Voters Pick Trump, Republican Congress

By Dustin Siggins

In a turn of events that surprised most pollsters and political analysts, voters in 29 states voted for Republican Party presidential candidate and New York City businessman Donald Trump, defeating Democratic Party candidate and former U.S. Secretary of State Hillary Clinton in November.

The Republican Party also retained control of the U.S. House of Representatives and the U.S. Senate, giving the GOP the most control it has had since 1928.

Expect ‘Bold Reforms’

Genevieve Wood, a senior fellow in communications at The Heritage Foundation, says she expects the Republicans to push for big reforms to the federal government.

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Couple Challenges Arizona’s Civil-Asset Forfeiture Laws

By Marybeth Glenn

A Washington State couple is suing a county government in Arizona for initially refusing to return their property because of alleged paperwork errors.

In May 2016, Terry and Maria Platt’s son was detained by police for allegedly violating restrictions on car window tint while driving his parents’ car. Searching the Platts’ vehicle, officers found cash and a small amount of marijuana, both of which the son confessed to owning.

The Platts’ son was released and no criminal charges were filed, but Arizona government officials refused to return the Platts’ car, saying the couple failed to use the words “under penalty of perjury” when demanding the government cease the “uncontested forfeiture” process and return their property.

The Navajo County government returned the car, claiming paperwork errors were made, but state law allows the government to seize it again any time between now and 2023. The Platts are continuing their challenge, alleging the government violated their constitutional rights to due process.

Lying About Paperwork

The Platt family’s lawyer, Paul Avelar, a senior attorney with the Institute for Justice, says Arizona government officials lied about the case. “The Platts responded within the 30-day window by sending back a petition to the prosecutor with over 29 pages worth of records proving that it was their car,” Avelar said. “The prosecutor didn’t consider that petition. Instead, the prosecutor turned around and filed in court what’s called an ‘application for forfeiture,’ and that application said that the Platts had not objected to this forfeiture, even though the Platts did object.”

Collaborating Against Citizens

Avelar says law enforcement and criminal justice agencies are working together to conceal civil-asset forfeiture abuses. “We don’t even know the extent of the issue or how many civil forfeiture cases have resulted in the seizing of property when criminal charges were never filed against the person related to the forfeiture. It’s becoming increasingly obvious that we don’t know how these law enforcement agencies are really spending all of this money.”

IN OTHER WORDS . . .

“The Platts say their son has not been convicted or even charged with a crime, but that doesn’t matter in the forfeiture proceeding. ‘Civil rights advocates say civil forfeiture laws stack the deck against property owners because the state has a financial incentive to keep their property, or sell it. The agencies that seize the property generally keep all the money they get from selling it, though in some cases, some of it may go to victims of a crime. ‘The Navajo County Drug Task Force, which seized the Platts’ car, will send the money they get from it to an ‘anti-racketeering fund,’ administered by the Navajo County Attorney’s Office. ‘Accordingly, all defendants, directly or indirectly, will financially benefit from the forfeiture of Terry and Ria’s car,’ the complaint states.’”

Ohio Lawmaker Proposes New Restrictions on Fantasy Sports

By Lindsey Curnutte

An Ohio lawmaker is proposing a bill to restrict daily fantasy sports (DFS) by expanding state regulators’ authority to control the business practices of websites facilitating online DFS competitions.

In late September, state Sen. Robert Coley (R-Liberty Township) introduced Senate Bill 356, which would prohibit DFS companies from profiting from players’ contest entry fees. Coley’s bill would effectively ban DFS in Ohio.

“Outlawing fantasy sports won’t stop consumers from gambling,” Minton said. “It will simply push their activity underground, onto the multibillion-dollar sports gambling black market under the rug, and tell consumers they cannot collect commission because you cannot collect commission because you would be cheating the person buying the tickets.”

Michelle Minton, a fellow at the Competitive Enterprise Institute, says Coley’s bill would effectively ban DFS in Ohio.

“Restriction or Ban?
Michelle Minton, a fellow at the Competitive Enterprise Institute, says Coley’s bill would effectively ban DFS in Ohio.

“As I understand it, DFS sites make most, if not all, of their revenue from entry fees,” Minton said. “Without these fees, they would be unable to advertise, pay staff, or even keep their websites up and running.”

Minton says prohibiting or restricting such popular forms of entertainment makes things worse for consumers instead of protecting them.

“Gamblers are used to and understand what the wagers are,” Titch said. “No one is being dishonest or cheating the person buying the tickets. Cheating implies telling a real estate agent that you have a ‘great view’ or ‘lots of room’ when you don’t. Cheating implies dishonesty.”

Heartland Offers Advice to President-Elect Trump

By Joseph L. Bast

On November 21, The Heartland Institute, which publishes Budget & Tax News, released its “Action Plan for President Trump,” consisting of 34 policy recommendations to the new administration based on the research and advice of the think tank’s network of senior staff, senior fellows, and policy advisors.

Under the headline “Budgets and Taxes,” the institute urged the president-elect to “adopt the plan set forth in Power to the People by Peter J. Ferrara, a senior fellow with The Heartland Institute, to promote economic growth, save Social Security and other entitlement programs from bankruptcy, and provide those most in need with the world’s best health care.”

Four specific recommendations followed:

• Support a plan similar to the Ryan Roadmap or Path to Prosperity plans to balance the budget in 10 years. A balanced budget is absolutely essential if we are to stop digging even deeper the hole created by recent massive deficits.
• Cut the corporate tax rate from 35 percent—the highest in the industrialized world—to 15 percent to help bring jobs back to the United States.
• Support the A Better Way personal income tax reform plan (simplification and flattening) to dramatically simplify the tax code and reduce rates for most Americans, fueling more work and wealth creation.
• Support repatriation of profits held abroad by multinational corporations. Allow companies to bring trillions of dollars in profits held overseas back to the United States to invest and create jobs here. Tax those dollars at a low rate (possibly as low as 5.25 percent) instead of the current 35 percent.
Federal Judges Demand CFPB Structure Shake-Up

The business sued CFPB, claiming the agency’s power was improperly concentrated in a single director, allowing the director to wield more power than any other government agency.

The appellate court judges ruled in favor of the financial company, and the judges are mandating CFPB reorganize as an agency under the authority of the executive branch of government instead of operating as an independent agency, as it does now.

Future presidents, starting with President-elect Donald Trump, will be able to terminate CFPB directors without cause, as presidents can do with other executive-branch agencies.

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By Ben Johnson

A federal agency tasked with enforcing financial restrictions on the public must reorganize itself to comply with the Constitution, federal judges ruled.

In October 2016, three judges on the U.S. Court of Appeals for the DC Circuit ruled in favor of a mortgage lending company that had filed a lawsuit against the Consumer Financial Protection Bureau (CFPB) alleging the agency’s organization is improper because it has granted too much power to its director.

CFPB is an independent government agency created by the Dodd-Frank Wall Street Reform and Consumer Protection Act, commonly referred to as “Dodd-Frank,” to enforce government restrictions on financial activity.

In June 2015, CFPB Director Richard Cordray charged penalties to a financial company accused of illegal activity, in addition to penalties charged by an administrative judge.

