 broadcast and print media hits specifically on environmental issues reaching more than 10.1 million subscribers and 475 online hits.
- Six new episodes of the Environment & Climate News podcast were produced, attracting 34,110 listeners.
- Heartland spokespersons made 11 presentations on energy and environment issues, reaching a total audience of 1,217 people.
- Heartland’s government relations team logged 1,164 personal and 81,570 group contacts for a total of 82,734 contacts with legislators on environment and climate issues.

“… only 52 percent of AMS members who responded to the survey believe the warming of the past 150 years was man-made…”
Common Core education standards are the latest effort by governments to exert control over K–12 education, which is why The Heartland Institute is on the front lines of the effort to oppose their implementation. So far, 18 states have taken action (including bills, executive orders, and school board votes) to repeal or reconsider Common Core and eight states have pulled out from Common Core tests, though only Indiana has passed a law.

Lawmakers from Arizona, South Dakota, and Wisconsin requested multiple copies of our Common Core: A Bad Choice for America booklet. Research Fellow Joy Pullmann and Senior Fellow Robert Holland wrote extensively on the issue. On December 13, for example, the Washington Post published a letter to the editor by Holland, who wrote, “Perhaps parents understand that [Education Secretary Arne] Duncan is not the national school superintendent and that control of basic school policy still rightfully resides with states and the people under the 10th Amendment to the Constitution. The real concern should be what will happen to local control if states go all-in on Common Core.”

Pullmann gave an overview of Common Core for lawmakers in Kansas assembled at the state GOP retreat. A Tennessee lawmaker and his assistant traveled to Pullmann’s hometown to discuss Common Core over breakfast in October. Lawmakers in both states plan Common Core repeal legislation.

In December, Pullmann worked with Iowa lawmakers and legislative staff on Common Core and student privacy issues. On December 27, she was asked by a West Virginia state lawmaker what states had good bills that would repeal Common Core and protect student privacy.

Expanding School Choice
While we play defense in the battle over Common Core standards, we are playing offense by supporting the expansion of school choice in states across the nation. School choice rewards innovation, empowers parents, and benefits students.

Now in its third year, Indiana’s school voucher program has grown to be the third largest in the nation, doubling in size to 20,000 students. Enrollment in Louisiana’s statewide voucher program has increased 38 percent since it was launched in 2012–13. Iowa school choice advocates are working to expand the state’s tax-credit scholarships and develop education savings accounts (ESAs) in the 2014 legislative session.

Missourians are gathering signatures to put a school choice proposal on the November 2014 ballot. If they collect enough, voters will be able to choose whether to approve a 50 per-

Performance Highlights

- We published November, December, and January issues of School Reform News as well as Research & Commentaries addressing education technology, seat time, and scholarship tax credits.
- We released 13 issues of School Choice Weekly, our weekly education e-newsletter.
- The government relations team logged 675 personal and 12,539 group contacts for a total of 13,214 contacts with legislators on education issues.
- We generated at least 58 broadcast and print media hits reaching nearly 1.4 million subscribers and 475 online hits.
- Twelve interviews were added to the School Reform News podcast series, attracting 18,952 listeners.
cent tax credit for individuals and businesses that donate to nonprofit organizations that issue K–12 scholarships or fund public school programs.

Heartland released a Research & Commentary on tuition tax credits and participated in a meeting of charter and private school advocates to discuss model legislation that would level the playing field between private and charter schools, enabling both to flourish.

Digital Learning
Digital learning – sometimes called distance learning – can revolutionize K–12 education by allowing more personal instruction. But teachers unions and the education establishment often oppose digital learning for fear it will expose the inefficiencies of the current system.

In November, Pullmann wrote a Research & Commentary on education and technology and produced a podcast featuring historian Victor Davis Hanson describing his new online academy offering lectures on history, government, and Western civilization.

In December, Heartland released a Research & Commentary by Kellie Slappey on one obstacle to the spread of digital learning: laws requiring that students devote a certain number of hours to classroom instruction in order to pass to the next grade or to graduate. Recognizing that these “seat time” policies stand in the way of innovation, 36 states now give districts and schools the autonomy to grant students academic credit based on academic proficiency instead of the amount of time spent in a classroom.

