NH Forgoes Bag Ban
The New Hampshire Senate decided not to pass measures banning plastic bags and limiting restaurants’ use of plastic soda straws.

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Net Freedom vs. Neutrality
A U.S. House attempt to restore an Obama-era plan to regulate the internet like a utility has no chance in the Senate.

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Florida Arming Teachers
Trained teachers who volunteer will be allowed to carry concealed guns on campus if their school districts approve.

Page 6

Congress Revisits ‘Kiddie Tax’
Federal tax reform lowered most Americans’ tax bills, but it had unforeseen effects on taxing the income of dependents.

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Minneapolis Plastic Bag Poll
Minneapolis’s City Council is conducting an online poll after a state law nixed local bans on plastic carryout bags.

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AZ First to Recognize Others’ Occupational Licenses Without Requiring Reciprocity
By Bonner R. Cohen
Arizona will become the first state to recognize most professional licenses granted in the other 49 states, under a new law that becomes effective at the end of August.

With a few exceptions, boards will grant occupational licenses to anyone moving to Arizona with an unblemished license from another state. The law is not limited to states with which Arizona has reciprocity agreements, in which one state recognizes another state’s licenses.

The new law covers a wide array of professions, including health care, dentistry, construction, real estate, cosmetology, teaching, accounting, occupational licensing.

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COLORADOANS TO VOTE ON TAX REFUNDS
LEGISLATURE ASKS VOTERS TO END REFUNDS OF EXCESS REVENUES TO RESIDENTS UNDER THE STATE’S TAXPAYER BILL OF RIGHTS AND LET THE GOVERNMENT SPEND THE MONEY. — P. 11

MI REFORMS CIVIL ASSET FORFEITURE
NEW STATUTES PROHIBIT POLICE OFFICERS FROM SEIZING PROPERTY FOR SUSPECTED DRUG CRIMES WITHOUT FIRST OBTAINING A CONVICTION OR PLEA AGREEMENT. — P. 17

National Popular Vote Compact Nixed in Nevada, Approved in Oregon
By Nolan Ryan and Juliana Knot
The National Popular Vote Interstate Compact, a proposed agreement among states to throw their votes in the Electoral College to the presidential candidate winning the popular vote nationally, received mixed results in this year’s legislative sessions in two states that were expected to approve the measure.

Legislation for Nevada to join the compact was vetoed by Gov. Steve Sisolak on May 30, and a similar bill was signed into law in Oregon by Gov. Kate Brown on June 12.

POPULAR VOTE, p. 8
The 13TH INTERNATIONAL CONFERENCE ON CLIMATE CHANGE (ICCC-13) will take place on Thursday, July 25, 2019, at Trump International Hotel in Washington, DC.

The event will feature the courageous men and women who spoke the truth about climate change during the height of the global warming scare. Now, many of them are advising the new administration or joining it in senior positions.

Climate realists have established beyond a reasonable doubt that the human impact on climate is likely to be very small and beneficial, rather than harmful. Realists have proven most scientists now share this opinion, except those who have made careers out of finding a human impact and exaggerating it.

Speakers at ICCC-13 will summarize the best available climate science and recommend which policy changes are needed for America to lead a post-alarmist world in climate realism. ICCC-13 will also feature timely, in-depth, expert discussions about the “Green New Deal” and the benefits of ending the Democrats’ war on fossil fuels.

Space is very limited, so reserve your conference pass and hotel room now. Admission is $129. To register or learn more about ICCC-13, visit heartland.org or call 312/377-4000.

The Heartland Institute is a national nonprofit organization based in Arlington Heights, IL. Its mission is to discover, develop, and promote free-market solutions to social and economic problems. For more information, visit our website at heartland.org or call 312/377-4000.
MI Ends No-Fault Auto Insurance Mandate

By Ashley Herzog

Michigan will end its system of “no-fault” automobile insurance which forced every driver in the state to purchase expensive coverage.

Gov. Gretchen Whitmer signed into law a bipartisan bill allowing drivers to purchase the level of insurance coverage they choose, instead of requiring them to buy unlimited personal injury policies, on May 30.

“By signing this legislation, we are providing relief to millions of drivers across the state and guaranteeing a better auto insurance system for everyone,” Whitmer stated in a press release.

The average cost for an automobile insurance policy in Detroit is more than $5,000 per year. New premium rates throughout the state will kick in over the next year as policies are renewed.

“Republicans estimate drivers now paying $2,400 a year could save between $120 and $1,200 per year, depending on the level of medical coverage they choose to purchase,” the Detroit News reported on May 24.

Unique Requirement

The no-fault system was enacted in 1973, van Beek said. “The rationale for this type of system was to reduce court costs by putting restrictions on who qualified to sue an at-fault driver, and speed up the process for accident victims to get benefits for medical treatment after an accident.”

There are about a dozen states with no-fault systems that have lower average premiums than Michigan, van Beek says.

“The reason Michigan’s average premiums are so high is because state law required all drivers to purchase an unlimited amount of medical coverage through their auto insurance. This means that there is no limit to the amount of benefits you can get from an insurer to pay out for medical treatment related to an auto accident.”

MICHAEVL VAN BEEK
DIRECTOR OF RESEARCH
MACKINAC CENTER FOR PUBLIC POLICY

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Medical Costs Spiraled

The unlimited medical coverage created an incentive for health care providers to inflate bills to auto insurers, van Beek says.

“It’s well-documented that medical providers charge two, three, four, sometimes ten times more for treatment provided to an accident victim than what they would charge for someone covered by a private health insurer or government program, like Medicaid or Medicare, for the exact same procedure or treatment,” van Beek said.

“As long as you could link the treatment to an auto accident—treatment that courts force all drivers to purchase—we saw huge profits for providers,” van Beek said.

Providers in Driver’s Seat

Under no-fault, there also were no limits on fees for specific services, van Beek says.

“There was no fee schedule for auto insurance claims, and insurers were not allowed to negotiate prices with medical providers,” van Beek said.

“This meant that medical providers could charge whatever they thought they could get away with when treating accident victims.”

The new system will allow drivers to opt out of personal injury protection for themselves altogether, if they already have health care coverage, van Beek said.

“The new policy allows drivers to choose a lower level of medical coverage and even opt out of buying medical coverage through their auto insurance policy if they have coverage elsewhere,” van Beek said.

‘A Big Improvement’

The new legislation will place some controls on what doctors can charge insurance companies in the event of an auto accident, van Beek says.

“It establishes a fee schedule for services, among other things,” van Beek said. “I’m not sure if this is the best type of auto insurance system, but it will be a big improvement on what we had, and most Michigan drivers will save a lot of money on their premiums as a result.”

The bipartisan legislation is a victory for all Michiganders, Whitmer said in her press release.

“This historic deal shows that, when we put party aside, we can find common ground on our state’s toughest issues to provide realistic and affordable coverage options for drivers across Michigan,” Whitmer said.

Van Beek agrees.

“The end of no-fault insurance is a huge victory for consumers,” van Beek said.

Ashley Herzog (aebristow85@gmail.com) writes from Avon Lake, Ohio.
Arizona Becomes First State to Recognize Others’ Occupational Licenses Without Requiring Reciprocity

Continued from page 1

engineering, and embalming. It makes exceptions for lawyers—who will still have to pass the state bar exam—security guards, and private investigators.

Under the statute, Arizona’s licensing boards are only allowed to scrutinize out-of-state licenses that involve professional qualifications specific to Arizona law. A person relocating to Arizona with an out-of-state license must have held that license for at least one year to qualify for recognition.

The new law will remove barriers to employment for about 100,000 people who are expected to move to Arizona in 2019, said Gov. Doug Ducey in a press release. State Rep. Warren Petersen was the primary sponsor of H.B. 2569, which Ducey signed into law on April 10.

‘Not a Silver Bullet’
The Arizona law is welcome, but further reform is needed, says Paul Avelar, managing attorney for the Institute for Justice’s Arizona office.

“License recognition is a reform that other states should also adopt, but it’s not a silver bullet,” Avelar said.

“Arizona’s reform does not help workers who move from states where their job didn’t require a license but Arizona does, nor does it address the thicket of red tape for Arizonans who have to get a license,” Avelar said.

Big Increase in Licensing
The share of workers forced to obtain a license to do their job has soared from about one in 20 to one in four over the past 60 years, states an Institute for Justice’s Arizona report, License to Work, published in 2017.

“Continuing to license too many occupations means workers and consumers across the country are still unnecessarily burdened,” Avelar said.

Dismantling occupational barriers across state lines would benefit the nation’s workforce, says Gary Wolfram, William Simon Professor of Economics and Public Policy at Hillsdale College and a policy advisor to The Heartland Institute, which publishes Budget & Tax News.

“Arizona is to be congratulated for taking the first step toward reducing the government impediments to individuals seeking employment,” Wolfram said.

“Hopefully, other states will follow and Americans will be able to move across state lines and not lose their ability to maintain and expand their profession,” Wolfram said.

Bonner R. Cohen, Ph.D. (bcohen@nationalcenter.org) is a senior fellow at the National Center for Public Policy Research.

Florida Establishes Another School Choice Program

By Kenneth Artz

Florida has gained its fifth school choice program, which will grant up to 18,000 new state scholarships allowing students to attend a school of their family’s choice.

