Reforming Civil Forfeiture
Alabama is considering legislation that would prevent police from taking ownership of people’s property without a criminal conviction.

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The beneficial effects of the historic tax reform law of December 2017 continue to echo around the country.

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Setting Term Limits
A Maryland state delegate proposes calling on Congress to convene an amendment convention to set term limits for political offices.

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Voters Prescribe Drug Reform
A new poll indicates voters want Congress to focus on bringing down the cost of prescription drugs.

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Another Fannie Mae Bailout?
An obscure but expansive government-sponsored enterprise is asking for a big taxpayer-funded bailout—again.

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Arizona House Committee Approves Trim for Blow-Dry Licensing Regs
By Paige Anderson
The Arizona state House of Representatives’ Committee of the Whole approved House Bill 2011 (H.B. 2011), which would reduce occupational licensing regulations for blow-dry hair stylists.

Sponsored by state Rep. Michelle Ugenti-Rita (R-Scottsdale), H.B. 2011 would exempt from the state’s licensing requirements hair stylists who “dry, style, arrange, curl, hot-iron, or shampoo and condition hair” without chemicals.

The House committee approved the bill on February 13. A vote by the full House is pending.

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The Bottom Line

By Leo Pusateri
Regulatory reform efforts by President Donald Trump’s administration are slowing the pace of new rule-making and rolling back unnecessary regulations imposed by previous presidents.

The February 20, 2018 edition of the Federal Register, a daily publication issued by the National Archives and Records Administration documenting all proposed and finalized federal agency regulations and public notices, contained five new rules. At the end of the Obama administration, the February 19, 2016 edition documented 12 new rules.

Trump issued a presidential memorandum in January 2017 freezing new federal regulations and increasing scrutiny for regulations.

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Flu Rages as FDA Approval Process Delays New Cure

By Michael McGrady

As one of the worst influenza outbreaks in recent history continues to spread throughout the United States, the release of a new drug that could quickly cure the illness is being delayed by the U.S. Food & Drug Administration’s (FDA) overly cumbersome approval process.

Centers for Disease Control and Prevention Acting Director Dr. Anne Schuchat held a conference call on February 16 addressing the widespread flu activity as flu-related illnesses approached historic levels with increasing numbers of Americans becoming infected with the virus.

“Hospitalization rates are significantly higher than what we’ve seen for this time of year since our current tracking system began almost a decade ago,” Schuchat said.

As of February 24, the most recent date for which CDC statistics were available at press time, about 81 per 100,000 Americans had been hospitalized because of influenza symptoms since October 1, 2017. Pneumonia and influenza caused 9 percent of all reported deaths during the week ending February 24, according to CDC. Pneumonia is a common outcome of influenza infections.

The new drug, Xofluza, was developed by researchers for Shionogi, a Japanese pharmaceutical company. Japan’s Health, Labor, and Welfare Ministry cleared Xofluza for sale to consumers on February 23, four months after Shionogi began the approval process.

Xofluza will not be available to U.S. consumers until at least 2019 because of the much more lengthy FDA process.

‘Not a Huge Safety Risk’

Devon Herrick, a policy advisor for The Heartland Institute, which publishes Budget & Tax News, says the benefits of a potential influenza cure far outweigh the risks.

“One pill that’s already gone through safety testing in earlier stages of clinical trials is not a huge safety risk,” Herrick said. “It’s only one pill per patient, but it could save lives and billions in costs.”

Herrick says the drug has been sufficiently tested, and the FDA bureaucracy is standing in the way.

“The drug has already been tested in both Japanese and American patients in late-stage clinical trials. Japan has similar safety standards for approving drugs as the United States, yet the company has not yet submitted an application in the U.S., likely because of the bureaucratic obstacles.”

Wayne Winegarden, a senior fellow in business and economics at the Pacific Research Institute and a policy advisor for The Heartland Institute, says FDA is paralyzed by fear of failure.

“The most important thing is the conservatism of the regulations, making sure the safety is at a certain point and making sure the flu drug won’t have any [adverse] consequences,” Winegarden said. “That extra caution has consequences as well. In any government bureaucracy, you’re going to see that you don’t want to make an error of commission, so you’ll make worse errors of omission, to avoid taking the blame for that.”

‘Denying Us Timely Access’

FDA and other large regulatory agencies naturally gravitate toward extreme caution, Winegarden says.

“Organizationally and culturally, there’s going to be a natural bias against making errors of commission, so you end up with situations where there’s a flu drug that the Japanese have deemed to be worth the costs but we’re going to have it delayed,” Winegarden said. “That conservatism is denying us timely access to it.”

Follow the Leader

Winegarden says one solution to FDA’s paralysis would be to allow people to try drugs yet to receive full approval under the agency’s lengthy review process.

“If there were drugs approved for use in Japan like this drug, why can’t we have a reciprocity, where people could just sign a form saying ‘I understand that it is not cleared by the FDA’ but giving people the right to use it under an informed assumption of risk’?” Winegarden said.

Michael McGrady writes for Colorado Springs, Colorado.
White House Regulatory Reforms Shrink Federal Rulebook

Continued from page 1

then undergoing public review. Trump also called for the elimination of two old regulations for every new one imposed.

Since Trump signed the memorandum, roughly 22 old regulations have been removed from the books for every new rule added by federal agencies.

Expects Additional Relief
Thomas Hemphill, a professor of strategy, innovation, and public policy at University of Michigan–Flint and a policy advisor for The Heartland Institute, which publishes Budget & Tax News, says he expects the Trump administration to continue building on its deregulatory success.

“For the most part, the administration has delivered on its promise. The two-to-one ratio, the better-than-two-to-one ratio, the 22-to-one ratio, all of these are very important metrics for measuring regulatory reform. And the administration has been very successful in meeting these targets,” Hemphill said.

Reversing a ‘Regulatory Avalanche’
Akash Chougule, director of policy at Americans for Prosperity, says Trump has delivered on his campaign promise to undo his predecessor’s unusually large amount of new regulations.

“One of the most important priorities of the Trump administration was rolling back regulatory actions of the Obama administration to the greatest extent possible, and they’ve really taken that to heart,” Chougule said. “They’ve not only rolled back Environmental Protection Agency and energy regulations, they’ve done so with regard to technology, the Federal Communications Commission, the National Labor Relations Board, and others.”

Forecasts Economic Growth
Hemphill says Trump’s regulatory relief, combined with the December 2017 Tax Cuts and Jobs Act, will help make the United States an economic powerhouse.

“Over time, this effort to amend and eliminate regulations that are ineffective, duplicative, and obsolete will continue to reduce regulatory costs of companies doing business in the U.S.,” Hemphill said. “Moreover, in conjunction with reductions in corporate and individual tax rates, these initiatives will make the U.S. a destination for domestic and foreign direct investment and release greater disposable income to American consumers to help fuel the U.S. economy.”

Calls for REINS
Chougule says removing unnecessary rules is a good start, and the next step is for Congress to pass the Regulations from the Executive in Need of Scrutiny (REINS) Act to solidify those gains.

“Making regulatory reform permanent is the biggest remaining necessity and biggest remaining opportunity to not only remove unnecessary regulations but to reform the system by which regulations can be put in place,” Chougule said. “One of our preferred methods of doing so, adding a level of accountability nonexistent today in Washington, is what’s called the REINS Act.”

“If enacted, any major regulation having an impact of more than $100 million would need to be approved by Congress in order to go in place,” Chougule said. “Right now, faceless, detached bureaucrats in Washington are able to set down rules and regulations having a major impact on Americans without their having a say in regulations.”

