Trump Signs Tax Cuts and Jobs Act

President Donald Trump signed into law H.R. 1, also known as the Tax Cuts and Jobs Act, shortly after the U.S. House of Representatives and Senate approved the final version of the bill in December 2017.

The new law, signed by Trump on December 22, reduces most individual income tax rates, permanently cuts the corporate income tax from 35 percent to 21 percent, ends the unorthodox practice of taxing American businesses’ profits earned in other countries, and cuts taxes by an estimated $1.5 trillion.

The individual income tax reductions will expire on December 31, 2025, unless future legislation extends the changes or makes them permanent.

Wisconsin Right-to-Work Law Prompts Manufacturer’s Relocation

Badger Meter, a manufacturing company producing turbines and other industrial parts, is moving jobs from its Arizona plant to Wisconsin, citing the latter state’s right-to-work law as a factor.

In March, the company will close its Scottsdale, Arizona plant and relocate employees to its Mount Pleasant, Wisconsin facility. In addition to the 30 to 35 relocated employees, Badger Meter also plans to hire local workers for other high-skilled, high-paying positions.

As reported by the Racine Journal-

65% of legislators read Budget & Tax News

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IDEAS THAT EMPOWER PEOPLE

Maryland Beer Reform Brewing
Maryland lawmakers will consider removing regulations on craft beer breweries in 2018.

Wilkes-Barre Trash Privatization
City officials in Wilkes-Barre, Pennsylvania are exploring getting the government out of the garbage business.

Florida Direct Primary Care
A bill removing expensive and time-consuming insurance regulations from doctors providing direct primary care is ready for consideration in the Florida House of Representatives.

California Cyber Clampdown
After FCC’s net neutrality decision, a California state senator is dialing up a state-level “net neutrality” bill.

In Defense of Finance
A new book explains why finance isn’t a necessary evil, it’s a necessary good.
Your Guide to More Freedom and Prosperity!

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.

More than 100,000 copies of the first three editions of *The Patriot’s Toolbox* were distributed since 2010, making it one of the most widely circulated and influential books on public policy in the United States. This edition is completely rewritten and thoroughly updated to reflect the events of 2016 and so far in 2017.

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.”

The book covers ten of the most important topics being debated today:

- Health Care
- Energy and Environment
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- Higher Education
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- Firearms
- Telecommunications
- State Fiscal Policy
- Federal Tax Policy
- Constitutional Reform

Available now at: amazon.com and store.heartland.org

More than 100,000 copies of the first 3 editions of *The Patriot’s Toolbox* have been distributed!
Springfield, Missouri City Council Considers Tightening Airbnb Regulations

By Lindsey Schulenburg

The Springfield, Missouri City Council is considering an ordinance targeting Airbnb and other peer-to-peer economy companies connecting tourists seeking short-term housing and hosts who provide places to stay. On January 29, the Springfield City Council discussed a proposed ordinance that would require homeowners using online platforms such as Airbnb or VRBO to purchase annual business licenses and occupancy certificates from the city.

The ordinance also would use zoning regulations to restrict the number of homeowners in a neighborhood allowed to engage in short-term home-sharing.

Peer-to-Peer Rise

Michael Farren, a research fellow at the Mercatus Center, says the peer-to-peer economy, also referred to as the sharing economy, demonstrates how free markets spur creativity and innovation.

“The sharing economy in general, and specifically Airbnb, offers new services that essentially weren’t available because of the previous sets of regulations or previous state of the economy,” Farren said.

People have more economic power when the government gets out of the way, Farren says. “The sharing economy gives families that are travelling more choices,” Farren said. “More choices are almost always good, not only because they give consumers the option to select what they want, but more choices lead to greater competition and more focus by service providers to satisfy customers. More choices give customers more power in the market exchange.”

Balancing Regulations with Rights

Patrick Tuohey, director of municipal policy at the Show-Me Institute, says many other cities are also increasing regulation of peer-to-peer businesses. “Cities are trying to figure out what’s the best way to do this [while respecting] individual rights,” Tuohey said. “There are people who live in communities who have fearful attitudes toward these new practices. Studies show a correlation between short-term rentals and increased property values, but some people are worried about the impact of higher rents.”

Wants Against Outright Ban

Tuohey says cities should use a light touch in regulating the peer-to-peer economy. “Certainly cities should not ban it outright,” Tuohey said. “I think they need to figure out a way to regulate it as little as possible and see over time what needs to be done. Who knows what the next opportunities will be? Cities should be careful to not snuff out innovation.”

Lindsey Schulenburg (lindseys.heartland@gmail.com) writes from Chicago, Illinois.

Judge Blocks Seattle’s ‘Millionaire Tax’

By Ben Dieterich

The city government of Seattle, Washington is asking the state supreme court to review a county judge’s decision blocking a “millionaire tax” targeting high-income earners living in the city.

The Seattle City Council in July 2017 approved an ordinance placing a 2.25 percent annual income tax on individual residents with income of more than $250,000 a year and households earning more than $500,000 a year.

Seattle residents represented by lawyers from the Freedom Foundation, a think tank with offices in California, Oregon, and Washington, filed a lawsuit in the Superior Court for King County, arguing the tax violates a state law prohibiting municipal income taxes.

On November 22, 2017, Judge John Ruhl ruled in favor of the plaintiffs, blocking implementation of the tax.

Instead of contesting the decision in the state Court of Appeals, the city’s lawyers filed paperwork on December 15, 2017 asking the Washington state supreme court to hear the case. The supreme court has not announced whether it will consider the appeal.

Unequal Tax Treatment

Jami Lund, a senior policy analyst at the Freedom Foundation, says a millionaire tax is unfair and un-American. “The tax very deliberately singled out some people not because they’ve done something wrong but merely because they have more resources,” Lund said. “To identify those people, to single them out with wealth extraction, would’ve been horrifying to the founders of the country and to the idea of equal application under the law.”

Lund says there’s still work ahead. “It’s not over by any stretch, but for right now, the people of the City of Seattle can act as if there is no such ordinance,” Lund said.

‘They Were Playing a Game’

Jason Mercier, director of the Center for Government Reform at the Washington Policy Center, says the City of Seattle’s lawyers argued living there was a kind of transaction. “They were trying to say this is an excise tax on the privilege of living in Seattle,” Mercier said. “They were playing a game here. If it’s an excise tax, the ‘excise’ is on a transaction. An income tax is on the value of your income. There’s no transaction involved.”

Benjamin Dieterich (bdieterich@hillsdale.edu) writes from Hilledale, Michigan.
WI Right-to-Work Law Prompts Manufacturer’s Relocation

Continued from page 1

Times, Badger Meter CEO Richard Meeusen told the newspaper.

“We probably would not have brought those jobs to Wisconsin if it was not a right-to-work state,” Meeusen told the newspaper.

Right-to-work laws, including the one Wisconsin enacted in 2015, prohibit requiring union membership as a condition of employment.

Putting Workers First

Dalia Marciukaityte, an associate professor of finance at Illinois State University and policy advisor for The Heartland Institute, which publishes Budget & Tax News, says right-to-work laws are good for workers.

Without right-to-work laws, unions only need to care about the support of the majority and can ignore the interests of other employees without any cost to the unions,” Marciukaityte said. “With right-to-work laws, each employee has a choice not to pay unions, making unions work harder if they want to collect dues from employees.”

Right-to-work laws have a track record of benefiting all workers, Marciukaityte says.

“Right-to-work laws are likely to benefit all employees,” Marciukaityte said. “The best work conditions are not in unionized firms but in flourishing industries that need to attract more good employees.”

Employer Appeal

Stan Greer, a senior research associate with the National Institute for Labor Relations Research, says right-to-work laws strongly influence business owners’ decisions about where to build and expand their companies.

“[A] remarkable 78 percent of CEOs either ‘only hire’ or ‘prefer to hire’ in right-to-work states,” Greer said. “Overwhelmingly, through the years, job creators have judged that, in right-to-work states, employees have superior work ethics, real estate costs are relatively low, and public officials have a much more positive attitude toward business.”