Government Preschool Programs
The Obama Administration, perhaps to divert public attention from the controversy over Common Core standards and the spread of school choice, is proposing big increases in federal funding of preschool programs. But in a lengthy November essay, Pullmann examined government preschool programs and concluded they were “like treating cancer with a Band-Aid.” “With the ongoing Obamacare disaster, Democrats are looking to pivot to yet another issue they hope will be better received,” Pullmann writes, “but no amount of politicians waving smiling pictures of underprivileged tots can hide the waste of money and human wreckage created by poorly designed federal preschool programs.”

On December 9, Pullmann received positive feedback from Illinois lawmakers for her letter to the editor in the Chicago Tribune regarding the role of families in education. She wrote, “A central component of any plan to improve the lives of impoverished children must be attention to their families. Local, state, and federal governments can and should do many things to encourage this ideal situation for children. Any discussion that ignores this elephant in the room will, unfortunately, perpetuate the need for its existence.”

School Reform News Back in Print!
During 2013 we experimented with producing only digital issues of School Reform News, our flagship public policy newspaper that was launched in 1996. While many people signed up online for digital copies, some complained about the loss of print copies of their favorite source of news and commentary on school choice. So we’ve decided to bring SRN back into print (along with Budget & Tax News and Environment & Climate News).

Go to http://heartland.org/subscribe to sign up for a digital subscription, or call Gwendalyn Carver at 312/377-4000 to sign up for a print subscription.
In December, Congress approved and the president signed the first federal budget since 2009. The media and leaders of both parties heralded passage as a victory for bipartisan compromise, but advocates of more freedom and less government saw it as another step toward the socialist abyss.

Heartland sided with Sen. Ted Cruz (R-TX) and Tea Party leaders who opposed lifting the automatic “sequester” spending cuts that have helped hold down spending increases. With those cuts lifted, more money will go to the military (favored by Republicans) and to social programs (favored by Democrats). The new budget also funds the Obamacare health insurance law.

In a news release dated December 11, Research Fellow Steve Stanek said Congress “agreed to send spending higher in the near term in exchange for a net deficit reduction of $22.5 billion over the long term. The federal government spends approximately $10 billion a day, so they’re trying to make a big deal out of saving two days of spending. And no Congress can force a future Congress to do anything, so all we know for sure is that we’ll soon see higher government spending.” Stanek concluded, “Considering the dismal history of promises of future fiscal restraint, it’s a safe bet the promised long-term deficit reductions will never happen.”

Averting the Public Pension Crisis
State and local governments across the country are struggling with pension obligations that far outstrip governments’ ability to fund them. A recent report from State Budget Solutions notes states collectively are underfunded on pensions by nearly $4 trillion.

Heartland has been sounding the alarm about the impending crisis for years, and just as importantly, pointing to the policy changes needed to avert the crisis. Some states, such as Wisconsin, have acted responsibly and largely solved their pension deficit problems. Others, such as Illinois and California, are poised to leap off their cliffs.

In December, Heartland produced a Research & Commentary on pension reform specifically for policymakers in Vermont, which faces a $3 billion pension shortfall. Following an essay that described the size of the problem and best solutions, the document provided links to past research and commentary from Heartland including previous Research & Commentary collections on defined contribution vs. defined benefit pensions and public pensions and the assumed rate of return, and two Heartland Policy Studies, “The Municipal Government Debt Crisis” and “The State Public Pension Crisis: A 50-State Report Card.”

Standing up for E-Cigarette Users
Many cigarette smokers have turned to e-cigarettes to avoid discriminatory taxation and excessive regulation and to reduce the health hazards of smoking. E-cigarettes emit only nicotine-laced water vapor, making them far safer to use and no threat at all to nonusers. Many smokers use e-cigarettes to quit smoking altogether.

But the anti-smoking industry can’t tolerate an innovation that might render them obsolete, so they campaign for the same taxes and regulations on e-cigarettes as apply to regular cigarettes. Heartland has been working hard to explain the difference to policymakers and the general public.

In October, Government Relations Director John Nothdurft and his team sent allies and more than 9,000 state and local elected...
officials a new Research & Commentary on e-cigarettes and age restrictions. On October 24–25, Senior Fellow Dr. Brad Rodu attended meetings in Rhode Island to discuss tobacco harm reduction issues with advisors to the governor, the Senate Majority Leader and his staff, the chair of the House Health, Education, and Welfare Committee, and House leadership staff.

In November, Senior Policy Analyst Matthew Glans sent legislators in Oregon and Iowa a new Research & Commentary on electronic cigarette taxes and corresponded with lawmakers about the issue. In December, Glans sent an R&C on e-cigarette regulations to the Ohio state senate.