Leo Pusateri (psychmeistr@fastmail.fm) writes from Saint Cloud, Minnesota.

Buffett: Tax Reform Is Giving Business Owners ‘Tailwind’

Warren Buffett, a famous investor and an informal advisor to former President Barack Obama, told reporters in February that tax reforms that took effect in January are providing a “huge tailwind” for business owners.

The tax reform, signed by President Donald Trump on December 22, 2017, reduced most individuals’ income tax burdens, cut the corporate income tax from 35 percent to 21 percent, ended the practice of double-taxing American businesses’ profits earned overseas, and cut overall taxes by an estimated $1.5 trillion.

Buffett, appearing on CNBC’s Squawk Box show, told CNBC reporter Becky Quick the corporate tax relief provisions are boosting economic prosperity.

“It’s a huge tailwind, and it’s a tailwind particularly for companies that have had lots of depreciation and taken bonus depreciation up front,” Buffett told Quick.

-Jesse Hathaway (jhathaway@heartland.org) is managing editor of Budget & Tax News.
Alabama Senate Committee Approves Asset Forfeiture Reform Legislation

By Ben Dietderich

The Alabama state Senate Judiciary Committee approved a bill to restrict the ability of local and state police to take ownership of citizens’ property without a criminal conviction. If Senate Bill 213 (S.B. 213) is approved by the Alabama Legislature and signed into law, the state would become the fourth to require a criminal conviction before prosecutors could take ownership of assets or property. The bill also would require the state to create a publicly available database tracking forfeiture actions.

The committee passed S.B 213 by a 7–6 vote on February 20. A vote by the full Senate has not yet been scheduled.

Cites Importance of Due Process

Alabama state Sen. Arthur Orr (R-Decatur), sponsor of S.B. 213, says prosecutors should have to prove people’s guilt before depriving them of their property.

“The government ought to be required to prove that criminal conviction before being able to seize stuff,” Orr said. “The idea that the government can take a citizen’s property without a criminal conviction does not sit well with most people that I discussed this issue with.”

Randall Holcombe, a professor of economics at Florida State University and a senior fellow at the James Madison Institute, says civil asset forfeiture creates perverse incentives for law enforcement agencies.

“The police are taking people’s property, and you need to prove that you’re not guilty before you can get the property back,” Holcombe said. “Obviously, there’s bad incentives for law enforcement because they often get to keep the property, and they have an incentive to [do so to] boost their budgets.”

Guarding People’s Rights

Civil asset forfeiture reform is about ensuring justice is served and rights are protected, Orr says, not allowing real criminals to escape consequences.

“We don’t want to accommodate or aid or abet criminals and their minions,” Orr said. “We can seize the property, impound the property, prevent them from using the property during the criminal justice process, … but at the end of the day, we need that conviction.”

Holcombe says the current civil asset forfeiture system holds property responsible for crimes and presumes accused citizens are guilty.

“They don’t accuse you; they accuse the asset of being guilty of a crime, and assuming it’s guilty, they take it,” Holcombe said. “One of the big negative things is that you have to prove you’re innocent. Normally, you’re innocent until proven guilty.”

Punishment Without a Conviction

Holcombe says civil asset forfeiture is about punishing those believed, but not proven, to be criminals.

“A lot of it has to do with drug-related crimes,” Holcombe said. “Many times, there’s not enough evidence for a conviction, but they’ll just take the property until you can prove somehow that you’re innocent. That’s the attitude: ‘We think these people are guilty. There’s not ironclad evidence, but we can punish them anyway.’”

‘Unfair and Arbitrary’

Holcombe says another problem with civil asset forfeiture is law enforcement agencies’ capricious use of the process.

“It’s so unfair and arbitrary,” Holcombe said. “Let’s say you catch me in my 15-year-old Ford Taurus dealing drugs, and I lose my car. Let’s say somebody else’s child is selling drugs out of their $500,000 house, and so they’re taking your house. There’s no proportionality to the crime, even if there is a crime. They can somehow associate your house with a crime, and you forfeit your house.”

Law enforcement agencies sometimes seem proud of their use of civil asset forfeiture, Holcombe says.

“In Florida, a Corvette had been seized under civil asset forfeiture, and the police had decked it out as a patrol car,” Holcombe said. “They were just parading around the fact that they stole this guy’s Corvette and now they’re using it as a police vehicle.”

Official Connections:

Alabama state Sen. Arthur Orr (R-Decatur):

INTERNET INFO


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“They don’t accuse you; they accuse the asset of being guilty of a crime, and assuming it’s guilty, they take it. One of the big negative things is that you have to prove you’re innocent. Normally, you’re innocent until proven guilty.”

RANDALL HOLCOMBE
PROFESSOR OF ECONOMICS
FLORIDA STATE UNIVERSITY

Benjamin Dietderich (bdietderich@hillsdale.edu) writes from Hillsdale, Michigan.
Ariz. House Committee Approves Trim for Blow-Dry Licensing

Continued from page 1

chamber has not yet been scheduled.
Currently, those wishing to perform “blowouts” or other hair grooming services in Arizona are required to obtain 1,000 to 1,600 hours of training as full-fledged cosmetologists.

Says Licensing Raises Prices
Timothy Terrell, an associate professor of economics at Wofford College and a policy advisor for The Heartland Institute, which publishes Budget & Tax News, says government permission slip requirements increase costs by restricting the supply of goods and services.

“Consumers are adversely affected, partly because the licensure requirements limit the number of practitioners in the occupation and thereby drive up the price,” Terrell said.

Ugenti-Rita says the licensing burdens on blow-dry stylists are unreasonable.

“To be able to be employed to just blow-dry and style hair, you need to get your cosmetology license,” Ugenti-Rita said. “That means you have to go to school for anywhere between 1,000 and 1,600 hours, at a cost of roughly between $12,000 and $20,000, depending on the school.”

‘Protectionism at Its Worst’
Terrell says the growing wave of occupational licensing reform suggests people are tired of unnecessary government regulations.

“It may simply be a backlash against an increase in the fraction of the workforce that finds itself frustrated by barriers to getting into certain occupations,” Terrell said. “The advent of good sources of information about service providers, like Yelp and various other online reviewers, has caused people to question whether they really need the government telling them whether a service provider is up to par.”

Ugenti-Rita says occupational licensing is rooted in cronyism.

“It’s protectionism at its worst,” Ugenti-Rita said. “Those who are opposed to this legislation are, for the vast majority, a part of the industry already. They don’t want to increase the number of people entering the field, for fear of competition.”

Win-Win Policy
Terrell says occupational licensing reform benefits job-seekers and consumers alike.

“The advantages of reducing barriers include improved job mobility, geographically and inter-occupationally; improved opportunity for younger workers; lower costs for consumers; and sometimes, higher quality as well,” Terrell said.

‘Extreme’ Licensing Rule
Ugenti-Rita says Arizona’s licensing laws are unjustified.

“The extreme burden of this license, when all someone wants is to engage in blow-drying and styling hair, is just a massive imbalance,” Ugenti-Rita said.

“There isn’t enough justification to warrant continuing to have this license as a criterion for those who just want to blow-dry and style hair.”

Paige Anderson (panders3@wellesley.edu) writes from Wellesley, Massachusetts.

Pension Reform Offered in Kentucky State Senate

By Nolan Ryan

The Kentucky state Senate State and Local Government Committee is considering a bill to enroll new government employees in a hybrid “cash balance” pension program in which employee retirement benefits are accrued in individual retirement accounts maintained by the government.