Beer Regulation Reform

Bill on Tap in Maryland

Maryland lawmakers are considering a bill submitted by Comptroller Peter Franchot that would repeal some of the state’s regulations on craft beer breweries.

In November 2017, Franchot proposed the Reform on Tap Act of 2018, a bill to relieve regulatory burdens on craft beer production and sales.

Franchot’s bill would remove the state’s limits on how much beer breweries are allowed to sell on-site. It also would allow breweries to sell directly to retailers instead of requiring them to have franchise agreements with distribution companies.

Currently, Maryland craft breweries are allowed to sell up to 3,000 barrels of beer, or about 500,000 pints, directly to consumers each year.

“Giving brewers more flexibility to sell directly to the retail stores and the public certainly could lead to, and I would not be surprised if it did lead to, more diversity of choice in beer,” Dieterle said.

Brewing up More Flexibility

C. Jarrett Dieterle, a governance project fellow with the R Street Institute, says more flexibility for brewing companies could give shoppers more choices.

“Giving brewers more flexibility to sell directly to the retail stores and the public certainly could lead to, and I would not be surprised if it did lead to, more diversity of choice in beer,” Dieterle said.

Tapping the Beer Economy

The Reform on Tap Act would have Maryland business owners saying “cheers,” Dieterle says.

“Getting rid of the self-distribution limits and franchise limits, and opening up taproom sales, those three things alone would be a game-changer for Maryland,” Dieterle said. “As it stands now, I think it’s really a comprehensive, legitimate reform. I think it would make Maryland one of the more ‘open for business’ states in terms of beer, in the country, actually.”

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

By Andrea Dillon

Maryland craft brewers could give shop owners more choices.

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Andrea Dillon (thell1885@gmail.com) writes from Holly Springs, North Carolina.
As Utah state lawmakers returned for the 2018 legislative session, a proposal to tax downloads of digital audio and video products was one of many changes to the state’s tax code up for consideration.

The provision, part of a 233-page draft bill, would levy “iTunes taxes” on digital products, such as downloaded audio, software, and video, purchased from out-of-state businesses.

In *Quill v. North Dakota*, the 1992 Supreme Court case that created the “nexus” standard for interstate business taxation, the Court decided states cannot require businesses to collect and pay sales taxes to jurisdictions in which the companies are not physically located.

The Utah State Legislature began its 2018 session on January 22.

**Questions Legality**

Bruce Edward Walker, a policy advisor for *Budget & Tax News*, says the download tax would not be legal.

“The proposed tax violates the legal precedents established by the U.S. Supreme Court in its *Quill v. North Dakota* ruling, which requires a company to possess a physical nexus in a state seeking to tax profits made through commercial transactions in that state,” Walker said. “Therefore, the collection thereof will be challenged as a violation of legal precedents of the U.S. Supreme Court’s *Quill* ruling.”

**Streaming New Tax Sources**

Utah lawmakers are not the only ones eyeing digital services as potential revenue streams, Walker says.

“It’s difficult to conjecture whether a tax on digital downloads such as the one proposed in Utah will pass,” Walker said. “What is known is the increased popularity of streaming and download services such as Amazon Prime, Hulu, and Netflix make their customers an easy target for states seeking new revenue streams. Make no mistake: If the adoption of this tax is realized, customers will see their fees increase as internet companies attempt to recover the additional costs of collecting taxes.”

**‘Not a Solution’**

Utah state Rep. Paul Ray (R-Clearfield), a Legislative Forum member of *The Heartland Institute*, says the download tax is wrong for Utah.

“Creating new ways to tax products and services, for the sake of trying to increase revenue, is not a solution,” Ray said. “When you start taxing something new, like streaming media, you eventually start looking at similar areas that you can tax too. It becomes a never-ending game to find additional sources of tax revenue.”

**Wants Lower, Flatter Taxes**

Instead of finding new things to tax, Ray says his fellow Utah lawmakers should brainstorm ways to reduce spending and make taxes fairer.

“There are better ways to do things,” Ray said. “Reforms need to come in areas of expenditures. We need to take a hard look at everything that we do, to determine what is necessary and what is not. Going to a flatter tax and lowering existing tax rates should be considered as well.”

*Brandi Wielgopolski* ([brandi.wielgopolski@gmail.com](mailto:brandi.wielgopolski@gmail.com)) writes from Columbus, Ohio.

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**Official Connections:**

Utah state Rep. Paul Ray (R-Clearfield):

https://house.utah.gov/rep/RAYP
President Signs Tax Cuts and Jobs Act

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

“When we reduce the income tax, there’s going to be more production, greater demand for labor, and lower prices, because there’s going to be more output,” Wolfram said. “Corporate taxes impact the owners of the corporations, the stockholders, including people’s pension funds; the consumers, who pay for the corporate tax in the form of prices; and the laborers, who pay part of the corporate tax in the form of their [lowered] wages.”

Better International Competitiveness
Grover Norquist, president of Americans for Tax Reform, says the new law finally makes the nation’s corporate tax structure globally competitive.

“We’re no longer at a disadvantage in international competition,” Norquist said. “We now compete well against all the countries, with our 21 percent rate.” Norquist said. “China is at 25 percent, and the European average is in the low 20s. We had the highest rate.”

Calls for Permanence
The fight to unleash prosperity through tax reform isn’t over, Norquist says.

“The next steps in tax reform relate to the fact that a number of the tax cuts are temporary,” Norquist said. “The next steps are taking all of the tax cuts that are temporary and doing one of two things: extend them out for another 10 years or make them permanent. We’ll see them become permanent over time.”

American businesses will bring home money earned by overseas subsidiaries, Norquist says, sparking capital investment.

“One or two trillion dollars of American earnings will come back from overseas because it can come back without penalty now,” Norquist said. “We will see a great deal of money flow from overseas back into the United States for investment because, compared to last year and five years ago, it is now less expensive to buy a factory and equipment in the United States.”

The surge of new economic activity will benefit low-income individuals, Wolfram says. “Prices are going to be lower and demand for their labor is going to be higher, so their wages are going to be higher,” Wolfram said.

“China is at 25 percent, and the European average is in the low 20s. We had the highest rate.”

Wilkes-Barre, PA Explores Privatizing Trash Collection

By Andrea Dillon

Wilkes-Barre, Pennsylvania city officials are considering bids for trash collection services currently provided by the government.

City Administrator Ted Wampole and Operations Department Director Butch Frati are reviewing bids trash collection companies submitted in December 2017 for a three-year residential waste and recycling collection contract. Currently, the city’s Department of Public Works conducts municipal waste collection.

According to a 2017 independent audit of the city’s finances, the Wilkes-Barre Department of Public Works has run a $1 million deficit every year since 2010.

Saving Money, Improving Services
Mark Thornton, a senior fellow at the Mises Institute and policy advisor for The Heartland Institute, which publishes Budget & Tax News, says returning municipal services to the private sector can improve both service quality and a city's financial outlook.

“For the city that has experience with privatization and uses it comprehensively, it can save a great deal of money and also improve public services at the same time,” Thornton said.

Calls for More
Thornton says he recommends getting government entirely out of the garbage business.

“I would be an advocate of letting the marketplace take care of collecting garbage,” Thornton said. “We know it does that already. It does a good job and doesn’t need a city to come in and intervene by collecting taxes and fees and paying private firms. The marketplace itself can take care of that all on its own.”

Planning for Success
Elizabeth Stelle, director of policy analysis for the Commonwealth Foundation, says it’s important to design a privatization plan well.

“Generally, any discussion of privatizing a service that the government doesn’t need to do is a good thing,” Stelle said. “Simply privatizing trash collection services is not necessarily going to reduce their costs, but it has the potential to, if the contract is set up appropriately and if there are accountability measures put in place.”

Successful privatization requires accountability, Stelle says.