The business sued CFPB, claiming the agency’s power was improperly concentrated in a single director, allowing the director to wield more power than any other government agency.

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Future presidents, starting with President-elect Donald Trump, will be able to terminate CFPB directors without cause, as presidents can do with other executive-branch agencies.

Agencies Run Amok

Todd Zywicki, a professor of law at George Mason University, says CFPB concentrates power in one individual, which is contrary to the way most independent government agencies operate. Zywicki says they normally are “multi-member administrative [agencies]” that distribute power among a board or commission.

“Independent agencies themselves have a somewhat questionable standing in the American constitutional system, but at least a multi-member administrative agency has some degree of internal checks and balances,” Zywicki said. “Usually, they’re bipartisan in nature, which means there are always minority members who can blow the whistle on biased or idiosyncratic decision-making. The deliberation process itself tends to induce fairer decision making. A single-director agency, however, has no such accountability.”

Bypasses Constitutional Checks

Zywicki says CFPB requires further reining in by lawmakers.

“What we have now [in CFPB] is an executive agency [in which] the president has no control over its budget,” Zywicki said. “The entire budget is funded by the Federal Reserve, which is a separate, independent agency that is funding an executive agency.

“Over the long run, the best solution would be for a bipartisan congressional approach to this that would make [CFPB] a multi-member independent agency, where Congress controls the budget. That seems to be a much better model than this behemoth that Dodd-Frank created.”

TODD ZYWICKI

GEORGE MASON UNIVERSITY

Calls for Further Reforms

Murray says Congress should assert its constitutional authority and hold the executive branch accountable.

“Congress’ lack of control over the CFPB’s budget still raises serious constitutional questions,” Murray said. “Congress should also reexamine the wisdom of giving CFPB power over such an extremely wide range of consumer and financial issues.”

Ben Johnson (therightswriter@gmail.com) writes from Stockport, Ohio.

Six States Away from Making History

Join the Fight for a Balanced Budget Amendment

The Balanced Budget Amendment Task Force is leading the charge for a single subject Article V convention for the purpose of a balanced budget amendment to the Constitution of the United States. 28 states have already enacted applications calling on Congress for a balanced budget amendment.

We need six more states to help make it a reality.

The Balanced Budget Amendment Task Force will target its resources in states like Kentucky, South Carolina, Virginia, Wisconsin, and Wyoming during the 2017 legislative session. Your Support is very crucial in finally helping control our out-of-control national debt.

To learn more about our campaign, read the latest research from our team of experts, and make a financial contribution today visit bba4usa.org.
Right-to-Work on the Agenda for KY Governor

Continued from page 1

tions, says Kentucky is missing out on the successes enjoyed by neighboring states with right-to-work laws.

“Forty percent of Kentuckians live in counties bordering another state and often watch opportunities locate within sight of the Bluegrass State’s borders,” Waters said. “Who can blame them for taking advantage of the opportunity to get a better job and have the freedom to say ‘no’ to union membership if that’s better for them and their families?”

“Tennessee’s three most-populated counties bordering Kentucky experienced nearly 16 percent growth in private-sector employment between 2002 and 2012, while employment in the three most-populated Bluegrass State counties along that same Kentucky-Tennessee border grew by less than 4 percent during that entire decade,” Waters said.

Competing for Workers’ Dollars

Richard Vedder, an economics professor at Ohio University, says right-to-work is a win-win for workers and unions alike.

“Right-to-work laws make unions more competitive and more efficient, and in a way, [they make unions] more effective,” Vedder said. “If you don’t have a right-to-work law, a union gets certified and it’s in forever. It has no competition. They have a union monopoly, and the workers can’t do anything about it once the union is recognized.

“Where you have a right-to-work law, workers have a right to leave the union any time,” Vedder said. “They don’t have to belong. In that kind of environment, the unions have to work to get the workers to join. They have to provide the benefits that the workers believe are worthwhile. Union leaders tend to be more responsive to their workers.”

Time for Reform

Vedder says the time is right for bringing right-to-work reform to Kentucky.

“When West Virginia got a Republican governor, then—bang!—he went immediately for right-to-work,” Vedder said. “The same thing happened in Wisconsin, Indiana, and Michigan, all in the last few years. It’s Kentucky’s time.”

Elizabeth BeShears (liz.ero@bloomberg.com) writes from Trussville, Alabama.

Arkansas Governor Announces Tax Relief Plans

By Dustin Siggins

Arkansas Gov. Asa Hutchinson (R) announced a plan that would expand tax relief, as lawmakers begin work on the state government’s annual budget.

In November, Hutchinson announced his plan, which would relieve Arkansans’ tax burden by $50 million. In 2016, Arkansas passed a $101 million tax cut.

Reducing Taxes and Spending

Jonathan Williams, vice president of the American Legislative Exchange Council’s Center for State Fiscal Reform, says lawmakers should consider reducing both taxes and government spending.

“Taxes and spending are two sides of the same fiscal coin,” Williams said. “When discussing tax changes, policymakers should always keep the budget side of the equation in mind. Since nearly all states have balanced budget requirements, spending needs to equal taxation. However, a tax cut as small as $50 million generally should not be much of a threat to the overall state budget, given the potential for budget savings elsewhere. For instance, North Carolina has reinvigorated its economy with a reported $2 billion in annual tax cuts, all while keeping a AAA credit rating.”

JONATHAN WILLIAMS
VICE PRESIDENT OF THE CENTER FOR STATE FISCAL REFORM
AMERICAN LEGISLATIVE EXCHANGE COUNCIL

Different Paths, Same Goal

Greg Kaza, executive director of the Arkansas Policy Foundation, says lawmakers should work to reduce spending.

“Identifying efficiencies in state government and earmarking cost savings is another way to achieve fiscal policy goals,” Kaza said. “Potential efficiencies should be identified to reduce operational expenses in the areas of corrections, education, and health. An example is the privatization earlier this year of Arkansas’ in-home health care [care].”

Kaza says lawmakers should work to make Arkansas more attractive to taxpayers.

“The goal should be reducing tax rates to the point where Arkansas is competitive versus regional and national averages,” Kaza said. “Arkansas legislators have enacted significant tax cuts in the last decade. These include the state grocery tax, capital gains tax, and income tax. The goal should be reducing tax rates in 2017 using cost savings from efficiencies.”

Dustin Siggins (dustinsiggins@gmail.com) writes from Washington, DC.
The Oklahoma Supreme Court upheld a lower court’s ruling deciding lawmakers properly passed a law giving thousands of new state government employees defined-contribution (DC) instead of defined-benefit pension (DB) plans.

In June 2014, Gov. Mary Fallin (R) signed into law House Bill 2630, giving all government employees hired after November 1, 2015, DC pension plans similar to those provided by the private sector. Defined-contribution plans provide for more-predictable worker costs and enable employees to take their benefits along with them when they move to other jobs.

Two recipients of Oklahoma Public Employees Retirement System (OPERS) pensions, Joe Stevens and Cecil Dooley, sued the state government in October 2014, claiming lawmakers failed to submit legally required paperwork to other government agencies before filing the bill.

Empty Promises

Trent England, vice president for strategic initiatives at the Oklahoma Council of Public Affairs, says defined-benefit pension plans, such as those being phased out by OPERS, are only as good as politicians’ promises.