Senate Bill 1 (S.B. 1), proposed in February, would fund the pension accounts through a combination of employee contributions and funds directly from local and state taxpayers.

Currently, Kentucky taxpayers are held liable for the full value of government employees’ promised pension benefits.

Liabilities of the state’s eight public pension plans, serving approximately 207,000 active government employees, exceed available funds. The state’s largest public pension plan, the Kentucky Employees Retirement System Non-Hazardous plan, has enough assets on hand to pay only 16 cents on each dollar of promised liabilities, according to a May 2017 report by PFM Consulting Group.

Setting a New Course
Kentucky state Sen. Joe Bowen (R-Owensboro), the bill’s sponsor, says S.B. 1 would put the state on the right financial track.

“It puts us on a path of paying the unfunded pension liabilities,” Bowen said. “It places all new hires in a hybrid cash-balance plan, a blend between a defined-benefit and a defined-contribution plan.”

Jim Waters, president of the Bluegrass Institute for Public Policy Solutions, says S.B. 1 is a step toward reform.

“This is a compromise from what the governor [Matt Bevin] originally proposed, which was putting all new employees and teachers, and those who had been in the system for more than 27 years, into a straight, defined-contribution, 401(k)-style plan,” Waters said. “This has some of the features of that. It limits the contributions that taxpayers will be required to make to a percentage, but it also still provides a defined benefit for workers and teachers.”

‘Overly Generous Benefits’
Kentucky’s pension crunch is not a result of under-funding, Waters says.

“When you hear ‘unfunded liability,’ that’s not because of a lack of proper amount of funding from the legislature, which is what the Left would have you believe,” Waters said. “This is a problem of overly generous benefits that were not properly prefunded. We’ve been managing debt on the back of taxpayers for years.”

Calls for More Reforms
Waters says Kentucky lawmakers must implement additional reforms to promote economic growth and establish responsible government spending.

“We have to grow our economy, grow our tax base, and we have to get our pension system under control so that we are not awarding arbitrary, unfunded benefits and then turning around and blaming the taxpayers for being stingy,” Waters said. “If we don’t fix this, it’s our future generations that are going to have a heavy price for this.”

Nolan Ryan (nryan1@hillsdale.edu) writes from Hillsdale, Michigan.

Official Connections:
Kentucky state Sen. Joe Bowen (R-Owensboro):
http://www.lrc.ky.gov/legislator/S008.htm

Official Connections:
Arizona state Rep. Michelle Ugenti Rita (R-Scottsdale):
https://www.azleg.gov/House/House-member/?legislature=53&legislator=1746
American Cancer Society Issues New E-Cig Policy Statement

By Leo Pusateri

The American Cancer Society’s (ACS) board of directors issued a new position statement on e-cigarettes, stating the products are “less harmful than smoking cigarettes” and recommending “clinicians support all attempts to quit the use of combustible tobacco and work with smokers to eventually stop using any tobacco product, including e-cigarettes.”

The February statement partially reverses the organization’s 2014 position, which recommended against the use of e-cigarettes as cessation or harm-reduction devices. In the current statement, ACS continued to call for the U.S. Food and Drug Administration to regulate e-cigarettes as tobacco products “to the full extent of its authority.”

Catching Up with Science

Michael Marlow, a professor of economics at California Polytechnic State University–San Luis Obispo, says ACS is waking up to what the scientific literature says about e-cigarettes.

“The American Cancer Society is starting to heed the evidence and see that the evidence is piling up that e-cigarettes are not only safer than tobacco but they also offer a much better way for many smokers of tobacco to quit,” Marlow said. “Both of those issues are gaining so much more play in the literature, and it’s getting very difficult to ignore.”

Says E-cigs, Tobacco Different

Michael Siegel, M.D., a professor of community health sciences at Boston University, says lawmakers should treat cigarettes and e-cigarettes differently because they are different things.

“My general feeling is that we should not be treating e-cigs in the same category as real tobacco cigarettes,” Siegel said. “The risk profile of these two products is very, very different. Electronic cigarettes contain no tobacco. With e-cigs, you get an aerosol, so there’s no smoke involved.

“The health risks associated with vaping are much, much lower than smoking, and we also know that vapor exhaled dissipates very readily and quickly into the air, so I think it’s ridiculous to treat and regulate these products in exactly the same way,” Siegel said.

‘Evidence Is Pretty Clear’

Marlow says surveys show e-cigarettes can fill an important need.

“The evidence is pretty clear,” Marlow said. “Surveys say 75 percent of smokers want to quit. This harm-reduction method of e-cigarettes offers a great avenue for these smokers.”

Marlow says it’s becoming increasingly difficult for many anti-tobacco organizations to remain opposed to e-cigarettes.

“There’s this very famous, longstanding journal called Tobacco Control, funded by many anti-tobacco groups. In 2013, they published one of the first studies showing FDA-approved nicotine replacement therapies didn’t really work any better than quitting cold turkey. This was a sea change.”

Leo Pusateri (psycmeistr@fastmail.fm) writes from St. Cloud, Minnesota.

New York Legislature Considers ‘Tide Pod’ Packaging Bill

By Lindsey Curnutte

The New York state legislature is considering a bill to regulate how laundry detergent is packaged and sold in the state.

State Sen. Brad Hoylman (D-Manhattan) and state Assemblywoman Aravella Simotas (D-Astoria) introduced Assembly Bill 4646A and companion bill S. 100 in February, saying the legislation would help stop the “Tide Pod Challenge,” an internet trend in which participants film themselves eating packets of laundry detergent.

The bill would require detergent pods sold in New York to be packaged in “an opaque covering of the liquid detergent packet that is not easily permeated by a child’s bite, which has a uniform color that is not attractive to children.”

Questions Likely Effectiveness

Jeff Stier, a senior fellow at the Consumer Choice Center and a policy advisor for The Heartland Institute, which publishes Budget & Tax News, says government regulations won’t stop people from purposely misusing consumer products.

“If kids are going on the internet and challenging each other to down Tide pods, I don’t think a bill in the New York state legislature is going to change that,” Stier said. “In fact, it might raise the profile of this absurd project, this absurd, dangerous game they’re playing, and more kids will see it.”

‘Done Everything They Can’

Shoshana Weissmann, a digital media specialist at the R Street Institute, says government regulations won’t prevent people from doing self-destructive things.

“If they pass this legislation, it’s not going to solve the problem,” Stier said. “Kids will still do stupid, dangerous things, and they’ll just find other stupid, dangerous things to do. It doesn’t, therefore, automatically mean that you need a kneejerk government reaction taking away consumer choice. They [Hoylman and Simotas] are pushing hard to take away consumer choice and suggest that we are incapable of being responsible.”

Weissmann says she thinks legislators often impose unnecessary regulations just to indicate they care.

“Unfortunately, government has a lot of incentive to look like it’s doing something helpful, when it’s really not,” Weissmann said.

Lindsey Curnutte (lindseycurnutte@gmail.com) writes from Athens, Ohio.

Official Connections:

New York state Sen. Brad Hoylman (D-Manhattan):
https://www.nysenate.gov/senators/brad-hoylman

New York state Assemblywoman Aravella Simotas (D-Astoria):
http://assembly.state.ny.us/mem/Aravella-Simotas

Internet Info


‘Kneejerk Government Reaction’

Stier says the bill won’t do what its sponsors say it intend.

“If they pass this legislation, it’s not going to solve the problem,” Stier said. “Kids will still do stupid, dangerous things, and they’ll just find other stupid, dangerous things to do. It doesn’t, therefore, automatically mean that you need a kneejerk government reaction taking away consumer choice. They [Hoylman and Simotas] are pushing hard to take away consumer choice and suggest that we are incapable of being responsible.”