Family Empowerment Scholarships are designed to ease the 14,000-student waiting list for other programs funded by tax credits for donations to scholarship funds. FEPs will be funded directly from the state budget, at an estimated cost of $130 million, with the scholarship amount per child set at 95 percent of the cost for a public school education.

Funding is not reduced for the school a scholarship student leaves, meaning the program increases the per-pupil funding of the government school. The program begins in the 2019-20 school year. Approximately 100,000 students participate in the Sunshine State’s choice programs.

The new scholarships will help children from families with incomes of up to $77,000 for a family of four attend the school of their choice.

Gov. Ron DeSantis signed the bill into law on May 9.

National Leader in Reform
Florida is at the forefront of education-choice and continues to blaze a trail for other states to follow, says Jason Bedrick, director of policy for EdChoice and a policy advisor to The Heartland Institute, which publishes Budget & Tax News.

“Florida already has one of the first education savings account programs and the nation’s largest tax-credit scholarship program, with nearly 100,000 participating students from low-income families,” Bedrick said.

“However, demand for educational options has outstripped the availability of scholarships, leading to a waitlist of about 14,000 students.”

The newest voucher program will help 18,000 kids from low- and middle-income families enroll in the school of their family’s choice, says Bedrick.

“This is another big step toward the goal of providing every child with access to a learning environment that works for them,” Bedrick said.

Next Step: Go Universal
Florida is setting and fulfilling important goals in education, says Timothy Benson, a policy analyst for The Heartland Institute.

“By enacting programs like the Family Empowerment Scholarship, the Sunshine State is continuing to show why it is in the forefront of the movement for parental choice in education in the United States,” Benson said.

“The next step, and a logical one, for state legislators to take would be turning one of its choice programs, preferably the Gardiner Scholarship education savings account, into a universal program open to every single Florida student,” Benson said.

Kenneth Artz (kennethcharlesartz@gmx.com) writes from Dallas, Texas.

INTERNET INFO

INTERNET INFO
Consumer Financial Protection Bureau Considers Repealing Payday Loan Rule

By Bonner R. Cohen

The Consumer Financial Protection Bureau (CFPB) is considering revision or repeal of an Obama-era regulation aimed at clamping down on some of the practices of lenders that provide small-dollar, high-interest, short-term loans.

The Payday Lending Rule, finalized in January 2017 under former CFPB Director Richard Cordray, was set to go into effect on August 19, 2019. The rule also targets single-payment car title loans, in which borrowers use their car or truck title for collateral, and loans requiring a single, large, balloon payment.

Further, under the rule’s Mandatory Underwriting Provisions, payday lenders would have to confirm their borrowers’ ability to repay short-term loans of up to 45 days without incurring late-payment penalties, such as higher interest rates, while meeting living expenses.

The CFPB has extended the deadline for complying with the 2017 rule until November 19, 2020, the bureau announced on June 6, giving the agency time to finalize the payday lending rule. The CFPB could issue a revision of the loan regulations at any time in the next few months.

Reducing Credit Access

Payday loans often have annual interest rates of 300 percent to 400 percent, and borrowers can fall into a “payday debt trap” in which they have to take out new short-term loans in order to pay off existing ones.

In its 2017 rulemaking, the CFPB found cutting back on payday loans would reduce access to credit in low-income neighborhoods, said Thomas Pahl, policy associate director for the research, markets, and regulations division of the CFPB, at a hearing before the House Oversight and Government Reform Committee’s Subcommittee on Economic and Consumer Policy on May 16.

“The Bureau found [in 2017] that these Mandatory Underwriting Provisions would result in a decrease of between 51 and 52 percent in the number of payday loans consumers take out and a reduction in revenue [to lenders] of between 67 [and] 68 percent,” Pahl testified.

“In addition” there would be a decrease of between 89 and 93 percent in the number of short-term vehicle title loans consumers take out, Pahl stated.

Restricting Avenues of Credit

The bureau decided to revisit the 2017 proposal because of questions about the basis for the regulation, Pahl says.

“The Bureau has come to have serious doubts as to whether the appropriate legal standards were applied, and whether the evidence was sufficiently robust and reliable to support the Bureau’s determination that small dollar lenders engage in an unfair or abusive act or practice if they make loans without making a reasonable determination that consumers can repay them,” Pahl testified.

There was little evidence given for the rule when it was implemented, says Norbert Michel, director of data analysis at The Heritage Foundation’s Institute for Economic Freedom.

“The original rule had no real data supporting it,” Michel said. “In revising the rule, the CFPB is doing its job of protecting consumers by leaving open avenues of credit to those in need.”

‘A Win for Consumers’

The costs the payday loan rule imposes on consumers and the loan industry far outweigh any benefits, says Daniel Press, a policy analyst at the Competitive Enterprise Institute.

“The original payday lending rule was one of the most detrimental regulations ever issued by the CFPB,” Press said.

The 2017 restrictions on payday loans would cause difficulties for low-income borrowers, says Press.

“Put forward under the guise of consumer protection, the rule would have stripped valuable financial services away from some of the most vulnerable people in society,” Press said. “The decision by the Trump administration to preserve consumer choice and access to credit is the right one.”

“In addition” there would be a decrease of between 89 and 93 percent in the number of short-term vehicle title loans consumers take out, Pahl stated.

“‘Rescinding the payday loan rule is a win for consumers, allowing individuals—not Washington bureaucrats—to decide what is best for themselves,’” Press said.

Bonner R. Cohen, Ph.D. (beohen@nationalcenter.org) is a senior fellow at the National Center for Public Policy Research.

INTERNET INFO

Thomas Pahl, Statement before the House Committee on Oversight and Reform, Subcommittee on Economic and Consumer Policy, Consumer Financial Protection Bureau, May 16, 2019: https://www.heartland.org/publications-resources/publications/testimony-the-cfpbs-proposed-repeal-of-the-payday-lending-rule

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Food Trucks Finally Allowed in Downtown Fort Pierce, FL

By Bonner R. Cohen

Hungry residents of ocean-side Fort Pierce, Florida can at last partake in the offerings of food trucks now that a state district court has struck down a city ordinance that effectively banned the businesses.

The Institute for Justice (IJ) brought a lawsuit on behalf of Taco Trap owner Benny Diaz and Creative Chef on Wheels owner Brian Peffer.

The city ordinance banned food trucks from operating within 500 feet of an existing restaurant or convenience store. The law made it all but impossible for food trucks to operate in the city.

“I’m excited about the opportunities for me and other food truck owners,” Diaz said in a May 9 IJ press release. “This change is good for Florida food truck owners and the people of Fort Pierce, who now have so many more food options.”

“Freedom Helps Businesses Thrive”

Economic freedom is a fundamental right that benefits the community, IJ Florida Office Managing Attorney Justin Pearson told Budget & Tax News. “The right of food truck vendors to do business in Fort Pierce is quite new, but the benefits are already obvious,” Pearson said. “Expanding economic freedom helps businesses thrive and gives consumers more options.”

“There are innovative and creative ways to improve public safety in our communities, and one of them is to recognize the economic benefits of food trucks,” Pearson said. “This ruling is a victory for consumers.”

National Street Vending Initiative

IJ has launched lawsuits on behalf of food truck owners and other street vendors across the nation through its National Street Vending Initiative, IJ’s press release states. The group’s successful lawsuits in San Antonio; El Paso; Carolina Beach, North Carolina; and Louisville, Kentucky have eliminated laws that banned food trucks from competing with brick-and-mortar rivals. IJ has similar lawsuits pending in Chicago, Baltimore, and Fish Creek, Wisconsin.

Cities throughout the country are becoming more open to eateries on wheels in order to attract businesses to their downtowns, states an IJ report titled Upwardly Mobile.

Although many local restaurant associations oppose the food trucks, customers appreciate the additional dining options.

Food trucks “have little, if any, investment in the community and do not provide a stable tax base for the city,” [emphasis in original], a coalition of local restaurants objected to city officials in Knoxville, Tennessee in a 2013 letter. Despite those complaints, Knoxville is now home to more than 90 food trucks.

Bonner R. Cohen, Ph.D. (beohen@nationalcenter.org) is a senior fellow at the National Center for Public Policy Research.

Florida Enacts Law Allowing Teachers to Carry Firearms

By Jake Grant

A new law in Florida will expand the state’s guardian program to allow public school teachers to carry firearms on campus beginning October 1.

The law builds on a statute passed shortly after the February 2018 mass shooting at Marjory Stoneman Douglas High School in Parkland. The previous law allowed staff members serving in non-classroom positions, such as sports coaches, to carry weapons on campus.

The new law implements recommendations of a state commission formed after the Parkland shooting, including allowing teachers to volunteer and undergo extensive background checks and training to carry concealed guns on campus if their school district approves. Interested teachers will be required to undergo at least 144 hours of police-style training, psychiatric evaluation, and drug screening.

In addition, the legislation allows schools to disclose some student mental health records to government officials, and to screen at-risk students and report the results to government officials. The law creates additional reporting standards for school safety and student discipline incidents and requires schools to inform law enforcement officials about any threats that arise.

The bill passed the state Senate by a 22-17 vote, and the House by a 65-47 vote. Gov. Ron DeSantis signed the bill into law on May 8.

Strengthening Local Control

Twenty-five of Florida’s 67 school districts participate in the guardian program allowing non-classroom school staff members, trained and equipped by county sheriffs’ offices, to carry firearms. One of these is Broward County, where Parkland is located. However, school boards for some counties, including Broward, say they will not arm classroom teachers.