“处罚” Stelle said. “A lot of success stories out there, where there were contracts that were crafted to lower costs and ensure services,” Stelle said. “It’s really important to make sure there is accountability and make sure there are performance-based measures in the contract, if Wilkes-Barre decides to go that route.”

Andrea Dillon (thell1885@gmail.com) writes from Holly Springs, North Carolina.

INTERNET INFO

Wisconsin Governor Walker Trims Occupational Licensing Regulations

By Leo Pusateri

Wisconsin Gov. Scott Walker signed into law two bills trimming back occupational licensing regulations by reducing training requirements for aestheticians, barbers, cosmetologists, and manicurists.

On November 27, Walker signed into law Senate Bills 108 and 109. Starting on November 28, 2017, cosmetologists and stylists transferring a license from another state must attend one hour of training, instead of the previous 4,000-hour requirement. The new laws also eliminate some continuing education recertification requirements and restrictions on where licensed practitioners may operate.

Reducing Barriers to Employment
State Sen. Lena Taylor (D-Milwaukee), who introduced the bills with state Sen. Chris Kapenga (R-Delafield) and others, says the new laws make it easier for licensed professionals to set up shop in Wisconsin.

“Senate Bills 108 and 109 eliminate certain continuing education and licensing requirements and make it easier for out-of-state barbering and cosmetology professionals to receive a reciprocal license, provided they have never been disciplined by the licensing authority of that jurisdiction, or a party to a proceeding before that authority,” Taylor said. “The bills also make it easier for entrepreneurs to create mobile pop-up shops and practice outside of a licensed establishment.”

Promoting Entrepreneurship
The new laws promote new businesses and economic prosperity, Taylor says.

“For the past three years, Wisconsin has ranked dead last in the nation for business startup activity, and for the past 24 consecutive quarters our state has trailed the nation in private-sector job growth. We need to create an environment where entrepreneurs can succeed.”

Lena Taylor
State Senator (D-Milwaukee)

Military Families Especially Affected
State Rep. Dale Kooyenga (R-Brookfield), a cosponsor of the bill in the state’s House of Representatives, says he met a military family affected by the old licensing regulations.

“On this particular issue, I [met] a soldier that moved here and said that his wife was having a hard time because she was a licensed cosmetologist from another state but couldn’t get over the excessive hurdles to practice in Wisconsin,” Kooyenga said. “It was no fault of hers, because she was married to a soldier and soldiers move around a lot.”

No Safety Risk Seen
The new laws will not put public safety at risk, Kooyenga says.

“There was no evidence that this licensing reform posed a health or safety risk to residents,” Kooyenga said. “There are a lot of different professions where, if health and safety are not involved, I generally don’t see a reason why it should be licensed.”

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

Direct Primary Care Bill Is on Florida House Agenda

By Hayley Sledge

A bill that would free doctors participating in direct primary care (DPC) services from state insurance regulations is under consideration in the Florida House of Representatives.

House Bill 37 (H.B. 37), sponsored by state Rep. Daniel Burgess (R-Zephyrhills), would exempt DPC providers from insurance regulations.

Instead of billing insurance companies or the government for patients’ health care, doctors providing DPC enter into direct agreements with patients, charging a regularly scheduled fee and listing procedure prices up front.

The state House Health and Human Services Committee approved H.B. 37 in November. The Florida House’s 2018 session began on January 9.

Cost Flexibility for Patients
Sal Nuzzo, vice president of policy at the James Madison Institute, says DPC gives doctors and patients authority over pricing.

“Direct primary care is a contractual relationship between a patient and their primary care physician, under which the physician agrees to provide a basket of traditional health care services for a flat monthly fee,” Nuzzo said. “By separating this contract from the traditional definition of insurance, health care providers and patients are in the driver’s seat on the cost of primary care.”

Expanding Health Care Options
Nuzzo says the bill will give patients more choices for health care.

“Enabling direct primary care to continue to function as it was intended, as an alternative to insurance, will enable more DPC practices to expand in the state and give patients and doctors something sorely needed: choice,” Nuzzo said.

‘Cuts Out the Middleman’
Burgess says DPC removes third-party insurance companies from the doctor-patient relationship.

“This type of relationship cuts out the middleman—the insurance company—and lets the patient and their doctor have a one-on-one relationship,” Burgess told Budget & Tax News.

Burgess says DPC helps doctors reduce costs.

“The great thing about direct primary care is that not only does it help restore the relationship between the patient and their doctor, but it is also much cheaper for the patient than a traditional arrangement,” Burgess said. “If we truly want to expand access to quality health care and lower the cost of health care, which is a goal shared by people on all sides of the health care debate, then we need to allow for DPC, and other arrangements like it, to flourish without government getting in the way.”

Hayley Sledge (hayley@sledges.us) writes from Dayton, Ohio.

Official Connections:
Florida state Rep. Daniel Burgess (R-Zephyrhills):
https://www.myfloridahouse.gov/Sections/Representatives/details.aspx?MemberId=4604&LegislativeTermId=86
President Donald Trump signed Space Policy Directive 1, ordering the National Aeronautics and Space Administration (NASA) to investigate use of public-private partnerships (P3s) to advance U.S. interests in outer space.

The new policy requires NASA to study how partnering with private-sector businesses can “enable human expansion across the solar system and to bring back to Earth new knowledge and opportunities.”

The directive, signed at a December 11, 2017 ceremony, also orders NASA to focus on sending manned space expeditions instead of robotic probes. The 1972 Apollo 17 mission to Earth’s moon was the last crewed NASA project to venture outside low-Earth orbit.

“It marks a first step in returning American astronauts to the Moon for the first time since 1972, for long-term exploration and use,” Trump said. “This time, we will not only plant our flag and leave our footprints, we will establish a foundation for an eventual mission to Mars, and perhaps someday, to many worlds beyond.”

Geopolitical Issue

The United States must get back into the space race in order to ensure the expansion of freedom, says Harrison Schmitt, the most recent living person to have walked on the Moon and a former member of the Board of Directors of The Heartland Institute, which publishes Budget & Tax News. Schmitt, a Ph.D. scientist, Apollo 17 crew member, and former U.S. senator, attended the White House signing ceremony.

“The most important thing for the United States of America is in the geopolitical realm,” Schmitt said. “If we do not continue to be and strive to be the dominant spacefaring nation on the planet, then liberty and constitutional principles will be at risk, because somebody else will fill that vacuum.”

Schmitt says the sky’s the limit for P3s between the government and businesses in space exploration.

“Primarily, there needs to be a national program, that is supported by the American taxpayer, in the geopolitical realm,” Schmitt said. “As part of that, there are many opportunities for partnerships with the private sector. When capabilities exist, the private sector can go in and provide some of the services, some of the opportunities that space buys.”

Space as the ‘Infinite Economy’

Andrew Gasser, president of Tea Party in Space, a nonprofit organization promoting rapid private-sector-led expansion into space, says NASA has fallen down on the job.

“I think this directive is a wakeup call to NASA, saying, ‘Look, we are going to embrace the free-market principles that made America great and have always put us first, especially in the space realm.’”

ANDREW GASSER
PRESIDENT, TEA PARTY IN SPACE

Americans Upbeat About Job Outlook, Survey Shows

By Jesse Hathaway

Americans’ optimism about the job market hit record highs in 2017, according to a new Gallup poll.

In a series of 12 monthly polls comprising views of 13,185 American adults, an average of 56 percent of respondents told pollsters they were optimistic about the job market.

Americans’ economic optimism increased as 2017 progressed, Gallup consultant Megan Brenan wrote in a January 9, 2018 blog post on Gallup’s website.

“Amercians’ optimism about finding a quality job averaged 56 percent in 2017, the highest annual average in 17 years of Gallup polling and a sharp increase from 42 percent in 2016,” Brenan wrote. “Positivity about jobs among all U.S. adults began to rise on a monthly basis in January 2017, reaching 54 percent in February 2017. By the end of 2017, it hit 62 percent in November and again in December.”