“It’s important to understand that a defined-benefit plan is just a promise from a politician,” England said. “Public employees deserve something better. They deserve a defined-contribution system, which means public employees actually own their retirement accounts and control their own future.”

More Worker Control

England says defined-contribution plans put government workers in control of their own lives.

“As a practical matter, defined-contribution accounts empower public employees to change jobs without losing any of their retirement accounts,” England said. “Over time, this should encourage people to consider public service even if they don’t intend to make it their entire career.”

Rachel Grezsler, a senior policy analyst for economics and entitlements at The Heritage Foundation, says DB pension plans allow lawmakers to over-promise and under-deliver.

“There’s a huge temptation to promise more than can be paid in the future, because the potential consequences are long-delayed and likely will only impact future retirees and future business management,” Grezsler said. “This is especially true for government-run DB plans. Politicians may only be in office for a handful of years, so they have all the incentive in the world to promise government employees’ unions higher pension benefits than [what is] feasible.

“Unlike businesses, [which] can go bankrupt due to unfunded pensions, governments just turn to taxpayers when they promise too much, and most state and local governments have few, if any, rules that require proper funding of their pensions,” Grezsler said.

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

By Jeff Reynolds

Exploring Yellowstone

Learn about this national treasure. Visit yellowstonesuite.com

In celebration of the centennial of the National Park, the Foundation for Research on Economics and the Environment (FREE) is offering three ebooks, including Knowing Yellowstone, written or edited by Jerry Johnson and John Baden.

Article V Conventions: Learn the Rules!

Visit assemblystatelegislatures.com to review the rules for an Article V convention and learn more about how delegates are selected, which topics will be allowed, and who presides over the convention.

The ASL is a bi-partisan group of legislators dedicated to ensuring the framework for an Article V convention free from special interest influence.

Visit assemblystatelegislatures.com for additional information and details.
Voters Decide, Pick Trump, Republican Congress

Continued from page 1

"I think you can expect to see bold reforms, and by that, I mean a real shrinking back and pulling back of the federal government’s power when it comes to taxes, regulations, telling people how to live their everyday lives," Wood said. "You’re also going to see deregulation, going in and taking out regulations that have harmed individuals and businesses."

Responsibility to Voters
Wood says voters expect lawmakers, including Trump, to keep their promises.

“For Republicans, both in Congress and the new president, there really is no excuse any more for not fulfilling promises,” Wood said. “We’ve had a House controlled by Republicans for some time and a Senate controlled by Republicans for some time, who made a lot of promises and come back and say, ‘Well, we can’t get it done because we have a president who won’t sign it.’ Well, now they don’t have that excuse anymore. There’s no reason they can’t deliver on many of the things that they talked about.”

Rolling Back Big Government
Yaron Brook, president and executive director of the Ayn Rand Institute, says the new government has an opportunity to move the country back toward freedom.

“If they repealed Obamacare and replaced it with something based on free markets, actually put together a tax reform plan that significantly lowered and simplified taxes, especially at the corporate level, and if they found ways to roll back regulations—whether it’s Dodd-Frank, whether it’s all the EPA global warming, climate change type of stuff—that would be a huge step forward. Rolling back regulations would be a huge achievement,” Brook said.

Power and Responsibility
Brook says Republicans’ newfound power comes with a responsibility to use it wisely.

“I think the worst thing that he and Republicans could do—and they’ve done this in the past—is do things that are done supposedly in the name of capitalism, freedom, and markets but are so half-baked and so counterproductive that they end up leading to worse crises,” Brook said. “I think engaging or beginning to engage in a trade war, any kind of trade war … raising tariffs, threatening to raise tariffs … would be a disastrous policy for freedom and for the economy.”

Brook says Republicans compromising their principles in order to please supporters of the defeated Democrats would be courting disaster.

“Well they go all-out for a true free-market solution for health care?” Brook said. “It’s hard to do more harm than Obamacare, but if they set it up so the left can say, ‘We tried your way, and it failed, now we really need single-payer,’ that would be a true tragedy.”

By Leo Pusateri
The New Jersey state government has been misusing revenue from a government fund intended to pay for maintenance and improvement of emergency services, according to an investigation by local newspaper reporters.

In 2004, New Jersey lawmakers placed a 90 cent tax on consumers’ monthly cell phone bills, intending to use the fee’s revenue to fund upgrades to improve the accuracy of government emergency service systems, such as 911.

The law provides for revenue from the fee to be placed in the 911 System and Emergency Response Trust Fund, a state fund distributing financial aid to local and regional governments.

In October 2016, investigators for NJ Advance Media, a media company owning area newspapers such as the Newark Star-Ledger, found only about 15 percent of state telecom fees collected have actually been used for government emergency service systems. The remaining $1.2 billion in telecom fees were diverted to fill deficits in the budgets of government agencies such as the New Jersey State Police, according to the news reporters’ investigation.

Calls for Phase-Out
Scott Mackey, a former chief economist for the National Conference of State Legislatures, says New Jersey lawmakers have ripped off consumers in the state.

“Wireless consumers have been paying 911 fees for the last decade or so, with the understanding that these funds would be used to fund the 911 system,” Mackey said. “If the fees are not going to be spent for 911 purposes, the fee should be reduced or eliminated. Given the state’s history of using 911 funds for other purposes, consumers should not be asked to pay higher 911 fees until all of the 90 cents per month currently being collected is used for 911 purposes.”

Mackey says getting rid of the 911 fee would be fairer to taxpayers.

“Given the importance of the 911 system to all New Jersey citizens, perhaps it is time to phase out the 911 fee altogether and fund the 911 system from general revenues,” Mackey said. “Flat fees per line are more burdensome on lower-income families with multiple wireless phones. Funding 911 from general revenues might be a fairer way to pay for this vital public service.”

Suggests Using General Revenue
James Schuler, vice president of state affairs for CTIA, a nonprofit membership organization representing wireless service companies, says the 911 fund should be dissolved and emergency service upgrades funded with general revenue.

“The 911 System and Emergency Response Trust Fund should benefit the public safety professionals and wireless consumers who are funding the emergency communications system,” Schuler said. “As a core government function, general revenue should fund public safety.”

Leo Pusateri (psycmeistr@fastmail.fm) writes from St. Cloud, Minnesota.
Nebraska Lawmaker Tries Again for Amendments Convention Resolution

By Jeff Reynolds

A Nebraska lawmaker is planning to reintroduce a resolution calling for a national amendments convention to draft and enact a balanced budget amendment prohibiting the federal government from spending more money than it takes from taxpayers.

State Sen. Laura Ebke (L-Crete) says she will file a resolution in January that, if passed, would call for Congress to start the Article V convention process.

Ebke filed a similar resolution in 2016, Legislative Resolution 35, but lawmakers on the Nebraska Senate’s Government, Military, and Veterans Affairs Committee voted to table the resolution indefinitely.

Ebke’s resolution is based on model legislation proposed by Convention of States (COS), a project of Citizens for Self-Governance, a nonprofit organization advocating restoration of state and local authority.

After 34 states call for an amendments convention, the gathering, consisting of delegates selected by state lawmakers, would be limited to consideration of amendments requiring the federal government to enact a balanced budget.