Allowing school districts and teachers to make decisions on their own is the right approach, says Lennie Jarratt, project manager for the Center for Transforming Education at The Heartland Institute, which publishes Budget & Tax News.

“Giving schools and the teachers themselves the decision as to whether they would like to carry a weapon for self-protection and the protection of their students is a great idea. Teachers and schools should be the decision makers, not the legislature.”

LENNIE JARRATT
PROJECT MANAGER
THE HEARTLAND INSTITUTE

“Giving schools and the teachers themselves the decision as to whether they would like to carry a weapon for self-protection and the protection of their students is a great idea. Teachers and schools should be the decision makers, not the legislature.”

“Giving schools and the teachers themselves the decision as to whether they would like to carry a weapon for self-protection and the protection of their students is a great idea.” Jarratt said. “Teachers and schools should be the decision makers, not the legislature.”

Recommends Child Safety Accounts

Another policy could do much to improve school safety further, says Timothy Benson, a policy analyst at The Heartland Institute.

“The best way for Florida legislators to help alleviate safety concerns in schools would be to pass a universal child safety account (CSA) program,” Benson said. “Florida already has something similar with the Hope Scholarships, but this would be an education safety account program instead of a tax-credit scholarship, and on a far grander scale.

“CSAs would allow parents to pay tuition and fees at qualified private schools, as well as for tutoring services, textbooks, transportation costs, and so forth, if their child is facing a safety concern at school,” Benson said. “These issues include bullying, sexual misconduct, harassment, verbal abuse, fighting or physical assaults on the student, and concerns over gang activity or drug use at school.”

Jake Grant (jakeg42294@gmail.com) writes from Alexandria, Virginia.
Clock Runs Out for Proposed Louisiana Fantasy Sports Tax

By Jake Grant

The Louisiana State Legislature adjourned before final passage of a proposed tax on fantasy sports.

Louisianans in 47 of the state’s 64 parishes voted on November 6, 2018 to allow residents of those political subdivisions to participate in online fantasy sports. Participants in these competitions create online teams of players from major sports, pay an entry fee, and compete to win monetary prizes based on how the athletes perform in actual games, how many people play, and how much money is bet.

The Louisiana House of Representatives in the just-ended legislative session passed a bill proposed by Rep. Kirk Talbot (R-River Ridge) to tax online fantasy sports leagues at 15 percent. The Senate then passed the legislation with amendments, but those were rejected by the House. Legislators did not reconcile the two versions before the legislative session ended June 6.

‘Unstable Tax Base’

Taxing fantasy sports is a misguided policy, says Adam Michel, a senior policy analyst at the Institute for Economic Freedom at The Heritage Foundation.

“New excise taxes are the antithesis of good policymaking,” Michel said. “They are an unstable tax base. High taxes on one good or activity tend to produce revenue in the early years, and then as people switch to other alternatives the revenue declines quickly.”

The bill would have raised an estimated $2 million over five years.

Questionable Dedication

The legislation would have allocated two-thirds of the receipts from the tax to early childhood education and one-third to local governments. Pledging taxes will go toward particular programs is misleading, says Michel.

“Earmarking revenue to specific uses is bad budget policy,” Michel said. “Because tax revenue is fungible, the state will claim the new tax is funding early childhood education, but behind the scenes they can simply [use] the net tax increase to pay for other priorities.”

Assigning revenue to a particular program doesn’t mean total spending on that program will increase, says Michel.

“When you look at data from states across the country, the majority of earmarks don’t increase spending in their target category, Michel said. “They instead increase spending in other expenditure categories.”

Danger to Tourism Dollars

The proposed tax would undermine Louisiana’s appeal to tourists, says Michelle Minton, a senior fellow at the Competitive Enterprise Institute.

“Louisiana is setting itself up to lose a lot of tourism dollars to ... Mississippi, which has both [Daily Fantasy Sports] and real sports betting [and] taxes the activity at just 12 percent,” Minton said.

“With Biloxi a mere hour’s drive from New Orleans, and [Mississippi] considering mobile sports betting, it is likely that money that might have otherwise been spent on tourism activities in Louisiana will instead go to Mississippi,” Minton said.

The next regular session of the Louisiana legislature is in January 2020.

“The good news is that state lawmakers have the flexibility to … find the right mix of regulation and taxes that provide residents and the economy with the greatest benefits,” Minton said.

Jake Grant (jakeg42294@gmail.com) writes from Alexandria, Virginia.

OFFICIAL CONNECTIONS:

Rep. Kirk Talbot (R-River Ridge):

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National Popular Vote Compact Nixed in Nevada, Approved in Oregon

Continued from page 1

Nevada has six electoral votes, and Oregon has seven. Including Oregon, 15 states and the District of Columbia, with a total of 196 electoral votes, have approved legislation that would activate the compact if jurisdictions with 270 electoral votes, a majority, sign on. The Maine Legislature is considering compact legislation, and other states could vote on the measure before the 2020 presidential election.

Electors Cast the Votes
There will be 538 presidential electors in 2020, with each state allocated one vote per each member of the U.S. Congress from that state. The District of Columbia has three electoral votes. The vote of the electors determines who wins the offices of president and vice-president.

In nearly all states, all of the electors’ votes for president go to the winner of the popular vote in that state. Maine and Nebraska each allot one electoral vote to the winning candidate in each congressional district, with two electoral votes going to the statewide winner.

Although potential electors are nominated by the political parties in each state, so-called “faithless electors” have sometimes cast protest votes for people other than the winner in that state. The electors meet and cast their votes in the capital of each state after the November General Election every four years.

Popular Vote, Unpopular Winners
The way the proposed compact is written, the winner of a plurality, no matter what percentage of the vote he or she gets, would be elected president, says Michael Watson, research director at the Capital Research Center.

“The popular vote would allow for strong third- and fourth-party candidates to take the election with 35 or less percent of the vote,” Watson said. “That would lead to unpredictable policy outcomes,” Watson said. “From a limited-government perspective, unpredictable is bad.”

Possibility of Corruption
The use of the Electoral College ensures the president has broad support, says Robert Natelson, a senior fellow in constitutional jurisprudence with the Independence Institute.

“The president has to have widespread popular support before he can lead,” Natelson said.

“In countries with elections by bare pluralities, the president is often elected with 33 percent of the vote, or even less,” Natelson said. "In the Philippines, the president was elected with 33 percent of the vote."

Because a popular vote allows a candidate to win an election with a small plurality, it leads easily to political corruption, says Natelson.

“It’s not surprising that in Third World countries you get a lot of corruption,” Natelson said. “You know you can win with a plurality, so there’s a strong motive to stuff the ballot box. But if you stuff the ballot box in Florida, it probably only matters in Florida.”

Unpredictable Results
The states that have passed the compact are dominated by Democrats, and changing the Electoral College system might backfire on them, Watson says.

“Because our politics are pretty knife-edge divided, the possibility of inversion arises,” Watson said. “The Democrats push for this and think it gives them an advantage. Maybe it does; maybe it doesn’t. Who knows who will be favored in any given year?"

“When the winner of the national popular vote does not prevail in the Electoral College, the losers will always be annoyed," Watson said.

‘Beginning of the End’
Support for the compact will likely wane, says Natelson.

“I think the veto by [Gov. Sisolak] was a turning point,” Natelson said. “This is probably the beginning of the end for the national popular vote movement. You’ve got a Democratic governor in Democratic state saying, ‘This is too rich for my blood.’”

“Initially, there were Republicans in favor of it,” Natelson said. “But, as it’s turned out, there’s not a single Republican legislature that’s approved it. This is going to slow their progress.”

Restraining Arbitrary Power
The push for abolishing the Electoral College comes from a fundamental misunderstanding of the United States as a democracy, not a republic, says Stephen B. Presser, an emeritus professor of legal history at Northwestern University’s Pritzker School of Law.

“In a republic, the people exercise power indirectly, while in a democracy the people act directly. You can see the obvious difficulty of running a democracy with more than 300 million people. The other, rather more important [difference] is that in a republic there are restraints on arbitrary power, and, in particular, the rule of law governs. In a democracy, theoretically at least, there are no restraints, and the people can do anything they want.”

Presser says the Founding Fathers were skeptical of direct democracy, based on historical knowledge of societies such as ancient Athens that did themselves much harm by following the will of the people. The nation’s founders designed the Electoral College to act as a check on democracy and make sure those elected would not only be fit for the job but also enjoy wide geographic support.

People who favor a direct popular vote may be well-intentioned, but that’s no guarantee their ideas are right, says Presser.

“Those who support the popular vote initiative probably have a good-faith belief in the wisdom of democracy, but history suggests some caution is called for,” Presser said.

Nolan Ryan (nryan1@hillsdale.edu) writes from Hillsdale, Michigan. Juliana Knot (jnknot322@gmail.com) writes from Grand Rapids, Michigan.
Florida Legislature Passes Bill Requiring Lottery Warning Labels

By Kenneth Artz

Florida state lottery officials are urging Gov. Ron DeSantis to veto a bill that would require them to print a message on every lottery ticket sold in the state: “WARNING: LOTTERY GAMES MAY BE ADDICTIVE” or “PLAY RESPONSIBLY.”

The caution would appear in a black font on a white background and occupy at least 10 percent of the surface area of both sides of the tickets. It would also be required for every advertisement on television, the internet, and in print. Florida would be the first state to mandate such an advisory message on its lottery tickets.