Jesse Hathaway (jhathaway@heartland.org) is managing editor of Budget & Tax News.
A bill that would direct Congress to call a national convention to draft an amendment to the U.S. Constitution limiting federal powers is ready for consideration in the Kentucky Legislature.

B.R. 285, prefilled by state Rep. Regina Huff (R-Williamsburg) before the session began in January 2018, would enter Kentucky into a convention of states for the purpose of proposing a constitutional amendment to “impose fiscal restraints on the federal government, limit the power and jurisdiction of the federal government, and limit the terms of office,” according to the bill.

The bill is based on model language from the Convention of States Project, a program organized by Citizens for Self-Governance.

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 proposal specified in the call. Three-quarters of the states must ratify the proposed amendment for it to take effect.

Currently, 12 states have passed bills consistent with the Convention of States draft legislation.

Restoring States’ Power
Huff says more power belongs with state lawmakers and the people electing them.

"It is my belief that you can’t blanket the nation with one-size-fits-all government," Huff said. “Therefore, I feel, without question, government would serve us better by designating power back to the states and the people, where it belongs.”

Huff says it’s time for state legislators to use the amendment proposal process to restrain a runaway federal government.

“The abuse of power has plagued us for far too long,” Huff said. “We have unelected bureaucrats in Washington making decisions that impact all of us. It is my belief that we must take ownership of our future if we hope to prosper. Our Founding Fathers provided us a path for times such as these.”

No Hope for DC Change
Ken Clark, a regional director with the Convention of States Project, says real change can’t come from inside the DC system.

“If you pay attention to what is happening in Washington, DC, you come to realize that it does not matter who you elect,” Clark said. “We currently have a Republican House, a Republican Senate, and a Republican president. They are doing some tinkering, and they are prolonging the inevitable, but at the end of the day, they are not fixing anything.

“The system in Washington, DC is broken,” Clark said. “They are never going to balance their own budget. They are never going to rein in their own power. It will not happen.”

Fixing What Feds Broke
Clark says state elected officials have the authority and responsibility to restore the balance of power between the states and the national government.

“The states created the federal government,” Clark said. “The states are the federal government’s master. Only the states have the power, the constitutionally granted power, to rein in the federal government. ‘We the people,’ acting through our state legislatures, can rein in the federal government. That is the only way it is going to happen.”

Brandi Wielgopolski (brandi.wielgopolski@gmail.com) writes from Columbus, Ohio.

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California Considers ‘Net Neutrality’ Bill

By Leo Pusateri

In the wake of the Federal Communications Commission’s (FCC) decision to stop regulating internet service providers’ (ISPs) management of internet traffic over the systems they own, California state Sen. Scott Wiener (D-San Francisco) is proposing a bill that would reinstate the regulation in his state.

FCC approved the Restoring Internet Freedom Order in December 2017, rolling back the 2015 Open Internet Order, an Obama-era regulation enforcing “net neutrality,” a prohibition against ISPs deciding how to direct data traffic to consumers.

The bill, introduced on January 3, would prohibit ISPs doing business in the state and using government-owned rights-of-way from entering prioritization agreements in which content providers pay fees to avoid congested network routes.

State Measures Overruled

Adam Summers, a research fellow with Independent Institute, says the Restoring Internet Freedom Order prohibits states from doing what Wiener’s bill effectively proposes.

“The Order states that the FCC ‘preempts any state or local measures that would effectively impose rules or requirements that we have repealed or decided to refrain from imposing in this order or that would impose more stringent requirements for any aspect of broadband service that we address in this order,’” Summers said. “The FCC acknowledges that states maintain the right to regulate ‘general commercial dealings,’ but only ‘so long as the administration of such general state laws does not interfere with federal regulatory objectives.’”

Trusts Markets, Not Lawmakers

Summers says free-market principles are better at organizing networks and resources, including the internet, than politicians.

“Free markets are far more efficient at offering services, determining appropriate prices, fostering innovation, and allocating scarce resources than government control,” Summers said. “I would much rather trust the pressures put on providers by their millions of customers and numerous competitors eager to steal their market share by better serving customers than in a handful of politicians and bureaucrats in Washington, DC or Sacramento.”

‘Ambiguous’ Wordings

Berin Szoka, president and founder of TechFreedom, says the bill’s language and legal enforceability are unclear.

“What [FCC Chairman] Ajit Pai’s Restoring Internet Freedom Order says is that the states can continue to enforce laws of general applicability,” Szoka said. “Wiener’s wording is very ambiguous here, because he says ‘regulate business practices to require net neutrality.’ In some sense, yes, California can do that, in the same way the Federal Trade Commission can do that. In other words, if a company essentially promises net neutrality, which broadband companies do—they all do—you can hold them to their promises.”

FCC Repeals Net Neutrality Mandate

By Madeline Fry

The Federal Communications Commission (FCC) voted to undo a 2015 decision by former FCC Chairman Tom Wheeler classifying the internet as a public utility. FCC commissioners on December 14 approved the Restoring Internet Freedom Order, proposed by Chairman Ajit Pai in May 2017. The action reverses Wheeler’s Open Internet Order, a 2015 rule claiming FCC authority to regulate network traffic decisions, a policy known as “net neutrality,” on internet service providers (ISPs), which Wheeler claimed was justified by Title II of the Telecommunications Act of 1934.

Charging Up Cyber Choice

Steven Titch, a policy advisor with The Heartland Institute, which publishes Budget & Tax News, says net neutrality limited ISPs’ ability to serve people.

“Net neutrality was a silly idea, and it’s on the trash heap now, where it belongs,” Titch said. “There’s going to be a lot more consumer benefits, because ISPs and their content partners will have a lot more options in terms of packaging services, discounts, and special deals. They are now free to do all of that.”

Prioritizing Consumers

Titch says the Restoring Internet Freedom Order will promote fairness and flexibility for internet companies and customers alike.

“It’s going to give ISPs, content providers, and everyone in the internet value-chain opportunities to deliver their best product to consumers in the best way, with multiple choices,” Titch said. “They come to a voluntary agreement as to how they’re going to operate, and that’s the way it’s supposed to work. We don’t need a regulatory regime in there to essentially favor one group over another.”

Unleashing Investment

Gerald Faulhaber, professor emeritus of business economics and public policy at the University of Pennsylvania, says FCC’s use of Title II regulations to regulate the internet would stifle capital investment.

“If you put Title II regulation on ISPs, investors are not happy with that,” Faulhaber said. “They’re not going to be willing to put money up for ISPs to expand, because now all of a sudden they’re in a highly regulated industry.”

Rebooting Regulatory System

Faulhaber says the FCC order restores the regulatory approach that helped foster the internet’s golden years.

“It returns internet regulation to what it was before 2005,” Faulhaber said. “To my mind, this is actually exactly where we ought to be. If you think about the growth of the internet from 1995 to 2005, that was one of the greatest things we’ve ever seen in our time. It was just incredible growth and innovation. I can’t name another time in the past when we saw such tremendous growth and creativity.”

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

“Free markets are far more efficient at offering services, determining appropriate prices, fostering innovation, and allocating scarce resources than government control. I would much rather trust in the pressures put on providers by their millions of customers and numerous competitors eager to steal their market share by better serving customers than in a handful of politicians and bureaucrats in Washington, DC or Sacramento.”

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Oregon Sweetened-Beverage Tax Campaign Wastes Bloomberg’s Money

By Jeff Reynolds

A Multnomah County, Oregon organization advocating a new tax on sugar-sweetened beverages wasted almost $1 million in funding from former New York City mayor Michael Bloomberg, according to reports.

In December 2017, Willamette Week journalists reported on an announcement from the Coalition for Healthy Kids and Education, an organization campaigning for a new tax on sugar-sweetened beverage sales, noting its financial ties to Bloomberg.