Currently, 28 states have passed such resolutions, with eight passing the COS resolution.

Structural Problems

Ebke says reckless spending has become rooted in the federal government’s structure.

“I think the problems we have—national debt and lack of fiscal control, abuse of federal powers, lifetime members of Congress, etc.—have gotten to the point where they have become part of the structure of our system,” Ebke said. “Without changing definitions or reaffirming limitations within an amendment, it’s tough to see how we turn back to a strict constructionist interpretation of powers in the Constitution.”

Ebke says her resolution calls for reining in reckless federal spending.

“The resolution calls for amendments to deal with ‘fiscal restraints,’” Ebke said. “That could certainly be a balanced budget amendment or it could come in some other form, such as caps on spending growth, a supermajority required to pass an unbalanced budget, etc.”

‘The Federal Government Is Broken’

Dave Schneider, a regional director with Convention of States Action, a nonprofit organization backing the COS movement, says the federal government’s problems are obvious to everyone.

“Regardless of political party affiliation, one need not look hard at the situation to come to the conclusion the federal government is broken,” Schneider said. “There has been a big swing to a stronger, more centralized federal government over the last several decades, in which Washington, DC has started to dwarf the original design for the limited product the states intended it to be when they created it.

“I think there’s a general sense that there’s something that’s not right with our government and that the balance between state and national power is off,” Schneider said.

Jeff Reynolds (jefferyreynolds@comcast.net) writes from Portland, Oregon.
Wisconsin Governor Scott Walker Proposes More Road Funding for Cities

By Gabrielle Cintorino

Wisconsin Gov. Scott Walker (R) is proposing to increase state funding for local road construction projects in 2017.

In October, Walker announced plans to increase state government aid for local governments’ transportation projects by about $23.5 million a year in his proposed 2017 two-year budget.

Between 2015 and 2016, the state distributed about $321 million in taxpayer funds to city governments for road construction and repair. Walker’s proposal would increase funding aid by about 7.3 percent.

New Spending Priorities

Chris Rochester, director of communications for the MacIver Institute for Public Policy, says Walker is able to do so by reprioritizing spending priorities.

“Walker has said the Wisconsinites he’s spoken with want less debt and more support for local projects,” Rochester said. “It should be noted that his proposal to increase funding for local projects is not a spending increase. Instead it’s a change in priorities. So-called ‘mega-projects,’ like those in southeast Wisconsin, will be delayed so local projects throughout the state, many long overdue, can move forward.”

Rochester says the spending reductions on “mega-projects” won’t stop necessary infrastructure improvements.

“Lawmakers must be good stewards of taxpayers’ transportation dollars,” Rochester said. “A big example in Wisconsin is when several hundred million dollars were trimmed off the cost of one ‘mega-project’ just by cutting back on unnecessary elements like decorations on overpasses.”

Who Pays?

Baruch Feigenbaum, assistant director of transportation policy for the Reason Foundation, says there are different ways lawmakers can fund and finance government road construction.

“Financing, the means of procuring funding, and actual funding are two different things,” Feigenbaum said. “Some basic level of funding is needed. In general, I prefer users-pay/users-benefit revenue sources such as tolling, mileage-based user fees, and gas taxes. That being said, I think Wisconsin should ensure it is maximizing its current revenue before it considers raising taxes.”

Suggests Private Sector Partnering

Feigenbaum says state governments should work with the private sector to maximize savings and quality of service on public projects.

“The private sector can help build projects through public-private partnerships by providing financing, taking on risk, etc. Almost every state in the country, including Wisconsin, could work with the private sector both to build new roads and perform fence-to-fence maintenance such as mowing grass and picking up litter.”

Gabrielle Cintorino (gcintorino4@gmail.com) writes from Nashville, Tennessee.

Nevada Governor Brian Sandoval Signs Vegas Sports Subsidy Tax Hike

By Dustin Siggins

Nevada lawmakers approved a tax hike passed to finance taxpayer subsidies for a proposed football stadium in Las Vegas.

The proposal, signed into law by Gov. Brian Sandoval (R) in October, is intended to lure the Oakland Raiders, a privately owned National Football League (NFL) team, to move to Las Vegas.

A new sports stadium, financed with about $750 million in taxpayer funds collected from new hotel taxes, will be built in Las Vegas to house the team if other NFL team owners approve the relocation.

‘More About Political Posturing’

Michael Schaus, communications director for the Nevada Policy Research Institute, says building a taxpayer-funded home for the Raiders is more about politics than prosperity.

“This deal is far more about political posturing than it is about economic development,” Schaus said. “Given the repeated calls for more revenue from local governments, not to mention a massive $1.5 billion [state] tax increase last year, spending such money on a private football stadium clearly demonstrates the skewed priorities of Carson City.”

Schaus says the Raiders could work with the private sector both to build new roads and perform fence-to-fence maintenance such as mowing grass and picking up litter.”

Gabrielle Cintorino (gcintorino4@gmail.com) writes from Nashville, Tennessee.
Missouri Legislator Plans to Offer Right-to-Work Bill in 2017

By Judy Allen

A Missouri state legislator is planning to introduce a bill allowing workers to opt out of union membership, removing requirements that workers join a union as a condition of employment.

State Rep. Holly Rehder (R-Sikeston) announced plans in October to propose the bill in January 2017.

Time for Change
Rehder says Missouri workers are being left behind by economic successes in nearby states that have worker-choice laws.

“It’s time we make Missouri a right-to-work state and begin enjoying some of the economic benefits that come with that,” Rehder said. “If you are a steel worker in Tennessee when your state passed right-to-work, your wage did not go down, so the current wages of union members don’t change because a state becomes right-to-work.”

Unions Benefit, Too
Rehder says right-to-work laws also benefit labor unions.

“Right-to-work states have actually shown an increase in union membership,” Rehder said. “The union boss is no longer guaranteed a member. They have to work and provide a beneficial service for the union member to want to pay for it. The states that have passed right-to-work laws have more jobs coming in, in turn increasing union membership.”

Rehder says Missouri’s forced-unionism law causes jobs to leave for other states.

“Making Missouri a business-friendly state will increase jobs,” Rehder said. “We need business owners, the ones taking all the risk, to look at Missouri and say we are providing a great environment for their business to thrive. Union membership will continue to decrease in Missouri because our jobs are leaving. We cannot expect to maintain the same antiquated labor laws year after year and expect different results.”

Taxpayer Benefits
Rehder says right-to-work laws benefit taxpayers as well.

“Right-to-work is free economic development,” Rehder said. “It doesn’t cost the taxpayers a dime. It makes Missouri more business-friendly, which in turn makes us more attractive to those who do create jobs.”

Evidence of Success
Ryan Johnson, executive director of the Missouri Alliance for Freedom, says other states’ experiences with right-to-work laws have been positive.

“We have seen in other states, like Tennessee and Indiana, where union leadership actually has to start producing and providing better customer service because all of a sudden they have to compete for their membership,” Johnson said. “You’re essentially introducing free-market principles into the union space, where union leadership has to compete for membership and provide quality service.”

Judy Allen (allen.j.emma@gmail.com) writes from Chicago, Illinois.