"More Aggressive' Than Previous

The branding would be required by H.B. 629, sponsored by Rep. Will Robinson (R-Bradenton), which passed both chambers of the Florida Legislature in May. The House approved the measure by a 98-8 vote, and the Senate passed it by 27 to 13.

Then-Governor Rick Scott vetoed a similar measure in 2017.

"The language of the warning label requirement is materially different and more aggressive when compared to the prior bill," stated the Revenue Estimating Impact Conference, an official economic advisory group that estimates the expected effect of proposed legislation on state revenues, in a report on March 8.

Warning labels on some products have been shown to reduce sales, the report states.

"The range of fiscal impacts recommended herein is related to peer-reviewed studies of the effects of warning labels on tobacco and sugar-sweetened products," the report states.

"A study by the U. of Pennsylvania on the effects of warning labels on tobacco products showed that 7.4% of affected smokers viewing text-only warning labels attempted to quit within five weeks," the report states. "A study performed by the U. of Cambridge regarding the effects of text warnings on consumers of sugar-sweetened beverages found that 13.4% of the sample group subsequently refused a sugar-sweetened beverage option.

"We include a 3.5% reduction as the least conservative estimate, which is 50% of the lowest of the studies," the report states.

Concerned About Revenue Losses

The state’s cut of lottery revenues is more than $1 billion per year. Ticket sales have generated more than $35 billion for government education spending in Florida, since the program began in 1988, with more than 800,000 students receiving Bright Futures scholarships funded through lottery revenues, World Lottery Association President Rebecca Paul Hargrove wrote in a letter to DeSantis, Florida Politics reported on May 19.

The state would suffer revenue losses from decreased sales of lottery tickets, a reduction in marketing space on the tickets, and fewer retailers carrying them, costing the state more than $80 million a year and requiring massive cuts in the number of Bright Futures scholarships, Hargrove wrote.

The warning labels could also affect the state’s participation in multistate games such as Powerball and Mega Millions, and end scratch-off games featuring the TV game shows The Price Is Right and Wheel of Fortune and the board games Monopoly and Scrabble, Lottery Director of Product Shelly Ger teaseen told the estimating conference on June 12.

Cites Consumer Awareness

Placing warnings on lottery tickets is a bad gamble, says Jeff Stier, a senior fellow at the Consumer Choice Center and a policy advisor to The Heartland Institute, which publishes Budget & Tax News. Like all forms of gambling, purchases of lottery tickets tend to be recreational, and people realize that, says Stier.

“It’s unfortunate how highly regulated they are, but of course the irony is lottery tickets have a monopoly by the state, and they go to fund the state. When you have private sector gambling, they do usually require warnings on them, which is absurd. People are aware they might lose their money, and they might go back to bet more, and they might lose again.”

JEFF STIER
SENIOR FELLOW
CONSUMER CHOICE CENTER

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Florida Politics
JULY 2019

Putting warning labels on a product it sells, says Seton Motley, president of Less Government and a policy advisor to The Heartland Institute.

"The government makes tobacco companies print warnings on tobacco products, so why shouldn’t it meet its own requirements for its own product?" Motley asked. “Preferably, the government would just leave tobacco companies alone. Then they’d have a much stronger argument when protesting this bill.”

‘Doesn’t Really Help’

Having warning labels on so many products runs the risk of reducing their effectiveness, Stier says.

"Whether it’s private sector or government lotteries, we should make sure they are fair, and ensure consumers should be able to make choices," Stier said. “But the proliferation of warning labels doesn’t really help consumers. We’re being bombarded by warning labels about food, activities, video games because they might be addictive and cause obesity.

“We as a society are not benefiting by a proliferation of warning labels,” Stier said. “We benefit by individuals acting in their best interests. When the government begins treating adults like children—and you have to be an adult to buy a lottery ticket—we’re in bad shape as a society.”

Stier says it makes little sense for governments to offer activities they have to warn people not to do.

"Lottery tickets are basically illegal, unless the government is running the game, so I find the whole concept of placing warning labels on lottery tickets fascinating, especially when you consider it’s something the government shouldn’t be involved with in the first place," Stier said.

Kenneth Artz (kennethcharlesartz@gmx.com) writes from Dallas, Texas.
New Hampshire Senate Declines to Ban Plastic Bags or Limit Soda Straws

By Kelsey E. Hackem

New Hampshire will not ban thin-film plastic bags or limit restaurants’ use of plastic soda straws this year.

The state Senate decided not to pass two measures approved by the state House of Representatives. The New Hampshire House passed H.B. 560, which would have prohibited grocery stores, restaurants, coffee shops, and other businesses from providing single-use plastic carry-out bags to customers, on March 19. On the same day, the House also passed H.B. 558, which would have prevented restaurants and other food vendors from providing plastic straws unless asked by customers.

The New Hampshire Senate declined to pass the plastic straw ban, and it passed an amended version of H.B. 560 that would require New Hampshire towns to produce annual waste management reports, on May 15.

‘Consumers Now Are Free’

A plastic bag ban is not right for New Hampshire, says state Rep. Glenn Cordelli (R-Carroll).

“New Hampshire is the ‘Live Free or Die’ state,” Cordelli said. “Consumers now are free to use canvas bags to carry groceries without a government mandate or ban on plastics.”

Bag ban supporters do not understand how people use disposable plastic bags beyond carrying food from a store, says Cordelli.

“In many cases, the term ‘single use’ is a misnomer,” Cordelli said. “Many people who do carry their groceries out in plastic bags reuse them in their household for things such as trash can liners.”

Costs But Not Benefits

Taxes and bans on single-use plastic bags fail to achieve the stated legislative goals of decreasing plastic waste and are costly to retailers and consumers, says Angela Logomasini, a senior fellow at the Competitive Enterprise Institute.

“Both bans and taxes simply inconvenience consumers and cost them money in return for no environmental benefit,” Logomasini said.

“Some retailers may like the taxes because some policies allow them to keep the fees and they can claim to be doing something good for the environment despite the fact that the bans and taxes do more harm than good,” Logomasini said.

Plastic-bag bans are bad for the environment, says Logomasini.

“Bans also harm small businesses that make, sell, and distribute these products,” Logomasini.

Small Effect

Plastic bag bans do not have a significant impact on the overall amount of litter and waste, says Matt Seaholm, executive director of the American Progressive Bag Alliance.

“Bags make up less than 0.3 percent of waste and consistently less than 1 percent of litter,” Seaholm said. “Plastic grocery bags are 100 percent recyclable, and 78 percent [are reused], according to one recent study.”

Kelsey E. Hackem (khackem@gmail.com) writes from Washington State.

Official Connections:

Colorado Voters Could End TABOR Refunds

By Owen Macaulay

Colorado voters will decide whether to repeal a provision of the state's Taxpayer's Bill of Rights (TABOR) that requires the state and local governments to refund excess revenues to residents, in this November's general election.

TABOR, added to the state constitution in 1992, requires voter approval of tax increases, limits increases in government spending to inflation plus population growth, and forces officials to refund excess revenues to the taxpayers.

Colorado is the only state with such a limit on increases in spending. Over the decades, officials have returned more than $3 billion to business and individual taxpayers.

Gov. Jared Polis (D) signed into law H.B. 1257, which puts the proposition on the fall ballot, and H.B. 1258, which would allocate the additional revenue to education and transportation programs if voters approve the referendum, on June 3. H.B. 1257 received the needed two-thirds majority approval in both houses of the Colorado General Assembly, including all the votes cast by Democrats plus one from a Republican state Senator.

Funds Could Be Diverted

The state government is just trying to take away more money that belongs to taxpayers, says Rep. Kim Ransom (R-Littleton).

"These are refunds that the taxpayers are entitled to," Ransom said. "We do not have an income problem. We have a spending problem."

The additional funds could be diverted and may not materialize at all, says Michael Fields, executive director of Colorado Rising Action, which advocates for limited government.

"There is no guarantee where the money will go in the future," Fields said. "There is also no guarantee how much money will be there to use each year—or if any will be there at all."

Ended ‘Economic Stagnation’

Colorado's tax and spending limit has had a positive effect on private-sector growth, says Jennifer Schubert-Akin, CEO of the Steamboat Institute.

"TABOR helped end years of economic stagnation and laid the groundwork for the state's future success by keeping resources in the hands of Colorado residents who could put them to their highest-valued use and [by] checking overzealous government spending."

JENNIFER SCHUBERT-AKIN
CEO
STEAMBOAT INSTITUTE

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Michigan House Considers Reforming ‘Good Moral Character’ Clauses

By Jeff Reynolds

The Michigan Legislature is considering several bills that would reform the state’s occupational licensing laws to provide clearer definitions for the “moral character” clauses used by licensing boards to disqualify applicants.

Overly broad morals clauses can create a barrier to gainful employment for individuals who have been convicted of a crime or had other contact with the criminal justice system, says Jarrett Skorup, director of marketing and communications for the Mackinac Center for Public Policy.

“For some [occupations], this is an outright ban on anyone with a felony record: teachers, prison workers, nurses, doctors, lawyers, and more,” Skorup said.

For other occupations, guidelines adopted by the state Department of Licensing and Regulatory Affairs (LARA) allow the government to keep people from working, says Skorup.