The group had submitted signatures to the county government’s Elections Division, seeking placement of the petition to target the November 2018 ballot for voters. The petition was voided and the signatures on file were destroyed after the Coalition for Healthy Kids and Education decided to target the November 2018 ballot instead, voicing its intention to target the petition process instead of supporting the tax.

If the organization collects another 17,381 signatures by mid-July and voters approve the question in November, wholesalers will be required to remit excise taxes on sales of any drinks containing added sugar, including sodas, juices, sports drinks, and some teas and coffees.

Sweet Schadenfreude

Christopher Snowdon, director of lifestyle economics at the Institute of Economic Affairs, says he enjoys watching Bloomberg waste his money on campaigns for sugar-sweetened beverage (SSB) taxes, commonly referred to as soda taxes.

“I get enormous satisfaction from watching Bloomberg throw away his money,” Snowdon said. “This comes on top of the $10 million he wasted on Cook County’s [Illinois] hated soda tax, which has now been repealed. The tragedy is that this money could help so many people if it was spent on medicine and health care.”

Snowdon says Bloomberg may claim he’s preventing health problems by funding SSB tax campaigns, but such taxes are just cash grabs.

“Bloomberg might say that he is spending money on preventive health care, but there is no credible evidence that soda taxes have any health benefits whatsoever,” Snowdon said. “For most politicians, they are a convenient way of raising revenue, but the public backlash in Cook County and Philadelphia has made governments think twice. These taxes are regressive, ineffective, and unfair.”

‘Not Supported by Facts’

Patrick Gleason, director of state affairs at Americans for Tax Reform, says Bloomberg’s political advocacy efforts are ill-advised.

“I think Mayor Bloomberg believes his preferred policies will accomplish some good, and I see nothing wrong with him exercising his First Amendment right to advocate for them in many jurisdictions,” Gleason said. “The problem is his beliefs in this case are not supported by facts and the policies he’s pushing have negative unintended consequences.”

Trimming Wallets, Not Waistlines

Soda taxes shrink people’s pocketbooks instead of promoting their health, Gleason says.

“Soda taxes do not improve public health,” Gleason said. “They do put a crimp on middle- and lower-income households’ financial health. They also spark a backlash against the lawmakers who implement them, as we saw in Cook County and the ultimate decision to repeal the soda tax there.”

Jeff Reynolds (jefferyreynolds@comcast.net) writes from Portland, Oregon.

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Illinois Court Upholds Chicago Food Truck Ordinance

By Michael McGrady

Illinois’ First District Appellate Court rejected a legal challenge to the city’s food truck ordinance.

In December 2017, the state’s First District Appellate Court upheld Cook County Circuit Judge Anna Helen Demacopoulos’ December 2016 ruling against plaintiff Laura Pekarik, a Chicagoland mobile food vendor fighting the city’s food truck ordinance.

A city ordinance prohibits food trucks from operating within 200 feet of a restaurant and restricts the amount of time the trucks may serve customers in a given area. Food truck operators in the city are required to install global positioning system tracking devices on their vehicles to facilitate enforcement of the law.

Claims Unequal Treatment

Institute for Justice (IJ) Senior Attorney Robert Frommer says the appellate court’s decision effectively endorses discriminatory legal treatment. IJ is a nonprofit public-interest law firm representing Pekarik.

“By upholding Chicago’s rule that prohibits food trucks from operating within 200 feet of any restaurant, the appellate court held that Chicago can discriminate against food trucks because the city believes that restaurants may contribute more in tax revenue,” Frommer said.

The appellate court’s ruling conflicts with legal precedent, Frommer says.

“This ruling breaks with decades of precedents, which have repeatedly held that local governments cannot constitutionally ‘legislate economic protection for existing businesses against the normal competitive factors which are basic to our economic system,’” Frommer said, quoting the 1967 Illinois appellate court decision in Exchange Nat. Bank v. Village of Skokie. “This ruling threatens to gut economic liberty in Illinois, as it gives cities free rein to line the pockets of their friends by making the competition illegal.”

Curbside Cronyism

Chris Lentino, manager of Chicago outreach for the Illinois Policy Institute, says the Chicago ordinance is an example of regulatory capture.

“In general, cities like Chicago crack down on innovative industries in order to protect entrenched industries,” Lentino said. “These industries, such as the restaurant industry, have spent years and countless dollars lobbying to ensure preferential treatment.”

Lentino says small business owners, including Pekarik, are fighting a rigged system.

“What we end up seeing, as in this case, are lawsuits against the city,” Lentino said. “This is the path of last resort. The food truck operators just want to be heard, to be treated fairly. Unfortunately, the city isn’t willing to listen. Chicago has chosen to impose oppressive restrictions.”

Michael McGrady (mmcgrady@mcgradypolicyresearch.org) writes from Colorado Springs, Colorado.

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INTERNET INFO

A head of a voter referendum on a new tax to fund the state’s Medicaid program, Oregon Health Authority (OHA), the state’s health care agency, disclosed hundreds of millions of dollars in fraudulent and wasteful spending.

A November 2017 letter from OHA director Patrick Allen to Gov. Kate Brown stated OHA has overpaid contractors by more than $152.3 million since Oregon expanded Medicaid coverage through Obamacare in 2014.

Over the same period, OHA also improperly spent at least $78 million in state and federal taxpayer money on Medicaid services for undocumented immigrants, pregnant women seeking abortions, and prisoners, Allen wrote.

The November letter follows an October OHA report identifying $74 million in improper payments to Oregon coordinated-care organizations, which are community networks of general and specialized health care providers for Medicaid recipients.

On January 23, 2018, voters will decide whether to approve Measure 101, a ballot question that would add a 1.5 percent tax to residents’ health care premiums to finance Oregon’s 2014 Medicaid expansion.

The federal Affordable Care Act, commonly known as Obamacare, rewards states by substantially subsidizing Medicaid expansion with federal funds, gradually decreasing those payments over time.

Years of Overpayments
Steve Buckstein, a senior policy analyst for the Cascade Policy Institute, says OHA has a poor fiscal track record.

“There are 55,000 Medicaid recipients that the state has been paying for who were not eligible or did not complete their eligibility forms,” Buckstein said. “That’s $280 million per year. Then, overpaying the coordinated-care organizations, that’s $74 million over the past three years. They were overpaying for lots of people,” Buckstein said.

Trouble with Program Integrity
Jonathan Ingram, vice president of research at the Foundation for Government Accountability, says Oregon’s entitlement fraud crowds out other government priorities.

“Oregon has long had trouble with program integrity,” Ingram said. “A recent audit found the state wasn’t doing the required eligibility verification to ensure benefits were only going to those who actually qualified. Every dollar spent on those who aren’t eligible is a dollar that can’t be used to fund services for poor children, seniors, and individuals with disabilities,” Ingram said. “It’s a dollar that can’t be used for other core priorities, like education, public safety, and infrastructure.”

Calls for Better Eligibility Checks
Oregon must act to reduce Medicaid fraud and waste, Ingram says.

“The state can and should do more to preserve resources for the truly needy,” Ingram said. “Oregon should use existing state data and enhanced tools to check income, residency, identity, employment, citizenship status, and more, to ensure those applying for welfare are actually eligible. It should conduct frequent and automatic reviews to ensure those on the program still belong there. When someone’s eligibility has changed, the state should immediately remove them.”

Jeff Reynolds (jefferyreynolds@comcast.net) writes from Portland, Oregon.

Report: Oregon Medicaid Agency Misspent Taxpayers’ Money

“A recent audit found the state wasn’t doing the required eligibility verification to ensure benefits were only going to those who actually qualified.”

JONATHAN INGRAM
VICE PRESIDENT OF RESEARCH
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By Leo Pusateri

The online cryptocurrency exchange company Coinbase lost a legal battle against Internal Revenue Service (IRS) efforts to gain access to users’ private data and metadata.

