Michigan Public Employees Abandon Unions, Exercising Their Right to Work

By Bonner R. Cohen
Six years after Michigan enacted a landmark right-to-work law, public-sector employees in the state are opting out of union membership, draining unions’ coffers of a once-reliable stream of dues.

Before passage of the right-to-work law in 2013, 96 percent of Michigan’s public employees paid dues to a union, reports Tyler Arnold of Watchdog.org, a project of the Franklin Center for Government & Public Integrity. Today, 76 percent of public workers are union members, based on federal reports the state’s largest unions must file if they

ECONOMIC FREEDOM, p. 8
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Several States Legalize Sports Betting After Supreme Court Decision

By Hayley Sledge

With several states having passed laws authorizing wagering on athletic competitions since the U.S. Supreme Court struck down a federal law prohibiting states from legalizing sports gambling, prominent members of Congress are now promoting legislation to regulate that business on the national level.

The 1992 Professional and Amateur Sports Protection Act (PASPA), signed into law by President George H. W. Bush, prevented states from legalizing sports betting. PASPA grandfathered in sports wagering in Nevada and three other states.

In 2014, New Jersey repealed state prohibitions against sports wagering at casinos and racetracks. In a six to three decision in May 2018, the Supreme Court struck down the federal law as a violation of the Tenth Amendment.

“As the Tenth Amendment confirms, all legislative power not conferred on Congress by the Constitution is reserved for the States,” Associate Justice Samuel Alito wrote in the majority opinion in the case, Murphy v. National Collegiate Athletic Association. “Absent from the list of conferred powers is the power to issue direct orders to the governments of the States.”

States Legalize Gambling

Since the Supreme Court decision on PASPA, several states have legalized sports gambling, beginning with Delaware. More are expected to follow, says Arianna Wilkerson, state government relations manager at The Heartland Institute, which publishes Budget & Tax News.

One reason the states are moving to legalize betting is that it would generate additional tax revenue for them to spend, says Wilkerson.

“A recent Oxford Economics study estimated that if most states legalize sports gambling with a moderate tax rate and sensible regulations, states could collect $20 billion in new tax revenue and produce more than $40 billion in new economic output,” said Wilkerson.

Considers Nevada a Model

Nevada is a model for creating state-specific legislation, says Bartlett Cleland, a research fellow at the Institute for Policy Innovation and policy advisor to The Heartland Institute.

“States regulate gaming now and do it well, as they tailor it to the needs and concerns of their state,” said Cleland.

“Nevada, in particular, acts as a model in many respects on how to guarantee the integrity of the gambling industry, deter illicit activity, and foster beneficial relationships between law enforcement and industry participants,” Cleland said.

“A Blatant Power Grab”

Sens. Charles Schumer (D-NY) and Orrin Hatch (R-UT) introduced the Sports Wagering Market Integrity Act of 2018 in December. The bill would establish federal regulation of sports betting by having the U.S. Department of Justice set minimum standards for the states. The bill has been referred to the Senate Committee on the Judiciary.

Cleland says federal regulation would assert power Congress does not have.

“A one-size-fits-no-one federal solution will disrupt the good work in the states and is a blatant power grab by the federal government, a clear violation of state’s rights, and one that has already been struck down by the Supreme Court,” said Cleland.

Giving the states liberty to develop their own legislation leads to creative policy ideas, says Cleland.

“The fifty ‘laboratories’ are the very essence of public policy innovation, and shutting them down again with a federalism-violating federal law is merely big government quashing liberty,” said Cleland.

Federal Regulation, Less Competition

Forcing every state to implement identical policies limits competition and removes states’ ability to develop solutions that fit their differing circumstances, says Cleland.

“A federal government solution treats every state the same, and no competing ideas that are potentially better can emerge,” Cleland said. “The great value in the structure of our country is that such one-size-fits-all is not necessary and that every state can experiment—the laboratories of democracy—in finding a solution.”

Veronique de Rugy, a senior research fellow at the Mercatus Center, says federal regulation of sports betting would reduce beneficial competition among the states.