“For most of the rest, the licensing department and board can use their power to restrict people with any criminal record—even misdemeanors—from being allowed to work, through ‘good moral character’ provisions,” Skorup said.

Work Reduces Recidivism

More than 500,000 adults in Michigan have a criminal record. Each year, about 50,000 residents are convicted of felonies, and some 50,000 Michiganders convicted of felonies return to society. Recidivism rates drop significantly when people have gainful employment after leaving prison, says Skorup.

“The research is clear: The number one way to prevent a person from returning to prison is for them to find work,” Skorup said.

“A consistent job cuts the recidivism rate down substantially and leads to higher incomes, more taxes being paid, higher marriage rates, fewer kids out of wedlock, and many, many other benefits,” Skorup said.

Convictions Not ‘Sole Standard’

H.B. 4489—and related measures H.B. 4492 through H.B. 4492 that would take effect only if the first bill passes—would clearly define the “good moral character” standard used in licensing various occupations, says Matthew Glans, a senior policy analyst at The Heartland Institute, which publishes Budget & Tax News.

“The bills would clarify that licensing boards or agencies would not be allowed to use a judgment from a civil action as evidence of bad moral character,” Glans said. “Licensing boards would also be prohibited from using a criminal conviction as the sole standard upon which to base a decision.”

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Accepted Unless Proven Connected

The measures, introduced in the House on May 20, would change the presumption in occupational licensing in the state, says Skorup.

“This bill package reverses that by saying the state will only deny state permission to work if the criminal background is directly related to the industry someone wants to work in, giving people the ability to know if their criminal background will prevent them from working and providing a path to appealing that decision,” Skorup said.

The decision to hire ex-felons should be left up to individual employers, not

system are at a particular disadvantage because of these laws,” Mitchell said. “Of course, there are other groups that find occupational licensing to be a particular barrier to work—everybody from military spouses to immigrants to ethnic minorities—but those with prior convictions are at a particular disadvantage.”

Finding gainful employment is a vital part of the rehabilitation process, says Mitchell.

“One of the greater predictors of recidivism is unemployment,” Mitchell said. “If we are closing avenues of people finding gainful work after release, ironically we may be encouraging them to continue a life of crime.”

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

“The bills would clarify that licensing boards or agencies would not be allowed to use a judgment from a civil action as evidence of bad moral character. Licensing boards would also be prohibited from using a criminal conviction as the sole standard upon which to base a decision. Licensing boards would be mandated to use other factors when considering an applicant who has previously committed a crime, including whether the crime would have a direct negative effect on the individual’s ability to work within a particular field and how long ago the crime was committed.”

MATTHEW GLANS
SENIOR POLICY ANALYST
THE HEARTLAND INSTITUTE

“Nobody should be forced to hire someone with a criminal record if they don’t want to, but, especially at a time when businesses claim they can’t find enough qualified workers, the state should not unnecessarily stand in people’s way of finding gainful employment,” Skorup said.

Prison Job Training Wasted

Many states have training programs in prison to teach trades for future employment, says Matt Mitchell, director of the Equity Initiative at the Maccubus Center at George Mason University.

“Many states spend taxpayer money training those in prison, as part of the rehabilitation process, to teach them new skills,” Mitchell said.

This money is wasted when “good moral character” laws keep newly released prisoners from finding work, says Mitchell.

“There are stories of states spending thousands of dollars teaching somebody to be a barber, only for them to get out of jail and the barbering board refusing them a license because they had been convicted of a crime,” Mitchell said.

Question of Relevance

For many occupations, an applicant’s particular offense may not pose a problem, says Mitchell.

“One of the more constructive reforms is to make sure that the crimes are relevant to the case at hand,” Mitchell said.

“It is important to note that those with prior experience with the justice
Sen. Cruz Calls for Expansion of Education Savings Plans

By Ashley Herzog and Kenneth Artz

U.S. Sen. Ted Cruz (R-TX) is proposing to expand education choice across the nation by allowing families to use a type of 529 College Savings Plan for homeschooling and other K-12 education expenses.

The 529 plans allow parents, grandparents, or others to save for the future college expenses of a designated beneficiary. A type of 529 plan known as an education savings plan allows up to $10,000 per year per beneficiary of funds in the plan to be used for tuition at any public or private elementary or secondary school.

Parents currently cannot use education savings plan funds for expenses related to homeschooling, tutoring for special needs students, apprenticeships, or student loan payments. A retirement reform bill passed unanimously by the Senate included provisions that would have allowed parents to make broader use of the 529 funds, but the language was stripped out of the bill before passage by the House.

The House retirement reform bill, the Setting Every Community Up for Retirement Enhancement Act (SECURE Act), passed the House on a 417-3 vote on May 23 and was scheduled for “fast-track” approval in the Senate by unanimous consent. The Senate did not proceed to a vote before the Memorial Day recess, because Cruz placed a “hold” on the bill in order to allow consideration of the 529 expansion.

Schools Only

Tax-advantaged 529 plans are created by states or educational institutions and come in two varieties: prepaid tuition plans and education savings plans.

Prepaid tuition plans are usually limited to public colleges and residents of the sponsoring state. The uses of the accounts are limited to tuition and mandatory fees and do not include living expenses.

Under the more flexible education savings plans authorized by federal law in 2001, a state administers the plan and the individual accounts are invested by private plan managers at the direction of the saver. There is no residency requirement for participation. Generally, savings plan funds can be used for the beneficiary’s future qualified higher education expenses—tuition, mandatory fees, and room and board—at any college public or private college.

The Tax Cuts and Jobs Act of 2017 (TCJA) expanded the eligible uses of education savings plans to include up to $10,000 per year per beneficiary for tuition at any public, private, or religious elementary or secondary school. Savers are allowed to make after-tax deposits to the accounts of up to $2,000 per year, and the accumulated earnings generally are not subject to federal or state tax.

All 50 states and the District of Columbia sponsor at least one type of 529 plan.

‘A Lifeline’

Cruz introduced the Student Empowerment Act (SEA) in 2018, and provisions of the bill were added to the SECURE Act in the House. The SEA would allow money in 529 savings accounts to be used by homeschooling families for tutoring, standardized testing fees, and educational therapies for students with disabilities.

“The Student Empowerment Act provides additional choices for parents who seek to provide the best educational options for their children,” said Leslie Hiner, vice president of legal affairs for the EdChoice Legal Defense & Education Center. “Expansion of 529 Savings Plans empowers parents to choose a wider variety of educational options for their children.”

Saving money for expenses such as private school tuition is difficult for middle- and working-class families, Hiner said.

“Families often save for future educational expenses, whether for private school tuition, homeschooling, or related expenses,” Hiner said. “It’s not easy to do when young parents are also struggling to feed and clothe their children and themselves, and provide a stable place to live. But 529 Savings Plans offer a lifeline of support for those families. Every little bit helps when trying to provide for your family.”

‘Empower Parents to Decide’

The savings accounts would be a boon to the rapidly growing cohort of parents who want to homeschool, Hiner said.

“The expansion of 529 Savings Plans will offer help to those families who would like to homeschool their children,” Hiner said. “In our annual Schooling in America surveys, we found that interest in homeschooling has doubled over the last several years.”

The flexibility of education savings plans allows families to supplement state financing of education choice through tax credits and scholarship programs, Hiner says.

“While the 529 Savings Plans is a federal program, it is complementary to state educational choice programs without imposing the usual federal bureaucratic red tape,” Hiner said. “We should support every way possible to empower families as they strive to meet the educational needs of their children.”

‘Greater Opportunity for Success’

Parents want more choices for their children’s education, and that includes homeschooling, says Lindsey Burke, director of the Center for Education Policy at The Heritage Foundation.

“Every parent knows no two children learn in the same way, and children learn better when their education is tailored to their needs. Accordingly, many families choose to homeschool since the traditional brick and mortar school is not the best fit for their children. Sen. Cruz’s 529 proposal enables parents to save more of their hard-earned money, allowing them to save for homeschooling expenses. Greater choice for American families means children will have a greater opportunity for success.”

LINDSEY BURKE
DIRECTOR OF THE CENTER FOR EDUCATION POLICY
THE HERITAGE FOUNDATION

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Ashley Herzog (aebristow85@gmail.com) writes from Avon Lake, Ohio. Kenneth Artz (kennethcharlesartz@gmx.com) writes from Dallas, Texas.
Legislation to Restore Federal Net Neutrality Mandate ‘Dead on Arrival’

By Juliana Knot

Congress is considering legislation to reinstate an Obama-era Federal Communications Commission (FCC) regulation that treated internet service providers (ISPs) as utilities and required ISPs to treat all Internet traffic the same, regardless of size, quality, or value to consumers.

The FCC rule, which classified ISPs as “common carriers” under Title II of the Communications Act of 1934, was enacted in 2015 by the Obama administration and repealed by the FCC in 2017. Before the 2015 rule, and currently, ISPs have been regulated as information services.

‘Dead on Arrival’

Forty-seven Democrat members of the U.S. House of Representatives called for “bipartisan, bicameral” legislation on net neutrality in Congress, in a letter to House Speaker Nancy Pelosi dated May 22.

The House passed H.R. 1644, the Save the Internet Act, to restore the net neutrality regulations imposed by the FCC during the Obama administration, in an overwhelmingly party-line vote on April 10. The tally was 232-190, with one Republican voting for the measure and no Democrat against.