U.S. District Court for the Northern District of California Judge Jacqueline Scott Corley granted a motion from IRS lawyers on November 29, 2017 to force Coinbase to identify to the IRS all individuals who used the exchange website to buy, sell, or transfer more than $20,000 in Bitcoins, a digital cryptocurrency, between 2013 and 2015.

Digital cryptocurrencies can be exchanged for physical and digital goods or other currencies, bypassing government central banks and other government intervention.

Coinbase, a private company that enables people to trade Bitcoins and other digital cryptocurrencies for physical currencies, will be required to turn over selected customers’ account activity logs and statements, usernames, and other personally identifying information.

The Taxman Spyeth

Kenyon College assistant professor of economics William Luther, a policy advisor for The Heartland Institute, which publishes Budget & Tax News, says courts allow IRS agents to pry deeply into people’s lives.

“The IRS is not required to have probable cause,” Luther said. “It needs only demonstrate a reasonable basis, and the courts have generally supported IRS efforts to secure records, even going so far as to require individuals to provide potentially self-incriminating records despite Fifth Amendment concerns.”

Changing the Rules

Luther says IRS has treated Coinbase users accountable for failing to comply with its guidance, even though that guidance was not articulated in advance? Luther said. “Such an effort is fundamentally at odds with the rule of law.”

Following the Money

Jim Harper, vice president of the Competitive Enterprise Institute, says courts and the law should apply due process to IRS’ ability to pry into legal commerce.

Luther said. “They offered no guidance on how cryptocurrencies would be treated for tax purposes prior to March 2014. As of late September 2016, the Treasury Inspector General for Tax Administration acknowledged the need to provide further clarification.

“Now the IRS wants to hold Coinbase users accountable for failing to comply with its guidance, even though that guidance was not articulated in advance?” Luther said. “Such an effort is fundamentally at odds with the rule of law.”

By Lindsey Curnutte

The Alabama House State Government Committee is considering a bill that would prohibit the state’s Department of Human Resources from requesting exemptions from federal work requirements for able-bodied individuals receiving welfare.

House Bill 6, introduced by state Rep. Tommy Hanes (R-Bryant), was referred to the committee on January 9 for consideration and debate.

In 2013, the U.S. Department of Agriculture approved a request from Alabama to waive enforcement of work requirement provisions of the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. Alabama resumed complying with the law’s work requirements in 2016 and 2017. Hanes’ bill would make that policy state law.

‘An Essential Component’

Matthew Glans, a senior policy analyst at The Heartland Institute, which publishes Budget & Tax News, says every welfare program should include work requirements.

“Work requirements are an essential component of any welfare program,” Glans said. “One of the biggest problems with SNAP [food stamps], and a primary reason it grew so rapidly during the recent recession, is that most states do not require recipients to actively seek employment.”

Glans says work requirements save taxpayers money and benefit welfare recipients.

“States that have enacted work requirements have seen a dramatic decrease in the number of SNAP recipients,” Glans said. “States should require all able-bodied recipients to engage in work-related activities to be eligible for food stamps, and lawmakers should reform other government assistance programs that trap low-income Americans in poverty by dis-incentivizing work.”

Staying the Course

Patrick Hedger, director of policy at FreedomWorks, says states shouldn’t ask for work requirement waivers.

“There’s no reason to get rid of these requirements, even during the worst recession possible,” Hedger said. “The work requirements aren’t that you need to have a job. It just means that you are doing something that is working towards getting a job.”

Ending the Poverty Trap

Hedger says PRWORA’s work requirements help free people from poverty.

“They [work requirements] are one of the best ways to combat what is known as the poverty trap,” Hedger said. “Basically, the combination of both state and federal welfare programs, including SNAP, reaches a certain level where picking a job would actually result in reduced benefits and reduced take-home pay. It creates a massive disincentive for folks to actually work more hours or get a job at all.”

“Changing the Rules”

Lindsey Curnutte (lindseyecurnutte@gmail.com) writes from St. Cloud, Minnesota.

“An Essential Component”

Taxpayers Challenge Denver, CO Nonprofit Disclosure Law

By Brandon Best

Taxpayers in Denver, Colorado are challenging a new city law requiring nonprofit political organizations to identify their donors publicly.

Starting January 1, 2018, nonprofit 501(c)3 and (c)4 organizations spending $500 or more a year on local ballot measures are required to report publicly the names and addresses of all donors contributing at least $50.

On December 13, 2017, Goldwater Institute lawyers filed a lawsuit in the Denver District Court for the Second Judicial District of Colorado on behalf of the Colorado Union of Taxpayers Foundation and the TABOR Committee, two local nonprofit taxpayers’ rights organizations.

The organizations are asking Chief Judge Michael Martinez of the Denver District Court for the Second Judicial District of Colorado for a permanent injunction to block enforcement of the law.

Shutting Down Debate

Matt Miller, a senior attorney with the Goldwater Institute, says disclosure laws suppress public debate.

“Donors value their privacy, for reasons ranging from simple modesty to religious conviction to fear of retaliation,” Miller said. “Studies show that donors are less likely to give if they fear their names will be disclosed to the government. These laws will ultimately lead to weakened nonprofits and fewer voices speaking about important public issues.”

Donor disclosure laws are more intrusive than typical campaign finance laws, Miller says.

“These laws, which we’re seeing in places like Denver, Santa Fe, and Tempe, differ from traditional campaign-finance laws in a crucial way,” Miller said. “Unlike laws requiring disclosure of donors to political campaigns, these laws require nonprofits to disclose their donors for doing nothing more than speaking about a ballot issue.”

Who’s Watching Whom?

Hans von Spakovsky, a senior legal fellow at The Heritage Foundation’s Meese Center for Legal and Judicial Studies, says the people should be able to keep an eye on the government, but not vice versa.

“The transparency rules that we have, let the public keep an eye on the government,” von Spakovsky said. “That’s why we have open-meeting laws and freedom of information laws at the state and federal levels. It’s an invasion of our privacy rights and our First Amendment rights for the government to require disclosure so that they can keep an eye on us.”

Strengthening the Powerful

Donor disclosure laws benefit powerful people and discourage politically weaker individuals from participating in politics, von Spakovsky says.

“Multimillionaires don’t have to worry much about losing their jobs or becoming social outcasts because they donate to a specific organization, but the average person has to worry about his job if his employers find out he contributed to an organization they don’t agree with,” von Spakovsky said.

“When you force that kind of disclosure, it affects associational rights, prevents people from associating, and is a way for the government to change the things private organizations are doing.”

Brandon Best (bbest@cedarville.edu) writes from Cedarville, Ohio.

“SMASH the Economic Lie Holding Over 1.6 Billion Hostages to Horrible Miseries

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Federal Funding Denied for New York Train Tunnel

By Jesse Hathaway

The Trump administration repudiated a $13 billion Obama-era construction funding agreement between the federal government and the State of New York, calling the claimed deal “nonexistent.”

In a December 29, 2017 letter to Robert Mujica, director of New York state’s Division of the Budget, U.S. Department of Transportation (USDOT) Federal Transit Administration (FTA) Deputy Administrator K. Jane Williams denied federal taxpayer funding for a proposed Amtrak tunnel to connect New Jersey with Penn Station in New York City.

The New York state Division of the Budget claims FTA agreed in 2015 to split the cost of tunnel excavation and construction with New York and New Jersey. According to the letter, obtained by Crain’s New York Business, Williams disputes that claim.

“Your letter also references a nonexistent ‘50-50’ agreement between USDOT, New York and New Jersey,” Williams wrote. “There is no such agreement. We consider it unhelpful to reference a nonexistent ‘agreement’ rather than directly address the responsibility for funding a local project where nine out of 10 passengers are local transit riders.”

Jesse Hathaway (jhathaway@heartland.org) is managing editor of Budget & Tax News.
Congressional Support Grows For Medicare Drug Price Negotiation Bill

By Jeff Reynolds

Congressional Democrats are lining up behind legislation that would have the federal government set prescription drug prices for Medicare beneficiaries.