Opposing Bag Taxes
Governments across the country also have been punishing consumers who use plastic shopping bags, ostensibly to protect the environment or at least prevent litter, but mostly just to find another source of revenue.

An October issue of The Leaflet discussed Pennsylvania’s proposed plastic bag tax. The message was sent to more than 11,715 contacts, including all the nation’s state and local elected officials. One day later Glans sent lawmakers in Pennsylvania a Research & Commentary on the proposed plastic bag tax, pointing out the negative effects and limited value of such taxes.

On October 11, Nothdurft corresponded with a New Hampshire lawmaker regarding the Leaflet article on plastic bag taxes and regulations. The lawmaker noted, “If an idea is proactive and positive, most residents will buy into it. I will never vote for a tax on plastic bags if it comes before the New Hampshire House.”

Performance Highlights

► Heartland personnel appeared in several large-market and national broadcasts, including Senior Fellow Benjamin Domenech discussing the federal government shutdown on The Blaze TV’s “Real News” (twice), “All In with Chris Hayes” on MSNBC (four times), “Hannity” on the Fox News Channel, and Background Radio (Washington Post) in Washington, DC.

► On November 4, Senior Fellow Ross Kaminsky appeared on National Public Radio to talk about food stamps. Investigative reporter Chuck Goudie of the Chicago ABC affiliate (ABC 7) interviewed Research Fellow Steve Stanek for a November 14 a story titled “U.S. Census data collection: Beneficial, or intrusive?”

► Heartland published the December and January issues of Budget & Tax News, along with nine Research & Commentaries addressing e-cigarettes (3), beer taxes, plastic bag taxes, sales tax holidays, tax reform, scalping laws, and pension reform.

► The government relations team logged 973 personal and 47,208 group contacts for a total of 48,181 contacts with legislators on budget and tax issues.

► We generated at least 21 broadcast and print media hits reaching more than 1 million subscribers and 60 online hits.

► Fourteen interviews were added to the Budget & Tax News podcast series, attracting 40,400 listeners.
We used to say, in the 1990s, that the Internet “changes everything.” Now, some two decades later, much of our lives revolve around goods and services that have been profoundly affected by the Internet. Consequently, many of the most important battles over protecting our freedoms from government intrusion involve information technology and the Internet.

One example that hits our pocketbooks is repeated efforts by governments to tax purchases made on the Internet. In October the Illinois Supreme Court struck down that state’s “Amazon tax” in a 6–1 vote. “The Illinois law is so broadly written that all paid-per-click advertising, also called performance marketing, would result in sales taxes being owed,” wrote Research Fellow Steve Stanek in a story at the Heartlander digital magazine.

On November 14, Communications Director Jim Lakely hosted a podcast on the misnamed Marketplace Fairness Act, which would impose tax compliance rules on Internet sellers that wouldn’t be shouldered by bricks-and-mortar retailers. Lakely’s guest was Ryan Radia, associate director of technology studies at the Competitive Enterprise Institute.

On December 2, the U.S. Supreme Court rejected an appeal by Amazon and Overstock – two of the world’s largest online retailers – of a New York court decision that expanded the scope of businesses that could be forced to collect taxes on sales made over the Internet. The following day, Heartland sent a press release to more than 42,000 reporters, editors, and producers lamenting the missed opportunity to rein in state efforts to tax citizens outside their borders.

On December 12, Senior Policy Analyst Matthew Glans produced a Research & Commentary on Internet sales taxes. “Instead of forcing out-of-state businesses to serve as government tax collectors, Congress and state legislators should improve the existing sales tax system, which is based on where the product was sold, known as an origin-based tax system. This would truly level the playing field, with both online and bricks-and-mortar retailers paying the same tax.”

Net Neutrality
On October 30, Heartland released a Research & Commentary by Glans on the FCC’s
attempt to codify and enforce net neutrality, a series of principles guiding the behavior of broadband providers. “Net neutrality strongly impedes broadband development, blocking Internet service providers from managing the networks they spent billions of dollars to build,” Glans wrote. “When the profit incentive to build new networks is blunted by burdensome regulation, lawmakers should not be surprised that providers are reluctant to expand. This hurts the telecom industry and consumers, who lose out on new products and services. The best way to ensure fair service is to promote competition by reducing, not adding, regulations.”

Glans’ commentary was timely because a federal court case involving net neutrality was pending pitting Verizon against the Federal Communications Commission (FCC). In January, the court ruled in favor of Verizon but opened the door to the FCC imposing new rules in the future.