“In a lot of ways, government interference, whether it’s through regulations or through bans, tends to give the upper hand to the bigger players, so it also reduces competition,” said de Rugy. “So, the fact that it leads to more of a cartel-type of endgame wouldn’t be surprising.

“The states should be able to decide what to do,” de Rugy said.

Hayley Sledge (hayley@sledges.us) writes from Dayton, Ohio.
represent any private sector employees, states Arnold.

Although Michigan’s right-to-work law also applies to private-sector unions, the rebound in employment since the Great Recession has resulted in auto-worker union membership rising from 382,519 in 2012 to 430,871 today, though it remains far below the recent peak of 701,818 in 2002, states Jarrett Skorup of the Mackinac Center in an article for Michigan Capitol Confidential, a Mackinac Center news service.

State’s Union Membership Declines

Some public sector unions have had their membership drop by 10 percent since the 2013 law went into effect. Others, such as the Michigan State Employees Association (MSEA) and Service Employees International Union (SEIU) Local 517M, have suffered even bigger declines in dues-paying members.

Dues-paying membership in MSEA fell by 375, from 3,079 to 2,734, and SEIU Local 517M lost 782 members, Skorup reports. Before enactment of the law, UAW Local 6000, which represents public-sector employees, has also lost members, Skorup reports. Before enactment of the law, UAW Local 6000 had 15,673 members, accounting for 91 percent of the covered workforce. Five years later, that figure had dropped to 13,785—82 percent of workers covered under collective bargaining agreements.

Public Safety Exempted

The Michigan law does not apply to public safety jobs, such as police and firefighters. In those fields, union membership ticked up, Skorup states.

Membership in the Michigan State Troopers Association (MSTA) rose from 1,374 in 2013 to 1,702 in 2018. Today, 99 percent of state police pay dues to the MSTA, up from 94 percent five years ago.

Janus Decision Changes Game

Michigan’s right-to-work law received a significant boost in 2018 when the U.S. Supreme Court, in Janus v. AFSCME, ruled compelling public employees to pay union dues violates their First Amendment rights to freedom of speech and freedom of association. The decision means public safety workers in Michigan have right-to-work status.

“In right-to-work states, individuals are given the freedom to associate or disassociate with a union,” said Morgan Shields, director of Workers for Opportunity at the Mackinac Center.

“In Michigan, since right-to-work passed, most unions have seen a decline in membership,” Shield said.

When workers are given that option, many of them choose to exercise that freedom,” said Shields.

Unions’ Political Spending Declines

Michigan has fallen from the seventh-most-unionized state in the nation to tenth-most, Skorup reports.

Over the first five years of the law, the state’s largest unions lost 85,000 people, an 11 percent decrease, Skorup states.

The fall in union membership dues and fees also led to a decline in the unions’ political spending of $26 million, or 57 percent, Skorup reports.

The number of government employees, which fell during the previous decade, has held steady at about 600,000 since the law went into effect, Skorup states.

“This signals that the state’s right-to-work law is the primary reason for a loss in union membership and dues,” Skorup reports.

National Decline in Membership

Nationally, union membership is declining as a percentage of the workforce, reports Dawson Bell in an article for Michigan Capitol Confidential, based on a January news release from the U.S. Bureau of Labor Statistics.

The number of workers belonging to unions, at 14.7 million in 2018, was little changed from 2017, but as a share of the nation’s workforce, union membership declined from 10.5 percent in 2017 to 10.2 percent in 2018, states Bell.

In 1983, the first year for which comparable union data are available, the union membership rate was 20.1 percent and there were 17.7 million union workers, Bell states.

Unions Resist, Workers Sue

State right-to-work laws and the Supreme Court’s Janus decision are welcome developments, says National Right to Work Foundation Vice President Patrick Semmens.

“State right-to-work legislation and the landmark Janus victory give workers the right to choose whether or not they want to subsidize a union,” said Semmens.

Many union officials are ignoring these laws and denying workers their First Amendment rights, says Semmens.