Sen. Bernie Sanders (I-VT) proposed the Senate version of the Medicare Drug Price Negotiation Act, joined by cosponsors Sens. Kirsten Gillibrand (D-NY), Kamala Harris (D-CA), Patrick Leahy (D-VT), Jack Reed (D-RI), and Elizabeth Warren (D-MA).

Rep. Elijah Cummings (D-MD) introduced the House version of the Medicare Drug Price Negotiation Act, H.R. 4138. The House bill has 18 cosponsors.

The legislation would direct the Secretary of the U.S. Department of Health and Human Services to negotiate Medicare Part D drug prices directly with pharmaceutical companies.

Already Negotiating
Medicare Part D already involves price negotiations, says Devon Herrick, a policy advisor for The Heartland Institute, which publishes Budget & Tax News.

“People mistakenly believe drug prices are not negotiated for Medicare,” Herrick said. “That is incorrect. Drug prices are negotiated by private Medicare Part D plans. Private plans pit one drug maker against the other, forcing them to bid the lowest possible price. The government could not get better prices, because it lacks the power to say ‘no’ and decline to purchase a drug, the way private drug plans can.”

Decision-Making Power
Grace-Marie Turner, president of the Galen Institute, a think tank focusing on health care reform, says Medicare Part D is uniquely successful.

“It is the only program in government where companies absolutely compete for price, and seniors themselves have the ability to choose the plan that works best for them,” Turner said. “It’s not government making decisions; it’s seniors.”

Relabeling Price Controls
Direct price negotiation is just another name for government price controls, Turner says.

“People know that price controls don’t work and haven’t worked for 4,000 years,” Turner said. “So what they do is say, ‘Why should the government not be able to negotiate prices in Part D?’

“The government does not ‘negotiate’; it sets prices,” Turner said. “Part D is such a big buyer that whenever the government says, ‘This is what we’ll pay,’ the companies basically have a choice of saying, ‘We’ll sell our drugs at that price’ or, ‘We won’t sell them.’”

Government price controls discourage research and development, Turner says.

“We know from every other country what happens: They wind up setting the prices so low that it dries up resources and drives out the ability of companies to continue to innovate,” Turner said.

Prescribes Free-Market Principles
Herrick says the real problem is preexisting Medicare issues.

“A free-market approach can bring down the cost of drugs, the way it does in other markets,” Herrick said. “The problem is that 86 percent of drugs are paid for by third-party insurers. If consumers paid for their drugs out of pocket, there would be far fewer drugs with monthly price tags that approach a mortgage payment.”

Jeff Reynolds (jefferyreymonds@comcast.net) writes from Portland, Oregon.

INTERNET INFO

By Andrea Dillon

A Cincinnati, Ohio business group is asking the state to subsidize a proposed Major League Soccer stadium.

On November 30, the Cincinnati Business Committee sent the Ohio General Assembly a list of local capital spending proposals it wants state taxpayers to fund in 2018, including $10 million for a new soccer stadium.

In addition to the $10 million requested from the state, the plan calls for the City of Cincinnati and Hamilton County together to provide $51 million in taxpayer money for the stadium’s construction.

The team’s ownership group, led by Carl Linder III, would be responsible for paying $200 million toward the remaining construction costs.

MLS leadership met in December 2017 to select two cities from 12 applicants to host new teams in the league. The stadium financing deal and request for state taxpayer money depend on the city being selected.

Opposes Subsidies
Greg Lawson, a research fellow with the Buckeye Institute, says business groups should work together to finance stadium construction instead of asking for handouts.

“If private-sector actors want to join forces, that is perfectly acceptable, but public dollars should not go to pro sports teams,” Lawson said.

When the government funds stadiums, taxpayers typically lose out, Lawson says.

“Taxpayers are almost universally on the hook,” Lawson said. “Ask the Hamilton County taxpayers who are still paying a portion of their sales tax for Paul Brown Stadium, where the Cincinnati Bengals play.”

 Warns of Additional Costs
Craig Depken, an economics professor at the University of North Carolina at Charlotte, says sports stadium subsidies carry a hidden cost: interest payments.

“It’s more than $10 million when you think about it, because you’re servicing a debt,” Depken said. “You’re going to pay interest on this over time. It’s kind of like asking for more and more resources to be dedicated toward servicing this debt. You have this building, but it has an obvious increasing opportunity cost as schools, roads, or fire engines need to be replaced.”

Andrea Dillon (thell1885@gmail.com) writes from Holly Springs, North Carolina.
Ending Net Neutrality Will Save the Internet, Not Destroy It

By Justin Haskins and Jesse Hathaway

The Federal Communications Commission (FCC) made the right move when it undid an Obama-era power grab commonly referred to as “net neutrality,” ending the agency’s micromanagement of the internet.

The FCC action benefits consumers and ensures the internet will be free from burdensome government control.

In a 3–2 vote in December 2017, the FCC approved the Restoring Internet Freedom Order, reversing a decision made by the Barack Obama administration to regulate internet service providers (ISPs) under the Telecommunications Act of 1934, a law intended to establish rules for phone and local electric companies, enacted decades before development of the internet.

Although the internet operated effectively and efficiently for well over two decades without net neutrality, Obama’s FCC in 2015 suddenly inexplicably determined a radical transformation was required to “save” it.

What Is Net Neutrality?
The meaning and scope of net neutrality have been muddled over the past two years because information technology experts use the term very differently than do political activists and many in the media.

When information technology experts speak of “net neutrality,” they usually mean consumers should be able to access the legal content they want using the legal applications and devices they want. For example, Verizon’s network should not block data going to and from an AT&T customer’s computer.

However, under the Obama administration, liberal activists took a concept everyone agreed about and warped its definition to satisfy their goal of expanding government’s power over the internet.

Enter Paid Prioritization

Obama’s net neutrality rule, officially called the Open Internet Order, prohibited a practice called paid prioritization. This is a contractual agreement between a content provider such as Netflix and a network owner such as Verizon to allow data to travel on less-congested networks when main routes are clogged up. There are very good reasons network owners and content providers engage in paid prioritization.

When it comes to getting data to your computer or TV, different kinds of data have different requirements. The bits comprising an email don’t need to arrive at your computer all in the same order they were sent, but the bits in streaming video or audio do. Receiving the data bits in the wrong order or at the wrong time can cause video distortion, stutters, and other playback problems.

Therefore, a content provider, especially large data users such as Netflix and YouTube, may wish to pay a little bit extra to a network company to guarantee better quality for its customers. In addition, because YouTube, Netflix, and other internet video streaming businesses consume lots of data compared to almost all others going online, it might make sense for Verizon and other ISPs to ask such businesses to pay a little more for their services.

In the same way, the government requires drivers of 18-wheel trucks to pay more in tolls on congested roads than people driving cars.

Putting Consumers in Charge

By ending net neutrality, the Trump administration’s Restoring Internet Freedom Order gets government out of the business of telling ISPs how to run their networks. This puts consumers and private businesses back in charge of how the internet operates.

Supporters of net neutrality say it protected everyday Americans from having their internet access slowed down or their favorite websites blocked by greedy, evil internet service providers. Others have said net neutrality made sure ISPs couldn’t stifle free speech. These claims are nothing more than myths.

Market forces already protected consumers, because if an ISP started deliberately slowing down people’s favorite websites and streaming services, or putting an end to free speech, consumers would simply switch to a different ISP.

No internet service provider wants to be known for having slow service or being against free speech, so there’s nothing for consumers to worry about in that regard. And if a rogue ISP were to start unjustly penalizing a business or group of consumers, the Federal Trade Commission and FCC are authorized to stop these actions through their other regulatory powers.

Perhaps most importantly, if net neutrality was so important, why is it that the internet was able to grow and operate so successfully from its creation all the way until 2015 without any of these dire problems?

Reversing Government’s Power Grab

Make no mistake about it, net neutrality wasn’t really about paid prioritization or ensuring internet fairness. The truth is that net neutrality was passed by the left-wing Obama administration to give more power over the internet to the federal government.