Responding to the decision, Glans wrote: “While this decision may appear to throw a monkey wrench in the net neutrality regime, in reality it leaves the door open for even more harmful changes. Supporters of a free and open Internet now need to be wary of any proposal that would reclassify the Internet as a public utility and therefore subject to Title II regulation, the burdensome regulatory system that has hindered the growth of the telephone market for decades.”

**Online Gambling**

On October 30, Heartland sent a Research & Commentary by Matt Faherty titled “Online Gambling Legalization” to thousands of state and federal legislators across the United States. Opponents of online gambling argue legalizing it would facilitate gambling addiction and cause financial hardship. They are backed by casino owners who say online gambling would hurt their businesses. Proponents say it is a generally harmless activity and online bans violate individual freedom and privacy.

“Despite legal hurdles, the online gambling industry is worth more than $30 billion worldwide, with U.S.-based players contributing a substantial portion of revenues via offshore vendors.”

On December 8, USA Today (circ. 1,428,651) quoted Senior Fellow James M. Taylor in a roundup of quotes about bans on online gambling in America. According to Taylor, “While some justifications and necessities will exist, it is hard to make a compelling, internally consistent case for the Land of the Free taking away the right of consenting adults to play online poker. With its de facto ban on online poker, America is an outlier among the world’s democratic nations that largely respect and protect such a right. Congress can and should affirm that online poker remains legal.”
The Federal Reserve announced in December that it planned to slow the third round of “quantitative easing” (QE3), reducing its purchase of government bonds from a rate of $85 billion per month to $75 billion per month. Heartland’s finance experts saw this as a very small step back from the Fed’s failed effort to prop up an economy in need of a thorough cleansing of bad investments and anti-market government policies.

According to Policy Advisor Robert Genetski, “The purchases were designed to reduce long-term interest rates by influencing market psychology. However, in the year since QE3 was fully announced, long-term rates have increased by over one percentage point. Hence, the attempt to affect psychology failed.”

“Judging from the reaction in the stock market,” Genetski wrote, “the Fed made a successful first step at extricating itself from one mistake. It will have a far more difficult time extricating itself from an even bigger mistake: the massive $3 trillion plus increase in its balance sheet.”

Research Fellow Steve Stanek, managing editor of FIRE Policy News and Budget & Tax News, said, “going from $85 billion to $75 billion a month in money creation is virtually meaningless, while the commitment to go much longer with interest rates near zero continues the Fed’s war on savers, conservative investors, and persons living on fixed incomes. Fed manipulations cause booms and busts as people respond to the manipulations. The only sure thing from the Fed’s policies is that another bust is on the way.”

Real Estate News, Property Rights

Manipulation of real estate markets by the government-sponsored mortgage entities Fannie Mae and Freddie Mac contributed to the real estate boom and bust of the 2000s. Since the 2008 financial crisis, Fannie and Freddie have been put into government conservatorship but continue their manipulations.

In an October 28 letter published by The Hill newspaper titled “Fannie, Freddie should go,” Senior Policy Analyst Matthew Glans wrote, “The risk of yet another bailout for Freddie and Fannie always exists as few limits [are placed] on how

Performance Highlights

► Heartland published October, November, and December editions of FIRE Policy News, and printed and mailed the October issue to more than 12,000 policymakers and opinion leaders.

► Five Research & Commentaries were written addressing state-run banks, hard-money currencies using gold and silver, the credit union federal corporate tax exemption, the Nevada margins tax measure, and reforms to the federal SNAP food stamp program.

► The government relations team logged 101 personal and 18,673 group contacts for a total of 18,774 contacts with legislators on finance, insurance, and real estate issues.

► Heartland generated at least one broadcast and print media hit on finance, insurance, and real estate issues, reaching 22,800 subscribers and two online hits.

► Four interviews were added to the FIRE Policy News podcast series, attracting 28,463 listeners.
much Fannie and Freddie are allowed to request from the Treasury Department or how often they’re allowed to go hat-in-hand. Ideally Freddie and Fannie should be abolished altogether.”

In December’s FIRE Policy News, Stanek reported on a bill offered in Michigan that would stop land banks from acquiring property before public auctions. These are usually properties up for sale because of unpaid taxes. Local governments have been grabbing these properties even though bidders in the private market are supposed to have first crack at them. Stanek also has written frequently on “civil forfeitures” in which governments seize property even when the property owners have been neither convicted of nor charged with a crime.