“Unfortunately, rather than respect those rights, union bosses have shown time and time again they will ignore state law to keep their forced-fees war chest full,” said Semmens.

“That’s why enforcement is so critical, and why since Michigan’s right-to-work laws went into effect our staff attorneys have litigated more than 100 cases in the state on behalf of workers seeking to challenge Big Labor’s forced unionism schemes,” Semmens said.

Bonner Cohen, Ph.D. (bcohen@nationalcenter.org) is a senior fellow at the National Center for Public Policy Research.
U.S. Supreme Court Strikes Down Excessive Fines in Property Confiscation Case

By Jeff Reynolds

In a unanimous decision, the U.S. Supreme Court ruled the Constitution’s Eighth Amendment protection against excessive fines applies to the states.

In the case of Timbs v. Indiana, police seized Tyson Timbs’ Land Rover after he sold several grams of heroin to an undercover police officer in a sting operation. Indiana’s civil asset forfeiture laws allowed the police to confiscate his $42,000 vehicle because of its suspected connection with a crime. Asset forfeiture permits officials to seize cars, cash, real estate, and other personal property without convicting a person of a criminal offense. Law enforcement agencies often retain the proceeds for their use.

The Land Rover is worth significantly more than the $10,000 fine Timbs faced for dealing heroin. Timbs purchased the Land Rover with a life insurance payout after his father died. The vehicle had no connection to the case other than Timbs using it to drive the drug sale.

“Selective Incorporation”

The Eighth Amendment to the U.S. Constitution states, “Excessive bail shall not be required, nor excessive fines imposed, nor cruel and unusual punishments inflicted.” In oral arguments before the U.S. Supreme Court in November 2018, Indiana Solicitor General Thomas M. Fisher argued the excessive-fines clause in the Eighth Amendment applies only to the federal government.

In the Court’s opinion delivered on February 20, Justice Ruth Bader Ginsberg stated the Eighth Amendment was incorporated by the Fourteenth Amendment’s “due process” clause. In a concurring opinion, Justice Clarence Thomas argues it is incorporated under the Fourteenth Amendment’s language that no state “shall abridge the privileges or immunities of citizens of the United States.”

“The [Supreme] Court has come to understand [the due process] sentence to mean the states are bound by the fundamental precepts of the Bill of Rights,” said Wesley Hottot, a senior attorney for the Institute of Justice, who represented Timbs in the Supreme Court. “They’ve done so through a process of what is called ‘selective incorporation.’”

In previous decisions, the Supreme Court held the other two clauses of the amendment—cruel and unusual punishment and excessive bail—apply to the states. The Indiana Supreme Court held the excessive-fines clause had not been incorporated by the 14th Amendment because the U.S. Supreme Court had never ruled specifically that it had been.

“Two of the three provisions of the Eighth Amendment, the cruel and unusual punishment clause and the excessive bail cause, both already apply to the states,” said Hottot. “So, it’s a bit bizarre to me that the Indiana Supreme Court thought that the excessive fines clause does not.”

‘Serious Fines for Serious Crimes’

The Institute for Justice isn’t opposed to state-imposed fines for those convicted of crimes, says Hottot.

“I have no quarrel with the sovereign power to take away the proceeds or the instrumentalities of a crime,” said Hottot. “But we have to be careful in accepting the government’s view of what amounts to proceeds or instrumentalities.

“In this case, it is true that Tyson drove to one of these drug deals in that vehicle,” Hottot said. “So, if you take an absolutist view of instrumentality, then they could take that vehicle. But they could also take the clothes he was wearing, the home that he woke up in, or anything.”

There are standards for punishment set by the U.S. Constitution that states must meet when imposing monetary penalties as punishment for a crime, says Hottot.

“Nothing about our argument pre-vents the government from imposing serious fines for serious crimes,” said Hottot. “Our position is that there has to be some federal constitutional minimum below which states may not fall. You can’t excessively fine someone or forfeit [their property].”

Evading Reforms

Although several states have reformed their laws governing civil asset forfeiture in recent years, the federal government has undermined those efforts, says Matthew Glans, a senior policy analyst at The Heartland Institute, which publishes Budget & Tax News.