The legislation passed by the House will be “dead on arrival in the Senate,” stated Senate Majority Leader Mitch McConnell (R-KY) in an April 9 press conference broadcast by C-SPAN.

The FCC’s net neutrality rules “solved” a problem no one had, says Katie McAuliffe, executive director of Digital Liberty, a nonprofit organization promoting policies encouraging a consumer-driven technology market.

“There hasn’t been any indication that any of these companies are blocking or practicing any type of anticompetitive behavior,” McAuliffe said. “If one of the ISPs were to block content from Amazon or the like, it would be considered anticompetitive, and they could easily be taken to court.”

‘Thicket of Complex Rules’

During the period in which the net neutrality regulation was in effect, investment in broadband networks dropped, states the FCC on its website, regarding the December 17, 2017 Restoring Internet Freedom order which reversed the Obama-era rule.

“The effect was particularly serious for smaller Internet service providers—fixed wireless companies, small-town cable operators, municipal broadband providers, electric cooperatives, and others—that don’t have the resources or lawyers to navigate a thicket of complex rules,” the FCC website states.

“The Internet wasn’t broken in 2015, when the previous FCC imposed 1930s-era regulations,” the FCC states.

Broadband 40 Percent Faster

Claims that without the regulation websites would be restricted or consumers would experience slowing of data have been contradicted by experience since the rule was repealed, says Jessica Melugin, associate director of the Center for Technology and Innovation at the Competitive Enterprise Institute.

“Despite some outlandish predictions of doom in the wake of the FCC’s decision to repeal the Obama administration’s heavy-handed Title II Internet regulation, we’ve seen big improvements in both speed and access for users since the regulations were lifted,” Melugin said.

“Broadband speeds increased by almost 40 percent, and more homes gained access to fiber in 2018 than in any other year,” Melugin said.

‘Misleading Branding’

Despite the evidence, support for net neutrality regulation polls relatively high among Democrats and Republicans alike, says Struble.

“If you look at [net neutrality] from on high, it sounds good,” Struble said. “It sounds like something you want. However, it’s a sweeping regulation using an outdated framework.

“Net neutrality is very effective branding on behalf of left-wing advocacy groups,” Struble said. “However, it’s not very accurate—it’s misleading branding.”

Public Knowledge Gap?

More information about the policy would change public opinion, says Melugin.

“This is an issue where the more that people understand it, the more that people would oppose regulation,” Melugin said.

“Net neutrality is no public policy exception to the rule that markets outperform regulators,” Melugin said. “It’s not a question of protecting free speech online. This is a question of protecting private property from utility-style government regulation that will hurt consumers.”

Those opposed to net neutrality rules must stop “the youth-driven activist earnestness in this debate and replace it with the empirical evidence of a less regulated internet being a healthier internet,” Melugin said.

Politics Over Policy

Organizations that support reinstating the net neutrality rule use it as a political weapon, says Layton.

“It is a reliable fundraising tool, as sophisticated advocacy organizations can raise money and votes with a small but extreme constituency which supports government monopoly of broadband,” Layton said.

“Sadly, House Democrats pursue fake policy when we have critical tech policy issues at stake, including cybersecurity and spectrum,” Layton said.

Juliana Knot (jjknot322@gmail.com) writes from Grand Rapids, Michigan.
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wcs19.com
Congress, Taxpayers Grapple with ‘Kiddie Tax’ Complications

By Owen Macaulay

Federal tax reform lowered the bill for most Americans but had unforeseen effects on the so-called ‘kiddie tax’ levied on the unearned income of dependents.

Before the 2017 Tax Cuts and Jobs Act (TCJA), the tax on dependent children’s unearned income was quite complicated, Kathleen Pender stated in her Chronicle San Francisco Chronicle on May 25. Many dependents with passive income—from investments on their behalf by parents, for example—had to calculate their taxes two different ways to determine their liability, and dependents’ unearned income was taxed at the parents’ income tax rate. Calculations under the old law were even more complicated if the parents filed separately and if there were siblings involved.

Ended Income-Shifting

Congress created the kiddie tax in the 1980s to stop the practice of wealthy parents shifting investments to their children to lower their taxes because the children paid at a lower tax rate.

The tax was applied to minors’ and most full-time college students’ non-wage income, such as interest, dividends, and capital gains.

“The TCJA simplified the dependent-tax calculation by taxing the child’s unearned income using the estate and trust tax rate schedules and removing the requirement to consider other family members’ tax situations. In addition, the new law more clearly outlines what can be taxed.

Taxable Income Includes Benefits

The TCJA also includes some of the government benefits children receive in their taxable nonwage income.

For example, the retirement benefits received by children as survivors of deceased service members were included, says Tyler Parks, a policy outreach associate at the Tax Foundation.

As a result, the TCJA raised the federal tax liability of some low- and middle-income families whose children received unearned income, says Parks.

“It’s possible that families, especially families with parents paying lower marginal tax rates and children receiving benefits that exceed $12,751, are paying higher taxes on the child’s unearned income after the change,” Parks said.

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Uneven Results

When the criteria for taxable dollars changed, it affected the tax rates of some children more than others, says Adam Michel, senior policy analyst at The Heritage Foundation.

“In some cases, kids with unearned income reached the top marginal rates much more quickly than they did under the old system,” Michel said. “This has the effect of increasing taxes on certain taxpayers.”

Policymakers included this provision to keep the cost of the TCJA within the guidelines for the special process that Congress used to pass the legislation, says Parks.

“It is important to note that the TCJA reduced the overall tax liability for 80 percent of Americans,” Parks said. “However, the kiddie tax change raised a portion of taxes for some taxpayers.”

The retirement reform bill passed by the U.S. House of Representatives on May 23 would repeal the TCJA provisions and return to the prior, more complicated kiddie tax. The bill is still under consideration in the Senate.

Owen Macaulay (omacaulay@hillsdale.edu) writes from Hilldale, Michigan.

PA Governor Announces Veto of Education Tax Credits Expansion

By Joe Barnett

Pennsylvania Gov. Tom Wolf (D) vetoed a bill passed by both houses of the legislature to expand the state’s Educational Improvement Tax Credit (EITC) program, he announced in a statement from his office in Harrisburg on June 18.

“I’ve seen enough to know that this is not something I think is good for Pennsylvania,” Wolf said after a public appearance in Philadelphia on June 12, the Pennsylvania Capital-Star reported. “It distracts from what we ought to be focusing on, which is educating every child through our public school system.”

The EITC program provides K-12 scholarships to families for their children to attend public or private schools.

It is funded by donations from corporations, for which they receive a credit against state income taxes.

Fifty Thousand Students Shut Out

The total amount of EITCs that corporations can claim each year is currently capped at $110 million. H.B. 800 would increase the tax credit cap by $100 million and raise the ceiling on the income of families qualifying for the scholarships.

“Currently, children are eligible for an EITC scholarship if their family household income is below $85,000, with a $15,603 add-on for each child,” said Tim Benson, a policy analyst with The Heartland Institute, which publishes Budget & Tax News. “With a donation limit of $110 million, the EITC program served 34,421 students during the 2016-17 school year.”

The bill was sponsored by House Speaker Mike Turzai (R-McCandless) and was passed by both chambers of the General Assembly, largely on partisan lines. The House passed the legislation 111-85 in May, and the Senate voted 28-21 to approve the bill on June 11, at which point it was sent to the governor.

“The expansion will allow many more of the 50,000 students who were turned away last year to receive an EITC scholarship,” Turzai said in a press release on June 11.

The program is very popular with residents of the commonwealth, says Benson.

“A 2017 poll conducted by McLaughlin & Associates showed 76 percent of likely voters supported EITC and another 70 percent support increasing the program’s donation cap,” Benson said.

Joe Barnett (joepaulbarnett@att.net) is a research fellow with The Heartland Institute.

Official Connections:
Pennsylvania House Speaker Mike Turzai (R-McCandless):
http://www.repturzai.com

INTERNET INFO
Michigan Enacts Civil Asset Forfeiture Reforms

By Jake Grant

Three new laws in Michigan will limit government seizures of individuals’ property in the state.

Civil asset forfeiture is a legal process that allows law enforcement officers to take assets, such as money and automobiles, from individuals who are suspected of having been involved in illegal activity. Traditionally, law enforcement officials do not even have to charge the owner with a crime, and the owner must go to court to recover the property.

The new statutes prohibit police officers from seizing property for suspected drug crimes without first obtaining a conviction or plea agreement in cases involving assets under $50,000. The measures also require the government to notify an individual if their property has been seized, and they place the burden on officials to prove the forfeiture is justified. If not, the property must be returned to the owner within 14 days. Gov. Gretchen Whitmer signed the three bills on May 9.

Need for Lawyers Remains

The new laws direct the State Court Administrative Office to develop a form for property owners to file a writen objection regarding property seized without a warrant, and another form to petition the government to relinquish the property.

It will still be difficult for owners to recover their property when it is unjustly taken, says Lee McGrath, senior legislative counsel for the Institute for Justice.

“The average forfeiture is less than $2,000,” McGrath said. “It is irrational for a property owner to spend $5,000 on a lawyer to get back property worth less than the lawyer’s cost.

“It is equally irrational for legislators to believe that most citizens can use a form to answer a civil complaint in 20 days without the help of a lawyer,” McGrath said.