INTERNET INFO


Colorado Voters Snuff Out Huge Tobacco Tax Hike Ballot Measure

By Jeff Reynolds

Colorado voters rejected a proposition on the November 2016 ballot asking for a massive tax increase on cigarettes sold in the state.

The ballot question, Amendment 72, asked voters to approve raising the state’s excise tax on cigarettes from 84 cents per pack to $2.59 per pack, a 208 percent increase. If approved, the additional revenue would have been used to increase spending on Medicaid and other entitlement programs.

Draining Wealth from Taxpayers
Mike Krause, director of public affairs at the Independence Institute, says Colorado taxpayers turned down a costly transfer of wealth from taxpayers to government employees.

“Amendment 72 was an enormous tax hike,” Krause said. “Supporters were hoping to suck over $300 million per year out of the productive private sector and into the unproductive public sector. It is doubtful that the revenues would have been as high as assumed, mostly because smokers have more choices these days, such as smoke-free and vaping alternatives. Had the tax passed, many smokers, especially lower-income smokers, would likely have switched over to one of these alternatives, as many already have.”

‘Clearly a Revenue Grab’
Krause says the ballot question was more about grabbing cash than helping people.

“Amendment 72 was pretty clearly a revenue grab, and a big one,” Krause said. “Had this actually been about getting people to stop smoking, the measure would have directed the legislature to allocate the money to evidence-based programs proven to reduce smoking. The measure instead purposefully locked the new spending by two Colorado state agencies into the constitution, outside the purview of the legislature, with the lion’s share going towards new and expanded programs that have little or nothing to do with tobacco or smoking. Colorado voters saw through the smokescreen and shot the measure down.”

Ineffective Tax Policy
Michael LaFaive, director of the Morey Fiscal Policy Initiative at the Mackinac Center for Public Policy, says sin taxes, such as the one proposed in Colorado, aren’t as effective as lawmakers often claim.

“Sin taxes don’t change behavior to the degree that the political class believes,” LaFaive said. “Too often, politicians look at the after-tax hike change in legal paid sales and shout, ‘See, our tax hike worked; people are quitting.’ They discount or ignore that those legal, paid sales don’t mean that people are quitting. They just switch to other sources, including the illicit ones.”

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

INTERNET INFO

County Lawmakers Approve E-Cigarette Ban in Washington State

By Jeff Reynolds

Lawmakers in Whatcom County, Washington voted to prohibit e-cigarette use on all government-owned property in the county, as well as in privately owned businesses such as bars, workplaces, and restaurants.

The Whatcom County Council in October expanded the county’s existing restrictions on tobacco use to include e-cigarettes. Starting on November 10, e-cigarette use was also prohibited within 25 feet of any door or window of any building. Individuals caught violating the ordinance can be fined between $125 and $1,000, with the additional possibility of jail time, depending on past offenses.

Paul Guppy, vice president for research at the Washington Policy Center, says extending tobacco bans to cover e-cigarettes harms consumers and the public.

“The main problem with regulating e-cigarettes and vaping [in the same way as] cigarettes is that regulators fail to recognize the difference between different products and technologies,” Guppy said. “Simply slapping preexisting rules that control a traditional product onto a seemingly related new product stifles innovation and deprives consumers of access to, and the freedom to try, new products.”

Health Risk Confusion

Guppy says science does not support the claim e-cigarette use has serious health risks.

“Studies about potential health hazards are often exaggerated or the science is manipulated by intolerant advocacy groups seeking to ban or socially stigmatize a new product or service,” Guppy said.

Michael Marlow, a professor of economics at California Polytechnic State University-San Luis Obispo, says current scientific evidence does not support banning public use of e-cigarettes.

“Little to no research exists that substantiates concerns regarding second-hand exposure to e-cigarette vapor,” Marlow said. “Research suggests that e-cigarette use indoors does not expose nonsmokers to tobacco-specific combustion products, which makes sense since e-cigarettes do not contain tobacco. I believe we should carefully examine these issues with appropriate research, so that we do not jeopardize public health by advocating public health policies on the basis of unsubstantiated claims.”

‘Clean Nicotine’

Bans on e-cigarettes are bad for public health, Marlow says.

“Placing e-cigarettes and vaping in the same category as traditional cigarettes harms public health,” Marlow said. “In 2014, the American Medical Association published a ‘Patient Page’ that acknowledged that tobacco products are addictive because of nicotine, but nicotine probably does not contribute nearly as much to smoking-related diseases as tobacco.

“The article also stated that ‘clean nicotine’ has been a safe way to help people quit smoking for three decades and that e-cigarette vapor is much less toxic than secondhand tobacco smoke.

“Given the growing evidence that e-cigarettes help many smokers reduce or quit smoking tobacco, the new rules thus err on the side of assuming e-cigarettes pose more of a risk than an opportunity to promote public health,” Marlow said.

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

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have paid a 2.5 percent tax on all sales of $25 million in goods or services would be capped at $100,000, but tax burdens by changing tax rules for business profits. The ballot question, would have created a modified state’s minimum tax on the ballot, would have created a modified state’s minimum tax on businesses, such as hotel companies, are misleading consumers about Airbnb’s economic effects. “The main argument for the law in New York is that it’s a way to promote affordable rent, which is an argument that the hotel industry has been pushing,” Meyer said. “They’ve never cared about affordable rent before the last few months, because hotels take up space that could theoretically go to affordable housing.” Meyer says Airbnb is not the reason renting an apartment is so expensive in New York. “If you’re looking at New York City, there are three million residential housing units, and at about the high-end, there are 40,000 Airbnb listings each night, and 90 percent of those are for people’s primary residence,” Meyer said. “So, doing the math, that’s 0.1 percent of total housing units that you could theoretically argue are being taken off the market. There’s no way that could make a substantial difference in rent. It’s completely disingenuous.”

### Oregon Voters Reject Big Business Tax Proposal

**By Jeff Reynolds**

Oregon voters rejected a proposed tax hike on businesses, the Oregon Business Tax Increase Initiative, in the November elections.

The proposal, titled Measure 97 on the ballot, would have created a modified gross-receipts tax by removing caps on the state’s minimum tax on business profits. The ballot question proposed increasing business owners’ tax burdens by changing tax rules for “C-corps,” businesses or corporations taxed separately from their owners.

Businesses’ minimum tax burdens are currently capped at $100,000, but the question proposed removing the cap. Businesses selling more than $25 million in goods or services would have paid a 2.5 percent tax on all sales exceeding $25 million, plus a $30,000 minimum tax.

### ‘Unfair and Crushing’ Tax

Jason Williams, executive director of the Oregon Taxpayers Foundation, says voters were unenthused about another tax increase.

“The tax was grossly unfair and crushing in its impact upon businesses and consumers,” Williams said. “Families were staring at a $1,200 tax impact from higher prices and costs from this bill. Once people saw the price tag of this tax, they soon deserted any support.”

### Beware the ‘Son of 97’

Williams says the defeat of the tax-hike beast is only temporary.

“On election night, the measure’s author said the defeat was due to not getting ‘the details right’ and pledged to be back during the 2017 legislative session with a stronger effort and a new tax,” said Williams. “Sure enough, taxpayers should expect the ‘Son of 97’ to appear in a few weeks, when 2017 begins.”