This was more than just a little troubling. If paid prioritization agreements could be regulated under an 80-year-old telephone utilities law, the federal government could do just about anything it wanted to control the internet, including banning websites that government bureaucrats don’t like.

The internet has been wildly successful because it’s largely been left free to operate without significant government mandates and controls. The FCC’s decision to end net neutrality is meant to protect this freedom for future generations—an important victory for all Americans.

Justin Haskins (jhaskins@heartland.org) is executive editor and research fellow at The Heartland Institute. Jesse Hathaway (jathaway@heartland.org) is managing editor of Budget & Tax News. An earlier version of this article appeared at Fox News, http://www.foxnews.com/opinion/2017/12/16/ending-net-neutrality-will-save-internet-not-destroy-it.html.
FCC Should Prevent States’ Overregulation of the Internet

By Bartlett Cleland

With the Federal Communications Commission (FCC) having rightly decided to undo the Open Internet Order, the commission should now make sure to prevent state governments from inserting themselves between consumers and internet service providers.

In December 2017, the Federal Communications Commission approved the Restoring Internet Freedom Order, reinstating the light-touch framework that historically instilled business owners with regulatory certainty.

The 2015 Open Internet Order ended FCC’s decades-long pro-consumer, pro-investment regulatory approach. This dramatic move regulated the internet in the same archaic way the rotary telephone system was regulated, using Title II of the Telecommunications Act of 1934 as justification.

The new regulatory system was bad for consumers, and investments decreased and innovation waned.

The Restoring Internet Freedom Order reverses this trend, ending FCC’s flirtation with internet overregulation, but the commission can do more and sparingly. Conservatives also know how things work out without a Commerce Clause: The country’s original founding document, the Articles of Confederation, led to a rapid balkanization of the states.

Enter the Commerce Clause

By design, the federal government was formed by and under the authority of the states. Without the U.S. Constitution’s Commerce Clause, however, the union would splinter.

Under the Founding Fathers’ plan, the federal government has clearly defined duties and responsibilities. One such function is governing interstate commerce, under the authority granted by the Constitution’s Commerce Clause, which gives Congress the power “to regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes.”

Conservatives correctly understand the Commerce Clause’s power is legitimate but should be applied narrowly and sparingly. Conservatives also know how things work out without a Commerce Clause: The country’s original founding document, the Articles of Confederation, led to a rapid balkanization of the states.

Knocking Down Trade Walls

The Commerce Clause prevents overly aggressive states from imposing trade barriers against other states and their citizens. In the present case, state governments’ internet regulations could cause decreases in broadband investment and declines in consumers’ online service, hindering FCC’s goal of promoting broadband deployment.

By approving the Restoring Internet Freedom Order, FCC refrains from causing those outcomes. Using the Commerce Clause to justify preempting state-level net neutrality would logically follow from FCC’s action on nationwide net neutrality.

The internet is by its very nature interstate, so the Commerce Clause justifies FCC action to implement a national policy framework for internet services to ensure uniformity across the country.

Clear Action Needed

Without FCC implementation of a national “light-touch” regulatory framework, state governments can carve up the internet into a series of systems, each regulated in its own way, creating a patchwork quilt antithetical to the nature of the internet.

The radical uncertainty created by states’ excessive internet regulation would discourage investment in network infrastructure, particularly short- and long-term capital expenditures. This, in turn, would inhibit consumers’ ability to use the internet to trade across state lines.

FCC must promote regulatory certainty and permanence of supportive and clear public policy. By putting a stop to state-level internet overregulation, FCC can help ensure the continued expansion of the internet and its transformative societal benefits.

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An Entertaining Defense of the Morality of Finance

Review by Jay Lehr

People often refer to economics as the “dismal science,” and most books about the discipline are as uninspiring as that term suggests. In Pursuit of Wealth: The Moral Case for Finance by Yaron Brook and Don Watkins enlighten the reader by clarifying and illustrating the underlying truths of economics.

Making the Obscure Clear

The language of finance may seem arcane, but Brook and Watkins demystify the jargon, defining and explaining hedge funds, investment banks, private equity, and other otherwise puzzling concepts and entities. Few people may be able to define what usury is, for example, but many are sure it’s bad. Contrary to popular belief, usury is not a misdeed. Instead, the authors explain, usury is simply another word for lending money and collecting interest, a process that spreads wealth.

“Usury is a financial transaction in which person A lends person B a sum of money for a fixed period of time with the agreement that it will be returned with interest,” they write. “The practice enables people without money and people with money to mutually benefit from the wealth of the latter. The borrower is able to use money that he would otherwise not be able to use, in exchange for paying the lender an agreed-upon premium in addition to the principal amount of the loan. “Not only do both interested parties benefit from such an exchange; countless people who are not involved in the trade often benefit too—by means of access to the goods and services made possible by the exchange,” Brook and Watkins write.

Likewise, finance is not a dirty word, a point the authors adeptly make throughout the book.

Telling the History of Finance

Brook and Watkins provide a detailed history of finance, starting with Aristotle and Plato in ancient Greece, weaving the story through the rise of the Catholic Church, and ending with today’s Wall Street.

“In explaining what finance is by outlining its history, the authors seek to dispel the bad reputation classically personified by Shylock, the cold financier in Shakespeare’s The Merchant of Venice, and infamously amplified by the Occupy Wall Street collectivists’ sit-ins. Throughout human history, the authors write, politicians have demonized financing in order to increase their own power.

“These sorts of negative attitudes toward the industry are encouraged by activists, intellectuals, and political leaders who actively work to vilify the industry,” Brook and Watkins write. “Throughout history, they have demonized financiers as greedy, dangerous, and unproductive—as leeches who make money by exploiting the rest of us.”

Finance as a Moral Good

In contrast to the popular negative opinion of the industry, Brook and Watkins conclude finance is a boon to society and our happiness and well-being depend on free exchange of money between creditors and debtors.

“We have a negative view of the financial industry because of wrong ideas: about the productivity of the industry, about the morality of the industry, and about the power of the industry,” they write. “That is unjust toward the men and women in finance, and it is destructive for the country as a whole—because our standard of living and the future of economic progress depend on a free and vibrant financial industry.”

Entering Madoff’s Mind

Although tangential to the book’s message, a particularly interesting diversion is the story of Bernie Madoff, a con man who embodied people’s worst fears about the world of finance.

Madoff didn’t seek money as a reward for his competence—he sought money to prove to others that he was a great businessman. He didn’t want to use his intelligence to create wealth, but to steal wealth in order to dupe others into thinking he was intelligent. Madoff, you might say, wasn’t greedy, but needy: he needed to feel like a big man who embodied people’s worst fears and unproductive—as leeches who make money by exploiting the rest of us.”

“Government favoritism is the real cause of the inequities in our financial system, the authors write. This favoritism manifests as cronyism, burdensome occupational licensing laws, minimum-wage laws, the welfare state, and other government actions that tip the scales in order to buy votes from the beneficiaries of favoritism.”

Identifying the Real Villain

Government favoritism is the real cause of the inequities in our financial system, the authors write. This favoritism manifests as cronyism, burdensome occupational licensing laws, minimum-wage laws, the welfare state, and other government actions that tip the scales in order to buy votes from the beneficiaries of favoritism. “When a bank or auto company that made irrational decisions gets bailed out at public expense, that is an outrage,” they write. “But the root of the problem isn’t their executives’ ability to influence Washington—it’s Washington’s power to dispense bailouts. When an inner-city child is stuck in a school that doesn’t educate him, that is a tragedy. But the problem isn’t that other children get a better education—it’s that the government has created an educational system that often doesn’t educate, and that makes it virtually impossible for anyone but the affluent to seek out alternatives.”

For those who delight in learning about how the world around us really works, as I do, In Pursuit of Wealth will entertain and engage as few other economics books can do.

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