‘A Strong First Step’

Michigan law enforcement agencies benefit from asset forfeiture because they are allowed to sell the assets they have seized and use the funds, says Matthew Glans, a senior policy analyst at The Heartland Institute, which publishes Budget & Tax News.

“Michigan took a strong first step toward limiting the abuse of civil asset forfeiture by limiting its use in drug cases, which do represent a large portion of property seizures,” Glans said.

“Unfortunately, the new laws do not end the practice completely and do not address the incentives for law enforcement agencies to wrongfully seize property,” Glans said.

Equitable Sharing Loophole

Seizures through asset forfeiture in Michigan were estimated to total more than $13 million in cash and property in 2017, Budget & Tax News reported in April of this year.

Legislators should take further action to limit the incentives for police to take people’s property, says Glans.

“Michigan lawmakers should build on these positive reforms and enact further new laws requiring seized funds to be directed toward education, crime prevention, or the general fund, not used by law enforcement agencies,” Glans said.

Police also share in the proceeds when federal agencies are involved, Glans says.

“(The Michigan Legislature) should also close the equitable sharing loophole and block local police agencies from working with federal authorities to sidestep state restrictions on forfeiture and dividing the seized assets between them,” Glans said.

Jake Grant (jakeg42294@gmail.com) writes from Alexandria, Virginia.

INTERNET INFO

Congress, Trump Administration Consider Changing Student Borrowing Rules

By Sarah Quinlan

Congress and the Trump administration are considering reforms to federal student loan programs to reduce the mounting burden of student debt.

Forty-three million Americans owed more than $1.4 trillion to the federal government in higher-education debt as of March 31, 2019, states the U.S. Department of Education, which administers the loan programs.

Payments on 6.2 percent of the total amount of outstanding federal loans are delinquent or in collection, not including cancelled loans or deferred repayments.

‘Runaway Inflation’
The reason for the huge student loan debt is that government involvement in financing higher education has caused college tuition to skyrocket, says Philip Porter, an economics professor at the University of South Florida and a policy advisor to The Heartland Institute, which publishes Budget & Tax News.

“It is not surprising that the two sectors experiencing the highest price increases over the last 50 years are health care and higher education,” Porter said. "In these sectors, individuals make spending choices that in large part others pay for. Of course, we pay taxes and insurance premiums, but the marginal cost one faces at the point of purchase is only a fraction of the total. Wherever we can spend others' money for our benefit, expect runaway [price] inflation," Porter said.

‘Lowered Their Tuition’

Putting a cap on the amount an individual can borrow would reduce tuition prices, says Robinson.

“Trump’s proposal is likely to produce the effect he wants: lower tuition in some schools and programs,” Robinson said.

There are no income limits on who qualifies for PLUS loans. Past restrictions based on creditworthiness helped slow the rise of higher-education prices, says Robinson.

“We know from past experience that limiting PLUS loans puts downward pressure on tuition,” Robinson said.

Inviting Tuition Hikes

Excessive student loan availability leads to tuition increases, says Jane S. Shaw, chair of the Martin Center’s board of directors.

“A substantial body of evidence indicates that federal loans contribute to an increase in tuition,” Shaw said. “The Martin Center reviewed 25 studies of the impact of federal loans on tuition; 14 of them found that an increase in loans pushes up tuition.”

The loans encourage students to take on more debt than they can pay, Shaw says.

[The Trump administration’s] proposal is a good first step in reducing the hardship that can occur when students, especially graduate students, are unrealistic about the value of their education and borrow too much,” Shaw said.

Skin in the Game

Requiring students and parents to shoulder more of the cost of their education at the time of study would moderate higher-education prices, says Porter.

“That students and parents pay roughly half the cost of higher education helps slow cost increases, but easy access to student loans weakens inflation’s brake," Porter said. “Making students and parents pay more for education now is like new brake pads: Speeding inflation is more easily brought under control.”

“It’s time for the federal government to stop being the ‘sugar daddy’ that causes more harm than good by making money so freely available,” Shaw said.

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Sarah Quinlan (think@heartland.org) writes from New York City, New York.

“[The Trump administration’s] proposal is a good first step in reducing the highest price increases over the last 50 years are health care and higher education. In these sectors, individuals make spending choices that in large part others pay for. Of course, we pay taxes and insurance premiums, but the marginal cost one faces at the point of purchase is only a fraction of the total. Wherever we can spend others’ money for our benefit, expect runaway [price] inflation.”

PHILIP PORTER
ECONOMICS PROFESSOR
UNIVERSITY OF SOUTH FLORIDA

The amount of money an undergraduate student can borrow from the federal government is capped, but there is no limit on the debt for graduate and professional school tuition and expenses. The Trump administration supports limiting so-called PLUS loans for post-undergrad study and to the parents of undergrads, states the White House’s “Proposals to Reform the Higher Education Act,” released March 18.

PLUS loans allow an individual to borrow hundreds of thousands of dollars for professional or graduate school expenses and are a prominent cause of repayment problems, says Jenna Robinson, president of the James G. Martin Center for Academic Renewal.

“Trump’s proposal is well-targeted,” Robinson said. “His focus on PLUS loan recipients will help prevent borrowers from taking out more loans than they can afford.”

Official Connections:

Sen. Mike Braun (R-IN):
https://www.braun.senate.gov

Climate Change Reconsidered II: Fossil Fuels


Targeting PLUS Loans

The loans encourage students to take on more debt than they can pay, Shaw says.
Federal Court Will Hear Challenge to Constitutionality of Obamacare

By Bonner R. Cohen

Texas Attorney General Ken Paxton and attorneys general from 16 other states are calling on the U.S. Fifth Circuit Court of Appeals to uphold a U.S. District Court decision declaring the Affordable Care Act (ACA) unconstitutional.

The U.S. Supreme Court found the ACA, known as Obamacare, was constitutional under Congress’ taxing power because it imposed a monetary penalty on individuals who did not have the required health insurance. However, the Tax Cuts & Jobs Act repealed the individual mandate in 2017.

“Congress meant for the individual mandate to be the centerpiece of Obamacare,” Paxton said in a May 1 statement. “Without the constitutional justification for the centerpiece, the law must go down.”

Paxton and Wisconsin Attorney General Brad Schimel led a coalition of states that sued in federal court in 2018 to have the law overturned.

‘Failed Social Experiment’

“Obamacare is a failed social experiment,” Paxton said in the press statement. “The sooner it is invalidated, the better, so each state can decide what type of health care system it wants and how best to provide for those with preexisting conditions, which is federalism as the Founders intended.”

Judge Reed O’Connor of the U.S. District Court for the Northern District of Texas found for the plaintiffs and issued a final judgment in December 2018 in the case of Texas v. United States of America, but he stayed the effect of his ruling pending appeals.

The U.S. Department of Justice asked the Fifth Circuit Court to affirm the lower court’s ruling and invalidate all of Obamacare on March 26. A three-judge panel of the U.S. Fifth Circuit in New Orleans will hear oral arguments in the case of Texas v. United States of America on July 9, according to the court’s calendar.

States joining Texas in the appeals brief are Alabama, Arkansas, Florida, Georgia, Indiana, Kansas, Louisiana, Mississippi, Missouri, Nebraska, North Dakota, South Carolina, South Dakota, Tennessee, Utah, and West Virginia.

After a change in state officials following the November 6, 2018 general election, Wisconsin is no longer a party to the suit. California is leading a coalition of 21 states opposing the challenge to Obamacare.

Calls for Congressional Action

Even if the courts strike down the Affordable Care Act, congressional legislation will be required to improve the nation’s health care system, says Marie Fishpaw, director of domestic policy studies at The Heritage Foundation.

“This court case is a good reminder that—regardless of whatever happens in the courts—Congress will need to return to health reform in order to provide a framework that can result in lower health care costs and better choices for all U.S. patients, including those with preexisting conditions,” Fishpaw said.

‘Unconstitutional ... Policy Failure’

In addition to the states, individuals who were harmed by the ACA are parties to the suit, says Robert Henneke, general counsel and director of the Center for the American Future at the Texas Public Policy Foundation, who represented them.

“My clients, the individual plaintiffs, have directly suffered from Obamacare,” Henneke told Budget & Tax News. “Not only have their premiums skyrocketed for an insurance product they do not want, but they’ve also suffered the loss of their preferred doctors and [from] rationing of health care. Not only is Obamacare unconstitutional, but it’s also proven to be a policy failure.”

Bonner R. Cohen, Ph.D. (bcohen@nationalcenter.org) is a senior fellow at the National Center for Public Policy Research.

“...and to appeal that ruling, which could set up another showdown over the fate of the ACA in the U.S. Supreme Court.”

“...from Obamacare. Not only have their premiums skyrocketed for an insurance product they do not want, but they’ve also suffered the loss of their preferred doctors and [from] rationing of health care. Not only is Obamacare unconstitutional, but it’s also proven to be a policy failure.”

ROBERT HENNEKE
DIRECTOR OF THE CENTER FOR THE AMERICAN FUTURE
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**Minneapolis Considers Imposing a Plastic Bag Fee**

By Kelsey E. Hackem

A Minneapolis City Council member is proposing a bag fee to circumvent a state law that preempts local bag bans.

The Minneapolis City Council approved an ordinance that would have effectively banned single-use plastic bags in 2016. It was set to take effect in June 2017, but it was preempted by a state law prohibiting such local actions.