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Lindsey Curnutte (lindseycurnutte@gmail.com) writes from Athens, Ohio.
Federal Funding Deal Increases Spending, Waives Debt Ceiling

By Owen Macaulay

President Donald Trump approved a congressional continuing resolution authorizing more federal spending and temporarily waiving the debt ceiling.

After funding lapsed overnight on February 8, Congress approved the Bipartisan Budget Act of 2018, a two-year funding deal that will increase spending by a total of about $419 billion over the biennium. The bill, signed into law by Trump on February 9, also waives limits on the federal government’s borrowing authority until March 1, 2019.

The new law alters provisions of the Budget Control Act of 2011, raising caps on domestic spending by $296 billion, a 311 percent increase, over the next two years. Military spending limits will be increased by $160 billion, and $89.3 billion will be allocated for government disaster relief funds over the biennium.

The Bipartisan Budget Act will be partially offset by about $100 billion in projected savings realized by extending the duration of the Budget Control Act’s across-the-board spending reductions and several tweaks to Medicaid and Medicare.

‘Boilerplate Rhetoric’

Gary Galles, a professor of economics at Pepperdine University and a policy advisor for The Heartland Institute, which publishes Budget & Tax News, says the spending bill demonstrates Congress lacks interest in fiscal restraint.

“Our lawmakers offer up boilerplate rhetoric on behalf of liberty and citizens’ rights, but what they authorize is strikingly at odds with what they say,” Galles said. “Congress reveals its absence of interest in either respecting constitutional constraints or America’s general welfare. In particular, however, they show even less respect for future generations, whose burdens are constantly expanded by decisions such as the recent deal, which is not even nearly paid for.”

‘More of a Circus’

Galles says the debt ceiling is a stage prop many politicians use to act as if they care about restraining the growth of government.

“The debt ceiling is more of a circus than serious policy, because Congress, which created the constraint for themselves, can just decide to ease the constraint whenever they choose,” Galles said. Ultimately, we all know the debt ceiling will be lifted whenever necessary, so no one believes it means anything real anyway. The only real effects of the debt ceiling are to allow politicians to play-act as responsible, when they are anything but responsible.”

Nan Swift, federal affairs manager for the National Taxpayers Union, says although the debt ceiling is not an effective way to restrain federal spending, it’s better than nothing.

“The debt ceiling continues to be raised as spending continues to outpace revenues,” Swift said. “Until Congress can find a way to meaningfully reform their budget process and maintain restrictions on spending growth, that won’t change. Eliminating the debt ceiling entirely would be the same as throwing credit card bills in the trash or simply turning up the radio when the rattling sound in your car gets worse. The problem is still there, and ignoring it won’t make it go away.”

Multiplier Effect

Galles says every dollar the government spends is a dollar or more unavailable for use by everyday people.

“Every dollar spent is a dollar or more unavailable for use by everyday people. Every dollar of government spending is not worth the cost. Taxes Today and Tomorrow

Galles says spending and taxation are inexorably linked.

“We must remember that when government spends resources, it is committing to pay for them,” Galles said. “If it doesn’t tax citizens today, it must tax them tomorrow, because deficits are just delayed taxes, which will be even more costly.”

Galles says the additional government spending is not worth the cost.

“What does government do well enough that we want it to do more of?” Galles said. “Neither current taxation nor future taxation via deficits is worth running for expenditures that fail to meet the efficiency test, which is most of it.”

‘It Is Our Money’

Government naturally does not handle money as well as individuals do, Swift says.

“People should care about how the federal government spends and budgets because it is our money they are spending,” Swift said. “When people make budgets, they do so to set priorities and plan for the type of future they want for their family. They do it because they have limited resources and they need to make sure that they spend those resources wisely to meet their needs. Unfortunately, the government doesn’t take this approach.”

Owen Macaulay (omacaulay@hillsdale.edu) writes from Hillsdale, Michigan.
Maryland House Considers Term Limits Amendment Resolution

By Zachary Williams

The Maryland House of Delegates is considering a resolution calling on Congress to organize a national convention for drafting an amendment to the U.S. Constitution limiting terms in political office.

If approved by both houses, House Joint Resolution 4 (H.J.R. 4) could enter Maryland in a convention of states for the purpose of proposing the amendment. The resolution is based on model language proposed by U.S. Term Limits, a nonprofit organization advocating limits on lawmakers’ tenure at all levels of government.

Article V of the U.S. Constitution establishes methods for proposing and enacting amendments, including a state-led process. After 34 states call for an amendment convention, commissioners meet to draft an amendment or amendments enacting the specified proposal. Three-quarters of the states must ratify the proposed amendment for it to take effect.

The Maryland House of Delegates convened a hearing on H.J.R. 4 on February 26 but did not vote on the measure.

“IT SEEMS TO ME THAT CONGRESS HAS, UNFORTUNATELY, GOTTEN TOO BIG AND CAN’T CONTROL ITSELF. THE STATES NEED TO SIT DOWN AND TAKE CONTROL OF THE REINS. WHAT WE’RE HOPING TO DO IS TO RESTORE THE BALANCE OF STATE AND FEDERAL GOVERNMENT, AS THE FOUNDERS INTENDED.”

MICHAEL MCKAY
MARYLAND STATE DELEGATE (R-CUMBERLAND)

Fixing a Broken Congress

Ken Quinn, a regional director for U.S. Term Limits, says congressional term limits would allow representatives to do what’s right instead of always having to do what’s popular at the moment.

“They’re afraid if they take on these tough issues and have to make some hard decisions, they won’t get reelected,” Quinn said. “We need to free our members of Congress from these restraints so they can get the job done that needs to get done.”

Mckay says the states must step in to fix congressional dysfunction.

“I think history has proven that they don’t have the will or the desire to actually have this come to a debate,” McKay said. “At the end of the day, through the state level, it’s the people who will say enough is enough.”

Cites Widespread Support

Quinn says term limits have very broad support among the public.

“This is completely nonpartisan,” Quinn said. “Eighty-two percent of Americans want this, regardless of their political party, their income bracket, or their gender. This amendment will be the easiest one to get the American people behind, because they want it so badly.”

Zachary Williams (zramon.williams@gmail.com) writes from Columbus, Ohio.


MAKERS AND TAKERS: How Wealth and Progress Are Made and How They Are Taken Away or Prevented

$24.95

Makers and Takers shows how the free market works—and why government intervention doesn’t. It examines various forms of economic intervention and their effects on consumer products and services, the health and lives of Americans, and the nation’s economic well-being.

The book also explores a broad range of environmental issues. Scientific subjects such as pollution, acid rain, and global warming are explained in clear, non technical language—including some surprising facts that discredit current government policies.

Finally, the author explains the development of the original American system and how that system fostered an unprecedented society of “makers” – the greatest production of wealth and scientific advancement in history. He points out the subtle alterations in our political orientation that now favor the taking of wealth rather than the making of it.

The Trojan Project $17.95

The Trojan Project is a technological fantasy set amid today’s government and political realities as men with opposing visions of America clash over its future.

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Available online at store.heartland.org.
Alabama Considers Medicaid Work Requirement, Eligibility Verification

By Jeff Reynolds

The Alabama state Senate Committee on Fiscal Responsibility and Economic Development is considering a bill that would require the state’s Medicaid agency to verify whether recipients are eligible to receive those benefits.