### Consumers Are Also Taxpayers

Steve Buckstein, founder and senior policy analyst at the Cascade Policy Institute, says all Oregon consumers would have been paying the bill if the measure had passed.

“It only taxed C-corps with over $25 million in revenue in Oregon,” Buckstein said. “They would pay the checks, but every business in the state and every consumer in Oregon would pay the bill, in effect. It would pyramidal, as economists call it, through the economy. So, 2.5 percent could end up causing a 3, 4, or 5 percent increase in retail prices. The power companies said it would increase our utility bills 3 to 4 percent.”

Buckstein says voters’ rejection of Measure 97 may make special-interest groups in other states think twice about demanding tax hikes.

“I’m sure public-employee unions all over the country were watching this fight,” Buckstein said. “If it passed in Oregon, they were likely going to try something similar in other states. Hopefully, this set back that effort in other states.”

Jeff Reynolds (jefferyreynolds@com cast.net) writes from Portland, Oregon.
Federal Judges Dismiss Chicago Taxicab Owners’ Lawsuit

By Michael McGrady

Federal judges rejected an appeal filed by Chicago taxicab companies claiming the city government was violating the companies’ constitutional rights by not applying taxicab regulations to peer-to-peer economy transportation network companies (TNCs) such as Uber and Lyft.

The Illinois Transportation Trade Association (ITTA), a lobbying organization representing the interests of taxicab company owners, sued the city in 2014, asking the court to force the Chicago government to require TNC drivers to purchase taxicab medallions or government-issued licenses.

In April 2016, Judge Sharon Johnson Coleman of the U.S. District Court for the Eastern Division of the Northern District of Illinois ruled against ITTA. The lobbyist group appealed the case to the U.S. Court of Appeals for the Seventh Circuit. A three-judge panel upheld Coleman’s decision in October.

Paying for Protectionism

Jacob Huebert, a senior attorney with the Illinois Policy Institute’s Liberty Justice Center, says taxicab companies pay the government for the ability to keep consumers hostage.

“Medallions have historically been very expensive,” Huebert said. “Even though that’s an expense for the taxi companies, they like this system because it limits the number of people who can come in and compete with them. It creates a high barrier to entry, because not just anybody with a suitable car can have a taxi; only somebody with a car who can afford that medallion. It’s been a monopoly, and prices have been high and the quality of service has been relatively low.”

Huebert says TNCs, also known as “ridesharing companies,” do consumers a favor by bypassing some government restrictions.

“With the ridesharing companies, like Uber and Lyft, you don’t need to have a medallion issued by the city,” Huebert said. “You just need to have a car that meets certain requirements, jump through certain hoops the city put in place, and you can be driving a rideshare vehicle.”

Big Effect on Consumers

Pamela Villarreal, a senior fellow with the National Center for Policy Analysis, says the court’s decision is a win for consumers.

“Siding with Uber essentially begins paving the way for taxi services to innovate,” Villarreal said. “This is good for consumers because the taxicab industry mostly has a major monopoly. I really think this is going to change the way, with a major overhaul with ridesharing as we see it, whether it is taxis or Uber.”

Villarreal says she’s unconcerned about the effect the court decision might have on taxicab companies.

“It may or may not kill the cab industry, but if it does, my response is, ‘So what?’” Villarreal said. “If it helps consumers to have a better ride experience, then so be it.”

Michael McGrady (mmcgrady@mccgradypolicyresearch.org) writes from Colorado Springs, Colorado.
The U.S. Food and Drug Administration (FDA), a federal agency whose mission statement includes “ensuring the safety of our nation’s food supply,” is accepting comments on proposed official guidelines intended to encourage restaurants and food manufacturing companies to reduce the amount of salt used in food preparation.

The guidelines, for which the extended public comment period ends in December 2016, include a timetable for voluntary sodium reduction targets. The proposed guidelines are intended to encourage companies to help reduce consumers’ total salt consumption from an estimated 3,400 milligrams per day to 2,200 milligrams a day.

**Preliminary to Full Regulation?**
Sherzod Abdukadirov, a research fellow with the Mercatus Center at George Mason University, says the guidelines are not legally binding but may be the first step towards enforced government restrictions.

“There are essentially three areas of concern,” Abdukadirov said. “One is the issue of transparency, and it has to do with this notion of passing regulations through guidelines. The idea is that guidance is a tool that is technically voluntary—it’s not something the industry has to follow—and yet, in reality, you would often find that the industry sees it as a precursor for a regulation that will surely follow later on.”

**Changing the Recipe**
Abdukadirov says too many government bureaucrats in the kitchen may ruin the meal.

“Along with unintended consequences, we see that, especially in the food space where any attempt to reduce one of the major components like fat, sugar, salt, … you often find that if you are going to reduce the sodium content, you have to replace it with something to make the product taste the same so that consumers will still buy it,” Abdukadirov said.

**Setting the Stage**
Jeff Stier, a senior fellow with the National Center for Public Policy Research, says the point of voluntary government guidelines is laying a foundation for future government restrictions.

“It’s only a voluntary guideline, and the whole purpose of voluntary guidelines is to pressure industry, under the threat that if they don’t comply with the voluntary guideline, they will then become mandatory,” Stier said. “If you think about it, there’s really no purpose of issuing a voluntary guideline unless it is your intent to threaten they become mandatory if you don’t comply. Think about it; it’s already voluntary.”

**‘Much-Diminished Threat’**
Stier says the 2016 election of Donald Trump reduces but does not eliminate the threat of government regulations, such as those proposed by FDA.

“I see a much-diminished threat that the Trump administration would turn that next corner and make it mandatory, say in two years from now,” Stier said. “Obviously, it depends on who the president nominates to head up the FDA—there’s still a lot of question marks.”

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

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California City Lawmakers Consider New ‘Netflix Taxes’

By Gabrielle Cintorino

Lawmakers in numerous California cities are considering extending taxes on cable television service to include online streaming video services such as Netflix.

One city is already taxing on-demand video, and lawmakers in almost 50 California cities are exploring amending existing taxes on cable television and other utilities or adding new taxes that would include streaming video services.

Beginning in January, Pasadena will add a 9.4 percent excise tax to the price of Netflix and other digital services.

New Taxes, Same Purpose

Craig Eyermann, a research fellow at the Independent Institute, says Netflix taxes help government grow at consumers’ expense.

“The ‘Netflix tax’ being proposed in Pasadena and at least 45 other cities in California is the extension of the state or local government’s sales and excise taxes to other digital products, such as subscriptions to Netflix, Hulu, or other streaming video and music services,” Eyermann said. “The real purpose of the tax is the same as any other tax, which is to increase the revenue of state and local governments so that they can either sustain or increase their spending.”

Grabbing Cash from Consumers

Andrew Moylan, executive director and senior fellow for the R Street Institute, says digital taxes are just a cash-grab to pay for an ever-growing government.

“As more and more entertainment services move to the internet, as opposed to cable services, tax collectors are turning their eyes to internet-based entertainment for taxes,” Moylan said. “Some of these California cities that are looking to extend a utility users tax to subscription services, ... you’re talking about just shy of 10 percent on average in California. These are not an insignificant amount. In other places, these rates are going to be much higher.”