**Protecting California Entrepreneurs**

While 2013 began on a bad note for California entrepreneurs and small-business investors, it ended well when Gov. Jerry Brown signed a bill providing 100 percent relief to 2,500 small-business investors who faced $120 million of capital gains taxes they were told they’d never have to pay under an incentive program the state enacted 20 years ago.

Stanek reported on Brown’s signing of the bill, having written several articles on the topic during the year and interviewed Brian Overstreet, the business owner who led the fight to stop the retroactive taxation. Recent articles on the California tax issue include “2,500 California Entrepreneurs Sweat State’s Retroactive Taxation Attempt” (October 2013) and “The Dangers of California’s ‘Investment Authority’ Bill” (October 2013).

**Improving Workers Comp Systems**

Workers compensation insurance premiums are unnecessarily high in many states, acting as a drag on employment as business owners and managers try to hold down their costs. The last quarter of 2013 brought some encouraging developments on this front for business owners in Wisconsin, aided in part by the efforts of The Heartland Institute.

In October, Glans sent Heartland’s recent work on the topic to a Wisconsin think tank and offered additional help. The Wisconsin organization, in turn, used the information to help persuade legislators of the need to improve the state’s workers compensation insurance system.

In December the Wisconsin Workers Compensation Advisory Council (WCAC) backed a plan that would tie health care rates in the workers compensation system to a fee schedule based on local market prices. Wisconsin’s move was motivated at least in part by a need to stay competitive with neighboring Illinois, which earlier in 2013 instituted workers compensation system reforms that were reported on in the June issue of FIRE Policy News.
LeRoy Bast, RIP

By Joseph L. Bast
President

LeRoy Bast passed away on the morning of January 1, 2014. He had entered the hospital for emergency surgery for a rupture of the gastric artery three weeks earlier. The surgery was successful, but his lungs and kidneys were unable to beat the pneumonia and system-wide infection that followed. He was 82 years old.

LeRoy was born in 1931, graduated from high school in 1949, and married Betty Van Asten in 1951. Children followed quickly and soon there were eight of us. Unable to support the family by farming, he went to work for a dairy coop making milk and cheese products. He worked there for 43 years and retired in 1993.

In retirement, he volunteered for the Knights of Columbus, Heart of the Valley Senior Service Club, and Holy Spirit Parish in Kimberly. He and Mom delivered thousands of meals to the elderly for Meals on Wheels, fried a million brats and hamburgers outside the local Walmart and at Cheese Fest, and cooked breakfasts for Little Chute’s annual Kermis festivals.

LeRoy had four great loves in his life. He loved cars and remembered every one he ever owned, starting with a ‘36 Terraplane and then ‘42 and ‘47 Hudsons. On his hospital bed, he was still talking about buying Mom a new Ford Focus.

LeRoy loved food, which was kind of strange because he had no sense of smell, never did. But he could tell you everything he ate for breakfast, lunch, and dinner yesterday, and lunch before that. When they returned from a vacation, Mom would describe the sights they had seen and Dad would tell you the toppings he chose for every ice cream dessert he ate at every stop during the trip.

Dad loved his eight children, his 12 grandchildren, and his 12 great-grandchildren. His love was unconditional, a good thing because often it was undeserved.

God challenged LeRoy by giving him seven sons. We dented and scratched his cars, leaked oil and left skid marks on his driveway, destroyed the little trees and shrubs he and Mom planted, broke every decent piece of furniture he ever owned, begged for our weekly allowances but then failed to shovel snow or even take out the garbage. And always we took his love and patience and forgiveness for granted.

But God also blessed LeRoy by giving him one daughter, Sue. Smart, beautiful, dependable, and always there for Mom … Sue was everything his boys were not.

Dad’s fourth love, the greatest of all, was his 62-year love affair with Mom. It had to be strong to endure raising eight kids. It grew stronger with every passing year, through good times and bad, and as the end drew near, with every passing hour. The first words he spoke following surgery were “Tell Betty I love her.” She was at his side to the end.

No son could ask for a kinder father or better role model.
SAVE THE DATE!
Friday, September 12, 2014

THE HEARTLAND INSTITUTE’S
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Michelle Malkin
American conservative blogger, political commentator, and author

MASTER OF CEREMONIES
Joe Walsh
Former member of the U.S. House of Representatives from Illinois’ 8th District

LIBERTY PRIZE RECIPIENT
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