Senate Bill 140 (S.B. 140) also would require the Alabama government to ask the federal Centers for Medicare and Medicaid Services (CMS) for permission to implement work requirements for able-bodied individuals receiving Medicaid.

Alabama state Sen. Arthur Orr (R-Decatur), the bill’s sponsor, revised S.B. 140 in February after Alabama asked CMS for permission to implement work requirements for its Medicaid program, in case future governors were not supportive of work requirements or a future federal administration reversed approval of the waiver.

‘Not an Easy Task’

Using government policies to encourage people to better themselves can be difficult, but Orr says it’s worth the effort.

“It is not an easy task to encourage, through policy measures, people to get out if they don’t want to and to seek employment and a job,” Orr said. “That’s very difficult to pull off through policy measures. The more we encourage work, using the programs available for substance abuse, job training, etc., the better off we’re going to be as a society, rather than having no accountability.

“Because we’re offering these other measures, I think it’s a good thing to do all we can to encourage these people to get into the workforce and be productive members of society,” Orr said.

Savings, Personal Empowerment

Leigh Hixon, senior director of policy relations at the Alabama Policy Institute, says taxpayers benefit when states ensure entitlements go only to those who are truly needy.

“If every state implemented Medicaid work requirements, taxpayers could save nearly $1 trillion over the next ten years,” Hixon said.

Hixon says seeking employment or getting job training boosts self-sufficiency.

“Empowering individuals through work is the best way to increase incomes and reduce dependency, and Alabama is seeking permission to put a work requirement on a small number of Medicaid recipients.”

Leigh Hixon
Senior Director of Policy Relations
Alabama Policy Institute

Tax Reform ‘Ripple Effect’ Will Boost Economy, Conway Says

By Lindsey Curnutte

White House Special Advisor Kellyanne Conway says the tax reform package passed by congressional Republicans and signed into law by President Donald Trump will increase business investment and boost economic growth.

The new law, signed by Trump on December 22, 2017, reduced most individual income tax rates, permanently cut the corporate income tax from 35 percent to 21 percent, ended the practice of double-taxing U.S.-based businesses’ profits earned in other countries, and cut overall taxes by an estimated $1.5 trillion.

“One thing we haven’t talked about yet, because it is fairly new, is what the capital investment from these companies is going to mean to your communities,” Conway said during a February speech at the Conservative Political Action Conference. “You are looking at about $482 billion in promised capital investment, ... so that’s about $182 billion, as I see it in our paperwork, of new investment projects that have been committed. So that is going to have a ripple effect across the economy.”

Higher Production Forecast

Gary Wolfram, a professor of economics and public policy at Hillsdale College and a policy advisor for The Heartland Institute, which publishes Budget & Tax News, says the corporate tax reforms will benefit workers and business owners alike.

“What we don’t observe is that the reduction in the corporate income tax is going to result in higher production in the United States,” Wolfram said. “Our companies are going to be more competitive internationally. There will be a greater incentive to locate factories in the United States and a higher demand for labor and increased wages.”

Investment Effects

Alan Viard, a resident scholar at the American Enterprise Institute, says corporate tax reform will encourage business owners to invest more money in the economy.

“The basic logic is that the corporate tax rate cut is the key here,” Viard said. “The corporate tax cut will encourage additional investment by corporations. The reason is because they will be getting a higher after-tax return on those investments.”

Wolfram says further increases in stock prices, which affect pension plans held by government workers and others, will be a likely outcome of the law.

“A policeman from Columbus, Ohio that is expecting a defined benefit pension is going to be worth more to him than the state of Ohio or from the city of Columbus owns stock indirectly, through their pension plan,” Wolfram said. “Their pension is more likely to be met because of this reduction in the corporate income tax.”

Expects Wage Growth

As corporate tax reform increases the amount of capital invested in the economy, worker productivity and wages will also rise, Viard says.

“When you have more capital in the U.S., workers become more productive,” Viard said. “Having more capital makes workers more productive, and that means workers’ wages rise. Because they’re more productive, they’re more valuable to employers, businesses will start competing against each other and try to attract workers, and they will bid against each other to try to hire workers, forcing them to pay higher wages.”

Lindsey Curnutte (lindsey curnutte@gmail.com) writes from Athens, Ohio.
Iowa House Committee Considers Allowing Raw Milk Sales

By Lindsey Schulenburg

The Iowa House of Representatives Committee on Local Government is considering a bill that would allow people in the state to purchase unpasteurized milk, commonly referred to as raw milk.

House File 2055 (H.F. 2055) was assigned to the committee in February after a subcommittee recommended approval on January 24. The committee has not yet scheduled a date to consider the bill.

Only Direct, Voluntary Purchases

H.F. 2055’s sponsor, state Rep. Greg Heartsill (R-Chariton), says the bill would allow people to buy the milk only directly from farmers. “It will allow them to go directly to the producer’s farm to purchase it, or they could make arrangements for the producer to deliver it to them,” Heartsill said. “It would be a direct sale of unprocessed milk, provided that the milk that was being bought had a warning label on it, warning the consumer that the milk was unprocessed and raw and that there might be some potential health risks associated with it.”

Elizabeth Rich, executive director of the Farm-to-Consumer Legal Defense Fund, says informed consent, not bans and regulations, should drive public health policy such as food issues. “I think it’s valid to raise the health issues but address those by putting warning labels on products and educating consumers and producers,” Rich said. “Let’s not make food regulation from a place of information and informed respect for people’s food choices.”

More Power for Consumers

Heartsill says his bill would stop the government from interfering in a personal choice. “It’s essentially just giving the consumer the opportunity, the freedom, to choose the food products they want for themselves and their families,” Heartsill said. “We want to support consumers’ right to choose this food for themselves, if that’s what they want.”

Direct Sale, Informed Consent

Heartsill says his bill would ensure people buying raw milk know what they are buying. “The way we have it structured in the bill is that this has to be a direct sale from the producer of the raw milk,” Heartsill said. “It’s not like somebody would accidentally buy raw milk from the grocery store and get sick from it.”

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Direct Sale, Informed Consent

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KATIE MCAULIFFE
FEDERAL AFFAIRS MANAGER
AMERICANS FOR TAX REFORM

“Wayfair, Inc.”


“I don’t think this is about sales taxes,” McAuliffe said. “There’s hardly any money in sales taxes. The goal is to set a precedent so that states like California, Illinois, and New York can go after business and personal income in other states. You’re really dealing with taxation without representation and regulation without representation on a massive scale. It’s a slippery slope.”

McAuliffe says state elected officials pushing for a reversal of Quill are trying to impose taxes and regulations on people who cannot vote in their state and hence have no say in the matter. “It’s regulation without representation,” McAuliffe said. “That’s a serious problem. They’re really just trying to tax people that are outside of their state’s borders. When you have those regulations and regulatory burdens and the tax-collecting responsibility on businesses and people who can’t vote for you, then they really have no voice.”

Nolan Ryan (nryan1@hillsdale.edu) writes from Hillsdale, Michigan.

INTERNET INFO

“South Dakota v. Wayfair, Inc.,”

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Poll: Voters Want Congress to Act on Prescription Drug Prices

By Madeline Fry

A large majority of registered voters say Congress should prioritize reducing prescription drug prices, according to a poll commissioned by an independent national patient organization focused on achieving policy changes to lower the price of prescription drugs.

In the poll, conducted by GS Strategy Group for Patients for Affordable Drugs NOW and released in February, 85 percent of respondents said lowering prescription drug prices should be a priority for Congress this year.