Recommends Lowering Taxes

Moylan says lawmakers should work to make taxes as low and broad as possible, instead of targeting specific goods and services for tax hikes.

“In general, I think it’s a bad idea, because it does not come from a desire for a good, solid tax policy,” Moylan said. “It almost always comes from a desire to find money. If cities and states wanted to engage in a broad tax reform that broadens the base to include internet services, that’s in pursuit of a better tax policy: broadening the base and lowering the rates.”

Gabrielle Cintorino (gcintorino4@gmail.com) writes from Nashville, Tennessee.

By Michael McGrady

Baltimore Lawmakers Reject Proposed Airbnb Tax

The Baltimore, Maryland City Council rejected a proposed tax on consumers using Airbnb, a peer-to-peer economy business, and other “homesharing” companies.

The proposal, rejected in October, would have applied the city’s 9.5 percent hotel excise tax to services such as Airbnb, a company connecting tourists seeking short-term housing and hosts who provide places to stay.

Not Hotels

Romina Boccia, deputy director of The Heritage Foundation’s Thomas A. Roe Institute for Economic Policy Studies, says Airbnb and other peer-to-peer short-term rental companies are different from hotels and should be treated differently by lawmakers.

“Homesharing is not really a new concept,” Boccia said. “It has been going on forever. Since people began living in homes, they have been sharing them and inviting people into their homes for compensation. A more formalized concept of this is Airbnb, a company connecting tourists seeking short-term housing and hosts who provide places to stay.

Government Cash Grab

Boccia says lawmakers use hotel taxes to gouge tourists visiting their cities.

“In many jurisdictions, hotel taxes are bad policy and are many times higher than sales and use taxes in that state or jurisdiction,” Boccia said. “The reason is that local officials are trying to milk tourists for dollars. I think it would be a mistake to apply hotel taxes to the hospitality industry more broadly, including alternative arrangements like homesharing.”

Room Enough for Both

Nick Zaiac, a policy analyst at the Maryland Public Policy Institute, says Airbnb and hotels can peacefully coexist.

“What we’re seeing is that the hotel industry is really growing right now,” Zaiac said. “The taxes are way up, and there’s definitely a place for Airbnb in that.”

Zaiac says Airbnb merely spreads opportunities for people to be paid for the use of their property.

“The business activity itself helps democratize and spread around the ability to host people in an individual’s home,” Zaiac said. “This is an everyman’s tool for making a little bit of money for the house that they own, and we shouldn’t be discouraging that.”

“Homesharing is not really a new concept. It has been going on forever. Since people began living in homes, they have been sharing them and inviting people into their homes for compensation.”

ROMINA BOCCIA
DEPUTY DIRECTOR OF THE THOMAS A. ROE INSTITUTE FOR ECONOMIC POLICY STUDIES
THE HERITAGE FOUNDATION

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ANDREW MOYLAN
EXECUTIVE DIRECTOR AND SENIOR FELLOW
R STREET INSTITUTE

INTERNET INFO

Kentucky Lawmaker Files Constitutional Sovereignty Bill

By Gabrielle Cintorino

A Kentucky state lawmaker is proposing a bill prohibiting state government agencies and judges from applying other nations’ laws in government actions and judicial decisions if those laws conflict with U.S. constitutional protections.

In September 2016, state Rep. Kim King (R-Harrodsburg) prefiled Bill Request 149. It will be considered by lawmakers when their legislative session begins in January 2017.

Law of the Land

Mike Mahaney, national communications director for the Tenth Amendment Center, a nonpartisan think tank dedicated to educating individuals about the U.S. Constitution, says BR 149 would protect the U.S. Constitution’s place as the supreme law of the land in Kentucky.

“Amercians are only legitimately subject to laws in pursuance of the Constitution and duly passed by Congress,” Mahaney said. “This Kentucky bill would take a step toward making international laws unenforceable in the state and protect Kentuckians from the ultimate in big government overreach.”

Pushback Against ‘Global Laws’

Mahaney says administering and enforcing other countries’ laws violates people’s rights.

“There is the increasing likelihood that the international community will push global laws and regulations through the United Nations and via treaties,” Mahaney said. “These types of international mandates violate U.S. sovereignty and the American constitutional system. The last thing we need is international government. This bill provides a check against that kind of sweeping overreach.”

Threat Not Imaginary

Cato Institute Senior Fellow Walter Olson says there is a real threat of incorporation of foreign law in the United States.

“Some judges and law professors have argued that international law, especially so-called ‘human rights standards,’ should influence American courts,” Olson said.

Olson says most U.S. government agencies and judges currently reject the concept of foreign law administration.

“Already, by tradition, American courts treat the federal Constitution as the supreme law of the land,” Olson said. “They also refuse to enforce otherwise applicable foreign law—say, family law or contract law—when it would lead to results repugnant to our own public policy. For example, American courts would not enforce a foreign contract providing that the penalty for breach of contract was 30 lashes, so I’m having trouble thinking of cases where courts would currently breach a right guaranteed by the U.S. Constitution because some foreign law said to.”

Kentucky’s bill does much to protect the state’s freedom from such international overreach.

New Mexico Governor Approves Across-the-Board Spending Cuts

By Dustin Siggins

Confronted by a huge budget deficit caused by rapid spending increases in high-revenue years, New Mexico’s governor approved a bill significantly reducing government spending.

Gov. Susana Martinez (R) signed Senate Bill 9 into law in late October, approving across-the-board spending cuts for almost every state government agency to close a projected $450 million deficit.

Bipartisan Effort

State Sen. John Arthur Smith (D-Deming), a sponsor of the bill, says New Mexico lawmakers in both parties worked together to help solve the state’s spending problem.

“The bottom line was, as chair of the Senate Finance Committee, I had met several times with the minority leader on that,” Smith said. “We came up with a consensus revenue solvency package where we could have enough votes to have the emergency clause on, which means it also had to have a lot of bipartisan support.”

Smith says the state government has become too reliant on taxes on oil and gas production.

“The reason we’re in this position, principally, is the collapse of the oil and gas revenues from the extracting industries,” Smith said. “As a result, we had smoked through all of our reserves. Typically, New Mexico keeps about 10 percent in reserves. Most states keep around 5 percent, but we do that because of the volatility of oil and gas. We smoked through that.”

Spending Too Much

Paul Gessing, president of the Rio Grande Foundation, says the bill for past spending increases is now coming due.

“The general fund grew quickly under Gov. Bill Richardson, until the budget crisis of 2008,” said Gessing. “It has ebbed and flowed but shrunk somewhat overall since then. That said, when you compare New Mexico’s per-capita spending to other states, and especially our neighbors, we are quite high.”

Calls for Leadership

Gessing says Martinez should take a more active role in the budget process.

“Martinez has been unwilling to outline a clear, coherent strategy for reducing the budget,” Gessing said. “To her credit, she has taken a strong stance against raising taxes, but she has relied on the legislature to come up with specific cuts. What we’ve seen are ‘across-the-board’ and position vacancy cuts when what we need are targeted cuts to address bloated and unnecessary spending that make government operate more efficiently.”