Currently, the Minneapolis City Council is conducting an online survey of residents’ views on imposing a 5 cent fee on both plastic and paper carryout bags, a measure championed by City Council member Cam Gordon, who says it is consistent with state law, *Minnesota Daily* reported on April 22.

**Working for Consistency**

Economic fairness is a justification for the state to exercise its authority, says Minnesota state Rep. Jerry Hertaus (R-Greenfield).

“My strongest, most compelling reason to have preemption in some of these areas is to make sure that with respect to commerce, all businesses are on a level playing field,” Hertaus told *Budget & Tax News*.

“There are certain things with regard to commerce and business that should be maintained as a level playing field, and I think preemption in some of these areas is most appropriate,” Hertaus said.

**‘Patchwork of Ordinances’**

Enacting local ordinances such as a bag tax fails to cultivate good relationships between business and government and promote commerce for the benefit of residents, says Hertaus.

“It basically paints a culture of anti-business, anti-friendly,” Hertaus said.

“Overall, when you add it all up, I think there is a cumulative effect.”

State action on these matters can avert problems, says Matt Seaholm, executive director of the American Progressive Bag Alliance.

“We are in favor of statewide uniformity,” Seaholm said. “A local patchwork of ordinances is burdensome on consumers and businesses.

“Oftentimes local governments don’t have the ability or expertise to enact significant policy regulations, and that’s why the discussion is best had at the state level,” Seaholm said.

**Eco-Friendly Reuse**

Plastic bag taxes and bans would not affect the amount of plastic waste generated in Minneapolis, says Isaac Orr, a policy fellow at the Center of the American Experiment.

“Generally, it takes 130 reuses of canvas bags to make them more ‘eco-friendly’ than a plastic bag. If you reuse the plastic bag a few times, then the number [of uses] obviously goes up.”

ISAAC ORR
POLICY FELLOW
CENTER OF THE AMERICAN EXPERIMENT

“Bag fees will not help Minneapolis solve its environmental concerns or other issues the city faces,” Orr said.

“If you reuse the plastic bag a few times, then the number [of uses] obviously goes up for canvas bags to become more eco-friendly. There is an easy way to reduce litter, Orr says.

“It really is as simple as properly disposing of the bags to keep them out of the environment,” Orr said.

**Part of Progressive Agenda?**

“Bag fees will not help Minneapolis solve its environmental concerns or other issues the city faces,” Orr said.

“Rather than focusing on practical and affordable solutions to today’s problems, the City Council has got to the point to where they are fixated on enacting more and more progressive legislation such as banning new drive-throughs and requiring home energy audits before a property can be sold, even though these policies will have immeasurably small environmental benefits,” Orr said.

Kelsey E. Hackem (khackem@gmail.com) writes from Washington State.
Big Government, Shrinking Economy: The Case for Small Government

By Douglas Carr

Long after today’s hot-button political controversies fade into obscurity, our country will face the consequences of how we answer a major question that divides the political parties: Are we to have a larger government providing more services from higher taxes, or a smaller government providing less services with fewer taxes?

Currently, the movement to expand government, inaccurately self-described as socialism, promotes a platform of government medicine, free college, generous welfare, strict regulation, and high taxes readily recognizable in Europe as social-democratic policies.

Slow-Growing European Union
The recent sluggishness of European economies suggests an adverse effect from the continent’s outsized government sectors. Since 2010, the European Union’s GDP has grown by an average of 1.4 percent per year, whereas the United States has averaged 2.2 percent annual economic growth. Neither figure is good, but there is a clear and meaningful U.S. advantage.

Through the power of compound growth, the U.S. rate would leave its citizens more than 35 percent further ahead of their European counterparts by the end of an individual’s 40-year working career.

In the same period, since 2010, government spending as a share of the EU economies was 48 percent, compared with 40 percent for the United States, according to current data from the Organization for Economic Cooperation and Development (OECD).

Europe’s Fast-Growth Period
Europe’s economic sluggishness has been attributed to many factors, but history provides perspective.

European countries didn’t always have sluggish economies. From the 1960s to the early 1970s, today’s basket cases—Greece and Portugal—were growing at impressive annual rates of 7.7 percent and 6.9 percent, respectively.

During that period, Spain’s GDP expanded by 7.3 percent per year, and Austria, Belgium, Finland, and France all averaged around 5 percent annual economic growth. Those historic rates are difficult to comprehend in light of recent growth rates under 1 percent for Greece, Portugal, and Spain and under 2 percent for the others.

Social-Democratic Welfare States
This dramatic loss of economic vitality coincides with the expansion of Europe’s social-democratic welfare state. Since the early 1970s, one-fifth of the economies of Greece, Portugal, and Spain has shifted from the private sector to the public sector, as government expenditures have doubled as a share of the economy.

Austria, Belgium, Finland, and France all increased government spending by more than one-tenth of their gross domestic product, a jump in share from around 25 percent to roughly 50 percent for each.

The negative effect of large government upon growth is not limited to Europe. From 1960 to 1973, the U.S. economy grew by an average of 4.3 percent per year with a government share of 30 percent of gross domestic product (GDP), compared with today’s more tepid growth and a government share approaching 40 percent.

When the notoriously ill-timed book Japan as Number One: Lessons for America was published in 1979, that country had grown by 9.7 percent annually from 1960 to 1973, with government expenditures accounting for around 20 percent of GDP. By the late 1970s, government expenditures had grown to 28 percent of GDP, while growth slowed to 3.5 percent. In the last couple of decades, Japan’s growth slowed to less than 1 percent, with government averaging nearly 40 percent of GDP.

Government Reduces Private Investment
No matter their ideology, virtually all economists agree investment is a major contributor to growth. Governments invest less than the private sector. In 2015, for OECD advanced economies, governments invested 8.5 percent of their spending, while the private sector invested 32 percent of its share.

As the government share of the U.S. economy has increased, private investment has fallen, as the accompanying figure shows. Government infrastructure investment that could aid economic growth has been flat, squeezed in many countries by noninvesting government spending.

Curiously, in what may be a testament to the inadequacies of our educational system, support for “socialism” is highest among the young, the very ones whose future is throttled by big-government stagnation.

The difference between the U.S. 1960s growth rate of 4.3 percent and the recent 2.2 percent rate is that the higher growth rate results in double the standard of living over a career—greater opportunity, more jobs, better jobs, and fewer people left behind in a thriving economy.

The alternative of European-style social-democratic stagnation is detrimental for the future of our children and our children’s children.

Douglas Carr (dcarr@rstreet.org) is the president of Carr Capital Co. An earlier version of this article was published at The Hill. Reprinted with permission.
States Can Spark National Reform with an Article V Convention

By Frank Keeney

The culture of the American colonies in the late 18th century was dramatically different from that of the United States today. Thanks to the genius of the Founders in creating a governmental system that fostered technological change, we have grown dramatically and created a level of widespread wealth unequaled in the history of mankind.

The resulting exponential growth of technology has dramatically improved the quality of individual lives. It is surprising that the Constitution that was ratified in 1788 is still largely intact and our republic has survived.

The Framers who wrote the Constitution had the foresight to protect the republic from change by distributing political power among competing groups. We have reaped the benefits of their foresight for most of the past 230 years, but the cumulative failures of government have now produced an unsustainable situation that requires our attention.

The philosophers and pundits of the eighteenth century may have been right in their prediction that democracy is doomed to fail because of its inherent bias that leads the public to spend more than it produces. Acting individually, the citizenry will generally live within its means, but when acting collectively in a democracy, personal accountability disappears and groups scramble to obtain ever-larger shares of the public treasury.

Federal Leadership Failures

The failures of our elected federal officials in the modern era have compounded the problems created by social changes. They have put their own interests above the nation’s, mismanaged the finances of the government, misled the people as to the truth of our national condition, imposed obligations on the states without their consent, and created unaccountable agencies which undermine the rule of law.

This seemingly intractable behavior results in government budget deficits that can end in national insolvency. We are drifting, unintentionally, into a cul-de-sac of a dysfunctional government that wastes its resources on power-seeking, creeping corruption, and an unwillingness to engage in rational political discourse. We have seemingly arrived at a dead end, and the republic is dying a slow but certain death.

But the Framers, who had a great distrust of government, provided us a way out.

States Can Lead

Article V of the Constitution provides two methods of amendment: one on the initiative of Congress, and the other on the initiative of the states. The latter anticipates the inability or unwillingness of Congress to initiate needed reforms. It enables the states to take the lead on reform by calling a convention of states to recommend amendments to the Constitution.

No convention of states has resulted from the numerous calls for reform over the decades. Whenever Congress saw that the mood of the country favored a reform, they jumped to the head of the parade and initiated the amendment action. They have done this for all of our 27 amendments, plus a few that were not ratified. But the evidence does not indicate that Congress will do so in today’s political climate.

Stoking Fears of Reform

Any proposal for change will meet with opposition. Some people are happy with the status quo and are skeptical that a change would be an improvement. But the strongest resistance comes from groups that would lose a position of prestige and power if reforms were adopted. These are the Threatened Interests.

In the middle of the twentieth century, when suggestions were made to convene a convention of states to reform government, the Threatened Interests came up with a clever defense. They worked to instill fear in the public that a convention could do irreparable harm to the country. They alleged that a convention could be commandeered by nefarious forces that would destroy the Constitution and our freedoms—that is, become a “Runaway Convention.”

Although their claim was baseless, it struck a nerve among some stalwart defenders of the Constitution, increas-
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