The polling firm interviewed a statistically representative national sample of 800 registered voters contacted via landlines and mobile phones between January 27 and January 31. The survey’s results had a margin of error of 3.6 percentage points.

Expensive FDA Trials

Bartley Madden, a policy advisor for The Heartland Institute, which publishes Budget & Tax News, says the U.S. Food & Drug Administration’s (FDA) lengthy drug approval process has driven up the cost of prescription drugs.

“Sky-high prescription drug prices for serious illnesses are no surprise, since pharmaceutical firms incur $2.5 billion, on average, in costs to pass the FDA clinical trial process and gain drug approval,” Madden said. “The key to a substantial reduction in drug prices is a radical reduction in the costs of clinical trials while still providing patients and doctors the most up-to-date information about safety and effectiveness.”

Higher Prices, Less Access

Robert Graboyes, a senior research fellow and health care scholar at the Mercatus Center at George Mason University, says increasing government regulation will cause drug prices to rise further, lower quality, and decrease people’s access to needed medications.

“If you try to lower prices through price controls or governmental limits, you will get fewer drugs and worse drugs,” Graboyes said. “We’ve seen similar instances through vaccines, though not so much with taxes as with litigation. The production is a lot more fragile than people think, so if you simply try to squash it down by governmental fiat, you’re going to lose access to the drugs.”

Suggests Streamlining

Graboyes says FDA regulations are stifling innovation and raising prices.

“There certainly are. The FDA approval process is too cumbersome, lengthy, and uncertain. You can work for 15 years developing a drug, and the FDA will change the rules in the middle of the game. An awful lot of drugs never make it to the market because the FDA regulatory risk is too much to carry it across the line.”

Madden says FDA processes for drug testing have not been updated for nearly half a century.

“Keep in mind that FDA’s antiquated clinical testing process has remained essentially unchanged since the early 1960s,” Madden said. “The FDA’s monopoly on access to new drugs has restricted competition through a process that can take 12 to 15 years to complete.

“Government bureaucracies, like the FDA, do not willingly reduce their monopoly power,” Madden said. “We finally got one-day mail delivery from the U.S. Post Office due to competition from FedEx.”

Graboyes says FDA testing reform is vital.

“That’s probably the single most important public policy action we can take, which is to somehow speed up the drug approval process in this country,” Graboyes said.

Madeline Fry (mfry@hillsdale.edu) writes from Hillsdale, Michigan.

INTERNET INFO

Taxpayer Squeeze

Arizona state Sen. Warren Petersen (R-Gilbert), S.B. 1453’s sponsor, says sports team owners routinely hold localities hostage by threatening to move to other cities.

“Too often, states and cities are put in a very difficult situation: Cough up millions of dollars to the local sports team for a new stadium, or face the threat of relocation,” Petersen said. Petersen says his bill would coordinate action among 25 states, making such negotiation tactics less effective.

“S.B. 1453 would ban the use of government funding, otherwise known as subsidies, for professional sports stadiums,” Petersen said. “However, this bill would only take effect once 24 other states pass similar legislation. This would prevent many other states from offering sweetheart deals to Arizona teams to entice them to move from the Grand Canyon State. It also takes away the argument that many make, that if our state doesn’t offer the sweetheart deal, another state will.”

United Front

Marc Poitras, an associate professor of economics at the University of Dayton, says intergovernmental coordination to stop sports stadium subsidies is a good idea.

“One way to stop the extortion is for communities to coordinate resistance so they can’t be forced into competition to provide subsidies,” Poitras said. “Short of intervention by Congress, a legal solution would seem to have to come from some sort of compact among states or cities. The fact that there is at least talk of moving in that direction is a positive development.”

‘Bad Investments for Tax Dollars’

Petersen says sports stadium subsidies are a poor use of taxpayer money.

“Even when cities spend money on new stadiums, their teams may move anyway,” Petersen said. “Just look at the [NFL football] Rams, which moved from St. Louis to Los Angeles, leaving the former state still owing millions of dollars on the football stadium. Despite the promises from sports teams and their lobbyists, the data show overwhelmingly that sports stadiums are bad investments for tax dollars.”

Eric Peterson, a senior policy analyst with Americans for Prosperity, says taxpayer money should be used to finance the core functions of government, not sports arenas.

“There’s no reason that money should be going into sports teams when it could be going to schools, roads, or police, the basic functions of government,” Peterson said.

Just Say ‘No’

Poitras says rejecting team owners’ demands for handouts would benefit the public.

“If communities could somehow resist subsidizing stadiums, taxpayers would save money, and money would also be freed up for more pressing public needs,” Poitras said. “There is considerably more healthy skepticism about stadium subsidies than existed 20 years ago, but still a long way to go.”

Lindsey Curnutte (lindseycurnutte@gmail.com) writes from Athens, Ohio.
Fannie Mae Seeks Second Taxpayer Bailout

By Brandi Wielgopolski

The Federal National Mortgage Association, a government-sponsored enterprise (GSE) commonly referred to as Fannie Mae, is asking the U.S. Treasury Department for $3.7 billion in taxpayer money to offset the effect of accounting changes in the 2017 Tax Cuts and Jobs Act.

As a publicly traded company, Fannie Mae’s long-term financial plans depend on the value of tax deductions available to the corporation, and the reduction of the federal corporate income tax from 35 percent to 21 percent turned the GSE’s ledger negative.

Fannie Mae is a government corporation created in 1938 by Congress and President Franklin D. Roosevelt with the intention of using federal taxpayers’ money to expand access to capital for home mortgages and thus increase the availability of affordable housing.

The Housing and Economic Recovery Act of 2008, signed into law by President George W. Bush, placed the corporation under more direct control by the government and authorized up to $100 billion in taxpayer funds to be transferred to Fannie Mae. Since then, Fannie Mae and another GSE, the Federal Home Loan Mortgage Corporation, or “Freddie Mac,” have been managed by the Federal Housing Finance Agency.

In 2012, the U.S. Treasury Department under President Barack Obama modified the terms of agreement with Fannie Mae in a document known as the “Third Amendment,” requiring the GSE to turn over all net income to the government, instead of allowing the creation of cash reserves.

The current status where, from now on, Treasury is going to have to give Fannie Mae and Freddie Mac some of their operating cash doesn’t make sense at all,” Brannon said. “My solution would be to sell Fannie and Freddie off or privatize them. The government could recover its money, including the value of the implicit guarantee it makes on the mortgages.”

Staff Writer: Brandi Wielgopolski (brandi.wielgopolski@gmail.com) writes from Columbus, Ohio.
The state of Kentucky is offering tax credits to EnerBlu, a battery manufacturing company, up to $30 million in tax incentives if the company relocates its operations to the state.

The Kentucky Cabinet for Economic Development (KCED), a state agency whose website says its mission is “encouraging job creation, retention and business investment,” announced in December 2017 a deal with the company’s executives to move its corporate office and manufacturing plant from California to Kentucky.

According to documents from KCED’s December 7, 2017 meeting, the deal requires EnerBlu to employ 910 people by 2021 and 985 people by 2033. KCED will review the company’s compliance with the job-creation targets on a yearly basis.

KCED Communications Officer Brandon Mattingly told Budget & Tax News EnerBlu has not yet set a date to begin construction. “We know...that the company anticipates breaking ground in mid-2018,” Mattingly said. “However, we have not yet received word of when, exactly, work will begin.”

Cites Benefits of New Companies

James L. Johnston, a director and senior fellow for energy and regulation policy at The Heartland Institute, which publishes Budget & Tax News, says new companies moving into a state provide social benefits. “There are benefits to society that are provided by the new firms,” Johnston said. “Increased employment and other economic activities are stimulated. This is especially true for state services where there are large excess capacities.”