“A 2011 study found local and state law enforcement agencies in states choosing to make civil forfeiture more difficult and less financially rewarding through state laws have tended to turn to federal equitable sharing to make up for lost funds,” said Glans.

In equitable sharing, the federal government “adopts” the case, and federal officials share the proceeds of the forfeiture with the state, says Glans.

Jeff Reynolds (jefferyreynolds@comcast.net) writes from Portland, Oregon.
Florida School Voucher Programs Bring Positive Results, Study Finds

By Bill Eastland

School choice in Florida has positive outcomes for participating students, a study by the Urban Institute reports.

Students who enroll in private school through the Florida Tax Credit Program (FTC) are more likely to go to and graduate from college than their public-school peers, the study found.

The FTC program is a big success, says Arianna Wilkerson, a state government relations manager at The Heartland Institute, which publishes Budget & Tax News.

“FTC, which serves economically disadvantaged students, is the largest private school choice program in the country, and the evidence shows it’s also quite successful,” Wilkerson said.

The Florida Tax Credit Program provides a dollar-for-dollar credit on corporate income taxes and insurance premium taxes for donations to scholarship-funding organizations. FTC provides scholarships for more than 100,000 students each year.

Across-the-Board Improvement

FTC students are significantly more likely than nonparticipants to continue on to college, the study found.

“Fifty-seven percent of FTC students enrolled in college, compared with 51 percent of non-FTC students,” study authors Matthew Chingos, Tomas Monarrez, and Daniel Kuehn write.

“This is a 12 percent increase. FTC students had higher college-going rates in all sectors: two-year, four-year public, and four-year private colleges. Additionally, FTC participants were more likely to attend college full time.”

More FTC Years, Better Outcomes

The FTC program has a positive effect on students regardless of whether they enter in elementary school or high school, and the effect increases with the number of years a student participates in the program, the study found.

“The estimated impact on degree attainment tends to increase with the number of years of FTC participation,” the authors write. “For example, students who entered FTC in high school and remained in the program for at least three years were about 5 percentage points more likely to earn bachelor’s degrees, a 50 percent increase.”

Students who enter the FTC program in grade school complete college degree programs at higher rates than students who remain in government schools, the study found.

“Among students who first entered the FTC program in grades 3-7, 10 percent earned bachelor’s degrees, compared with 9 percent of non-FTC students, and 9 percent earned associate’s degrees, compared with 8 percent of non-FTC students,” the authors write.

The effects are greater for students who enter the program during high school. “Of students who first entered the FTC program in grades 8-10, 12 percent earned a bachelor’s degree, compared with 10 percent of non-FTC students,” the authors write.

Benefits for Government Schools

The program also helps the students who remain in government schools, says Wilkerson.

“Nonparticipating students benefit, too,” said Wilkerson. “A 2010 study by Northwestern University researchers found competitive pressure public schools faced following FTC led to ‘general improvements’ in their performance.”

Parental Satisfaction Is High

Parents are extraordinarily happy with the program, says Wilkerson.

“A recent EdChoice survey found about 93 percent of scholarship parents are satisfied with the Florida Tax Credit Scholarship program, including 89 percent who said they are completely satisfied,” said Wilkerson.

“The high satisfaction rate results from parents being able to choose schools that meet their children’s particular needs,” says Tim Benson, a policy analyst at The Heartland Institute.

“FTC is not surprising,” said Benson. “TCS programs and other school choice programs offer families improved access to high-quality schools that meet their children’s unique needs and circumstances. Additionally, these programs benefit public school students and taxpayers by increasing competition, decreasing segregation, and improving civic values and practices,” Benson said.

Consistent Results

The new study is an update of a 2017 Urban Institute analysis that found college enrollment and associate degree attainment increased for students who participated in the FTC program at any point in their schooling.

The current study, released on February 4, used National Student Clearinghouse data for a larger sample of some 80,000 FTC participants. The study compares FTC students with demographically and academically similar students who remained in government schools.