Gessing says lawmakers should look for ways to make the state’s workers freer and more productive in 2017.

“Martinez has endorsed right to work, which is great,” Gessing said. “We need to look at tax reform and consider broad regulatory reform on everything from Davis-Bacon to occupational licensing. Both issues need to be addressed: [improving the] private sector while right-sizing government.”

Dustin Siggins (dustinsiggins@gmail.com) writes from Washington, DC.
An international nonprofit organization responsible for technical maintenance of internet protocols convened in November, holding its first meeting after gaining independence from U.S. government control in October.

In October, the Internet Assigned Numbers Authority (IANA), the organization responsible for allocating and managing internet protocol addresses and domain names—identifiers necessary for almost all internet functions worldwide—was transferred from management by the U.S. Department of Commerce to the Internet Corporation for Assigned Names and Numbers (ICANN), a nonprofit organization headquartered in Los Angeles, California.

**Digital Privatization**

Eli Dourado, a research fellow at the Mercatus Center at George Mason University and director of its Technology Policy Program, says the transition is an example of government returning economic control to the private sector.

“The IANA transition simply removed U.S. Commerce Department oversight of a private, nonprofit organization that administers the coordination of domain names online,” Dourado said. “This transition had been contemplated as far back as 1998, and the process of privatization has taken two years. By completing the transition, the U.S. government has reaffirmed its belief that the internet can govern itself, as it has argued for decades.”

‘Smart Move for Diplomacy’

Dourado says the transition is a win for the American people, facilitating the nation’s foreign policy goals in the online realm.

“The IANA transition was a smart move for diplomacy that will put the United States on much stronger ground for future internet fights,” Dourado said. “The IANA transition keeps us going in that direction, by removing the charge of hypocrisy leveled in diplomatic discussions by enemies of internet freedom.”

Keeps Online Records

Shane Tews, a visiting fellow with the American Enterprise Institute Center for Internet, Communications, and Technology Policy, says IANA is basically a digitized accountant and record-keeper.

“There are two things that happen at the ‘dot.com’ level—delegation and re-delegation,” Tews said. “‘Delegation’ adds a top-level domain into the ledger that the IANA function maintains and gives it permission to exist. In re-delegation, well, you are the current proprietor of a dot.com, if the contract would go up for bid and I win this bid, it would transfer the linking rights from one spot to another. That’s all the IANA function does.”

**Calls for Vigilance**

Tews says consumers will be unaffected by the transition but should continue to keep an eye on the issue.

“Tomorrow you’ll have the same internet you’ve used today and even in the next couple of years,” Tews said. “What you want to watch for is in the next five years. Does the internet change tomorrow? No, but what we need to be vigilant about is that it doesn’t change in the future.”

Leo Pusateri (psycheimstr@fastmail.fm) writes from St. Cloud, Minnesota.
Making the Case for Ending the Government’s Central Bank

By Jay Lehr

Very few people fully understand the role of the Federal Reserve, an independent federal government agency created in 1913 to establish and administer a national central banking system in the United States.

Fortunately, an entertaining and informative new book by John Tamny uses relatable examples from everyday life to help illuminate how the government bank referred to as “the Fed” operates and why the government’s centralized banking and planning fail to meet the public’s wants and needs.

Simplifying Complex Concepts

Using examples and narratives involving popular culture icons and concepts, Who Needs The Fed?: What Taylor Swift, Uber, and Robots Tell Us About Money, Credit, and Why We Should Abolish America’s Central Bank explains the history of the Fed and illustrates basic macroeconomic concepts, such as assets and credit, in a charming and easy-to-digest manner.

Tamny’s book details the creation of the Fed in 1913 as a panicked ward against wild economic swings. He also explores more fundamental questions. Easily understood anecdotes and examples throughout the book help readers grasp basic financial concepts such as credit and money and demonstrate how the Fed parasitizes the credit market just as a tick fattens itself with an animal’s blood and nutrients.

“Since the Fed has no credit to offer other than what it extracts from the real economy first, it can only shrink [the economy] insofar as it exerts its power to increase access to it,” Tamny writes. “For the Fed to ‘ease’ credit, it must by definition reduce the amount of credit offered by market-disciplined actors in the economy.”

Explaining Recessions in Hollywood

In explaining how economic recessions can benefit the economy, in contrast to the Fed’s goal of mitigating and regulating economic cycles, Tamny uses Robert Downey Jr.‘s battle with drug addiction and return to Hollywood stardom to illustrate the positive effect of credit limitations during economic recessions.

During Downey’s battle with drug addiction, he was unable to find work in Hollywood; movie studios were unwilling to invest and hire him. This “recession” in Downey’s career reduced his access to career “credit.” The downturn in Downey’s personal economy prompted him to reorganize his life, resulting in a revival of his career when movie studios saw him as a good investment again.

“Never forget that credit is the resources created in the actual economy,” Tamny writes. “For that reason alone, wise minds should rejoice that ‘recessions’ shrink our ability to senselessly waste those resources. No amount of Fed ease would have made it possible for Downey to work. His personal ‘recession,’ whereby he fixed problems of his own making, is ultimately what freed up his access to credit. Credit had to become so expensive for Downey so that it could be become cheap.”

Succinct Explanations

Tamny expertly explains the Fed’s mechanisms, using only paragraphs to do what other writers and economists have needed volumes of books to accomplish.

By manipulating the interest rates at which banks lend currency reserves to one another, and at which banks lend to producers, the Fed exerts ham-fisted control over the country’s currency and alters the costs of production and of consumer goods and services, Tamny writes.

“It is often forgotten that when the Fed (or any central bank, for that matter) presumes to dictate interest rates, it’s in no way controlling the cost of accessing dollars,” Tamny writes. “Yet we intuitively know that money doesn’t just grow on trees, nor can it be dropped from the sky. More realistically, when the Fed raises or lowers interest rates, it is attempting to manipulate the cost of everything produced in the actual economy.”


‘Credit is Not Money’

Tamny also clarifies the important differences between money and credit, which central banks tend to ignore. Credit, he writes, is a proxy for the ability to access resources, and no amount of government interference in the market can create resources out of nothing.

“Stated simply, credit is not money,” Tamny writes. “If it were, the ‘easy credit’ that many-who-should-know-better clamor for would once again be as simple as printing lots of money. In fact, credit is always the money—created in the actual economy. We borrow ‘money,’ but we’re really borrowing resources. Credit equals resource access.”

Abstract Concepts Made Concrete

Weaving real-world stories involving recognizable pop-culture icons with solid economic reasoning, Tamny makes abstract concepts more concrete, helping readers understand the root problem is government interference and central planning.

Anyone seeking to understand the how and why of macroeconomics would be well-served by reading this book. After finishing Who Needs The Fed?, readers will better understand how decades of government meddling in credit markets has been holding back the American economic powerhouse. Tamny grants readers a deeper insight into the affairs of the Fed, an otherwise shadowy and poorly understood but immensely powerful government apparatus.

Jay Lehr, Ph.D. (jlehr@heartland.org) is science director at The Heartland Institute.

“Tamny expertly explains the Fed’s mechanisms, using only paragraphs to do what other writers and economists have needed volumes of books to accomplish.”
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