Says Fairness is Key

Matthew Mitchell, a senior research fellow at the Mercatus Center at George Mason University says treating some businesses better than others is not a recipe for economic prosperity. “Policymakers often wonder whether they should prioritize a flat and equitable tax structure or a pro-growth tax structure,” Mitchell said. “The question is prompted by the false belief that targeted tax relief for particular firms is somehow pro-growth. It isn’t.”

Mitchell says giving special tax treatment to some businesses decreases overall economic prosperity. “All taxation depresses economic activity, but discriminatory taxation is especially economically depressing,” Mitchell said. “When the government raises, say, $1 million through a flat 5 percent tax rate applied to 100,000 firms, it discourages some economic activity. This is called deadweight loss. “When the government raises $1 million with a 10 percent tax rate on 60,000 firms and a zero-percent tax rate on the other 40,000, the deadweight loss is greater,” Mitchell said.

Paying for Government Services

Johnston says incoming businesses consume fewer government resources than their existing in-state competitors. “Firms that are recruited differ from firms that are already resident in a state in an important way,” Johnston said. “The new firm does not demand the same amount of state services as the existing firms. Real assets of new firms do not require protection because their newness makes them less vulnerable to damage. Fire and police, for example, are not demanded to the same extent by new firms as existing firms. Thus, discounts in real estate and other taxes are justifiable.”

Analyzing the Costs and Benefits

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Mitchell says incentives can destroy wealth in the name of creating it. “Often, targeted tax relief is actually a subsidy in disguise,” Mitchell said. “Last year, for example, Wisconsin used its tax code to subsidize Foxconn [a multinational manufacturing company known for producing electronics for Apple] to the tune of $3 billion. In lieu of this subsidy for one firm, the state could have cut its corporate income tax rate, paid by over 16,000 Wisconsin firms, by 21 percent.”

“Policymakers often wonder whether they should prioritize a flat and equitable tax structure or a pro-growth tax structure. The question is prompted by the false belief that targeted tax relief for particular firms is somehow pro-growth. It isn’t.”

Matthew Mitchell
Senior Research Fellow, Mercatus Center

The state’s corporate income tax rate is among the highest in the nation, but reducing it by 21 percent would put it closer to the national average,” Mitchell said. “Basic economic theory suggests that, by keeping its rate 21 percent higher than it needs to be, the government has discouraged more economic development than it encouraged by subsidizing Foxconn. Decades of empirical research supports this theory.”

Michael McGrady (mmcgrady@mcgradypolicyresearch.org) writes from Colorado Springs, Colorado.
Illinois Pension Promises Exploded Over Thirty-Year Period, Report Says

By Joshua Paladino

The rate of increase in pension benefits promised to Illinois government employees has vastly exceeded the growth rate of Illinois residents’ incomes over the past three decades, a new study reports.

The report states the pension benefits promised to Illinois state and local government employees increased by 1,061 percent between 1987 and 2016, with pension liabilities growing 127 percent faster than the median income of Illinois households over that time period.

The report, published in February by Wirepoints, Inc., a media organization providing state economic and fiscal news, was written by Wirepoints president Ted Dabrowski and policy analyst John Klingner.

According to data from Truth in Accounting, a nonpartisan watchdog group promoting fiscal accountability, Illinois’ total promised pension benefits currently exceed available assets by about $138.4 billion.

‘Overpromising, Not Underfunding’

Dabrowski says the blame for Illinois’ pension problems lies with politicians, not the people.

“It has become so easy for everyone to say that underfunding of the pensions was the problem,” Dabrowski said. “We’re heavily taxed in Illinois. If the pensions were underfunded, then that would imply that politicians, and by extension, taxpayers, didn’t put enough money in. That, of course, would mean we need more tax hikes, so I wanted to challenge that assumption.”

Illinois lawmakers made promises they could not keep, Dabrowski says. “Pension funds had a lot of asset growth, but they could never keep up with the benefits doled out and promised by politicians,” Dabrowski said. “The real problem with the state pensions is overpromising, not underfunding. You hear politicians going around saying that pensions are underfunded. That narrative needs to be changed.”

Calls for Immediate Reform

Dabrowski says it’s critical for Illinois lawmakers to close the state’s current defined-benefit pension programs and create defined-contribution plans similar to the 401(k) pension plans enjoyed by workers in the private sector, for new and current government employees.

“We need to move to 401(k)s for all new employees immediately,” Dabrowski said. “We need to provide an option for 401(k)s to existing employees,” Dabrowski said. “Then, we need to look at how to restructure pension plans so that they can be sustainable both for taxpayers and for the beneficiaries.”

Eliminating the Gimmicks

Bill Bergman, director of research at Truth in Accounting, says reforms in reporting standards are revealing problems formerly hidden by gimmicks.

“Governmental accounting standards allowed state and local governments to not report these pension obligations, which are so huge, as a liability on their balance sheet,” Bergman said. “They were not liabilities for decades, and they didn’t show up in the net position of the state. That’s finally changing.”

Bergman says politicians should tell the truth about pensions, even if it’s bad news.

“Our governments haven’t been forthcoming with the consequences, the costs, and the deceptive budgeting messages that we’ve long received,” Bergman said. “My concern is that citizens should receive truthful information in a timely manner that they haven’t received in the past.”

Employees in the Dark

Dabrowski says government workers are being kept in the dark about the reality of the public pension problem.

“Right now, public-sector employees don’t know what the true security of their retirement plan is,” Dabrowski said. “It’s not their account. They don’t know if the pension system will go bust, if the politicians are behaving properly, if they’ve been overpromised, or if things won’t pan out.”

Bergman says the fiscal problem was caused by procrastination.

“In general, pensions get ‘underfunded’ because our governments tend to push off the costs of paying bills to a future day,” Bergman said. “There’s competing demands on the cash. In the short run, you can distribute these promises as compensation with long-term consequences. People feel good about that, when they work for a government that promises to pay them in the future, even if they’re not getting cash today.”

Joshua Paladino (jpaladino@hillsdale.edu) writes from Hillsdale, Michigan.
Alabama Considers Hiking Minimum Smoking Age to 21

By Madeline Fry

The Alabama state House Judiciary Committee is considering a bill that would increase the minimum age for individuals legally to purchase and use tobacco products and e-cigarettes.

Currently, individuals in Alabama aged 19 or older are allowed to purchase cigarettes, e-cigarettes, and tobacco products. House Bill 47 (H.B. 47), proposed by state Rep. Chris Pringle (R-Mobile) in January, would increase the minimum age to 21.

The bill was assigned to the state House Judiciary Committee. No hearings or votes have been scheduled.

Ignoring the Rules

Lindsey Stroud, state government relations manager for The Heartland Institute, which publishes Budget & Tax News, says adding more laws will not stop young people from smoking.

“Approximately 86 percent of people who are smoking under 18 are using a social source to purchase cigarettes,” Stroud said. “By changing the law, you’re not really getting rid of those sources. The Centers for Disease Control and Prevention reported 90 percent of people who smoke start smoking before they’re 18, and 99 percent started before they were 26.”

Range of Choices Restricted

In addition to traditional cigarettes, H.B. 47 would regulate access to e-cigarettes and other nontobacco products, Stroud says, limiting people’s options for smoking cessation.

“The biggest problem with this legislation is it includes e-cigarettes, vaping devices, and smokeless devices,” Stroud said. “They can help people get their nicotine dosage without cigarettes. It’s the government coming in and deciding what you can do if you want to quit smoking.”

It’s unfair to make the smoking age higher than the age requirement for other adult decisions, Stroud says.

“You can go to war; you can amass a lot of student loan debt,” Stroud said. “If you’re going to ask a lot of these individuals to begin with, if they want to smoke, why are you limiting their choices?”

Education, Not Regulation

Aeon Skoble, a professor of philosophy at Bridgewater State University and a policy advisor for The Heartland Institute, says public health education and social attitudes, not government restrictions, are the keys to helping people stop smoking.

“Public health educational campaigns and general social change are both better and more effective,” Skoble said. “That’s the only thing that’s proven to cut down on smoking to begin with. In the last 30 years, the public health education has definitely proven effective. It’s also better because if you’re 18, it’s really not the position any longer of the government to tell you that you shouldn’t be smoking.”

Madeline Fry (mfry@hillsdale.edu) writes from Hillsdale, Michigan.

White House Advisors Predict Decade of Economic Growth

By Jesse Hathaway

The White House Council of Economic Advisers predicts U.S. Gross Domestic Product (GDP) will increase by at least 3 percent annually through 2028.

Economic activity in the United States will increase over the next few years, the group predicted in its annual report, because of “a non-trivial trend shift” in economic factors caused by enactment of the Tax Cuts and Jobs Act (TCJA) in December 2017.

The report, published on February 21, projects strong economic growth sparked by tax reform to continue through 2028, after which the economic effects of the Trump administration’s regulatory reform and infrastructure repair proposals will kick in.

“The policy-inclusive forecast, however, which assumes full implementation of the Administration’s agenda, is for average annual real GDP growth through 2028 of 3.0 percent,” the Council wrote. “We expect growth to moderate slightly after 2020, as the capital-output ratio approaches its new steady state level and the pro-growth effect of the individual elements of the TCJA dissipate, though the level effect will be permanent. However, expected further deregulation and infrastructure investment will partly offset the declining contribution to growth of tax cuts and reforms toward the end of the budget window.”

Jesse Hathaway (jhathaway@heartland.org) is managing editor of Budget & Tax News.

Empowering Americans with the Freedom to Choose

Draconian rules imposed by the Food and Drug Administration have made life-saving prescription drugs more expensive and harder to get access to. This travesty has resulted in needless suffering, and it must end immediately.

It’s time to empower Americans with the freedom to choose their own medicine!

In the third edition of Free to Choose Medicine, author Bartley Madden presents an important reform agenda that would make life-saving drugs readily available and affordable.

Pre-order your copy of Free to Choose Medicine on Heartland’s website today! store.heartland.org
BOOK REVIEW

A Fact-Based Review of American Political Theory

Review by Jay Lehr

Conventional political wisdom tells us the United States is suffering from a hitherto unseen level of partisan strife paralyzing the nation and preventing our lawmakers from solving our problems.

Instead of parroting these well-worn assumptions, Stanford University political science professor and Hoover Institution Senior Fellow Morris P. Fiorina defies this paradigm and analyzes the truth about American politics in his new book, Unstable Majorities: Polarization, Party Sorting & Political Stalemate.

Myth of Polarization

Jam-packed with charts, figures, and research, the book expertly demonstrates that, contrary to popular belief, American politics have not really become more polarized or uncivil.

If our politics were truly becoming more polarized, Fiorina writes, increasing numbers of voters would be aligning with one political party or the other, which is not happening.

“Knowing that Americans historically have not been particularly ideologically polarized than ideological terms,” Fiorina writes, “If so, over the years independents should have been migrating to the Democratic and Republican camps. But partisanship data are even less kind to the polarization claim than ideological data. Administrative officials in states with party registration, currently twenty-one states and the District of Columbia, report a sharp rise in the proportion of Americans registering as ‘decline to state’ or some other term for independent, despite potential restrictions on their opportunity to vote in semi-closed or closed primaries.”

Nothing New Under the Sun

While reading Unstable Majorities, one may be surprised to learn that, empirically speaking, politics today looks much like what it was in past eras.

Indeed, this revelation may seem obvious after finishing the book, leading one to wonder why pundits so frequently claim polarization is waxing, because Fiorina shows there is no quantifiable evidence for such claims.

“All in all, the data compiled by academic and commercial survey organizations indicate that in broad outline the American public has changed little in the past four decades,” Fiorina writes. “In the aggregate, the public today looks much the same as the one that chose between Gerald Ford and Jimmy Carter in 1976, well before the polarization era. This inconvenient fact makes it hard to argue—as some pundits and a few political scientists continue to do—that polarization in Congress and state legislatures and among party activists and donors has been driven by the polarization of the vast majority of Americans who do not belong to the political class.”

Challenging Political Assumptions

Unstable Majorities challenges readers to reassess their grasp on political reality, to question whether their assumptions are based on facts or on partisan feelings.

Using facts backed up with copious footnotes and references, the author demonstrates an important truth: The more emotional investment one has in politics, the more false perceptions one will have about people with opposing political beliefs. The more partisan an individual is, the more likely he or she is to construct straw man versions of political opponents, embodying perceived negative traits not based in reality.

“All in all, the evidence indicates that those most psychologically involved in politics have the least accurate perceptions of the views held by their fellow citizens,” Fiorina writes. “False polarization is widespread.

“To wit, what proportion of Republicans are senior citizens, South ern, evangelical, or earn upward of $250,000?” Fiorina writes. “The proportion of Democrats are black, atheists or agnostics, union members, or LGBT? The results are mind-boggling. Misperception is massive. For example, Democrats think that 44 percent of Republicans make more than $250,000 per year, when the actual percentage is 2, and that 44 percent of Republicans are senior citizens, when the actual percentage is 21.”

Explaining 2016

Given Fiorina’s demonstration of how disconnected political science has become from reality, it should come as no surprise that many pundits have incorrectly analyzed the outcome of the 2016 election.

Instead of relying on predictions of sweeping sea changes in American political sentiment or the ascension of this or that social group, Fiorina opts to employ a much simpler explanation for Donald Trump’s electoral victory.

“The reason Trump defeated Hillary Clinton, Fiorina writes, is simply that Trump was better positioned to take advantage of voters’ dissatisfaction with the nation’s government.

“So, while there is no discounting the potential consequences of Trump’s victory, in itself it provides little basis for concluding that the election reflected some sort of massive shift in the values and beliefs of the American public.” Fiorina writes. “As in all elections, the vote reflected a combination of long-term conditions in the country and short-term factors associated with the candidates and the campaigns. In the case of 2016, a substantial portion of the electorate had become increasingly dissatisfied with long-term developments. One candidate (Trump) was positioned to capitalize on this dissatisfaction and the other one (Clinton) was not.”

Facts, Not Stories

As with many other branches of science, correctly explaining the phenomenon of politics requires the observation of actual facts about the world around us.

Unstable Majorities: Polarization, Party Sorting & Political Stalemates cuts through the just-so stories and fables many talking heads in media have constructed. Readers will delight in having their assumptions challenged, as I did while reading this fascinating book.

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The Heartland Institute is pleased to announce the release of the fourth edition of *The Patriot’s Toolbox*, coauthored and edited by Dr. Herbert Walberg and Joseph Bast, with contributions from 18 other distinguished policy experts.

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As the coauthors write in the preface, *The Patriot’s Toolbox* “offers an agenda for incumbent office holders, a platform for candidates for public office, and a report card for civic and business leaders and journalists following the policy moves of the Trump administration, Congress, and state lawmakers.”

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