Similar Success for McKay

Florida has a second school choice program, The McKay Scholarship for Students with Disabilities Program (McKay), a state-funded scholarship voucher program that gives children with disabilities access to high-quality education. The program served 31,000 children during the 2017-2018 school year. Like the Florida Tax Credit Program, McKay has positive effects on outcomes for special needs students, says Wilkerson.

“Similar positive outcomes followed the implementation of the McKay Scholarship, the nation’s first school voucher program for students with special needs,” said Wilkerson.

Like the TCS program, McKay has benefited students who remain in government schools, says Wilkerson.

“Manhattan Institute researchers evaluated the impact of the McKay program on the academic performance of both participating and nonparticipating disabled students,” said Wilkerson.

“Researchers found that nonparticipants with mild disabilities achieved significantly higher test scores in math and reading. They concluded that the increase in school choice forced public schools to provide a better education for the disabled kids who remained enrolled in their local district school.”

Bill Eastland (eastland@reagan.com) writes from Arlington, Texas.

“The satisfaction parents show with [the Florida Tax Credit Program] is not surprising. TCS programs and other school choice programs offer families improved access to high-quality schools that meet their children’s unique needs and circumstances. Additionally, these programs benefit public school students and taxpayers by increasing competition, decreasing segregation, and improving civic values and practices.”

TIM BENSON
POLICY ANALYST
THE HEARTLAND INSTITUTE

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REPRESENTATIVE ISAAC LATTERELL
SOUTH DAKOTA
U.S. Economic Freedom Score and International Ranking Improve

Continued from page 1

Heritage Foundation and was released in January. The index rates 180 countries on a 100-point scale of economic freedom in four areas—rule of law, government size, regulatory efficiency, and open markets—using publicly available data. It then ranks the nations by score.

Globally, Freedom Declined

On the 100-point scale, the world average score of 60.8 is a 0.3-point setback from last year. That global average score is still the third-highest in the 25-year history of the index. Among the 180 countries analyzed, scores improved for 81 countries and declined for 92. Seven remained unchanged.

The Index rates the six economies that scored above 80 as “free,” and the next 88 countries are classified as “mostly free,” with scores of 70 to 79.9, or “moderately free,” with scores of 60 to 69.9. Sixty-four economies were classified as “mostly unfree,” with scores of 50 to 59.9, and 22 are “repressed,” with scores below 50.

U.S. Score Rises

The United States continued to improve its standing, recording a score of 76.8, more than a full point above its score in the 2018 Index.

The Trump administration is responsible for the boost in the United States’ ranking, says Anthony Kim, a coeditor of the index.

“The 2017 tax cuts played a huge role,” said Kim. “The economy is booming, and unemployment is at record lows. Small business optimism is high.”

“These numbers don’t come out of nowhere; policies enacted by the Trump administration, like tax cuts and deregulation, created them,” Kim said.

Characteristics of Free Economies

The countries with economies rated as free—Hong Kong, Singapore, New Zealand, Switzerland, Australia, and Ireland—have certain things in common, Kim says.

“They share strong commitments to upholding the rule of law, limited government, regulatory efficiency, and market openness,” Kim said.

“These four principles are the key to lasting economic development and dynamism,” Kim said. “The U.S. economy has been regaining its economic freedom and competitiveness, but we can do more and better, for sure. We should be cautiously optimistic.”

Objective Measures

Edward Hudgins, research director for The Heartland Institute, which publishes Budget & Tax News, says he developed the Index of Economic Freedom when he worked at The Heritage Foundation in the 1980s.

“I developed the concept for the Index of Economic Freedom and laid its foundations to measure, by objective standards, how economically free or unfree countries are. This Index allows us to demonstrate, with no uncertainty, that economically free countries prosper and those with little freedom wallow in poverty.”

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“Most notably, many Western, developed countries have bought into global warming hysteria and are inflicting serious harm on their economies with more regulations restricting low-cost and reliable fossil fuels and nuclear power, all to solve a non-problem.”

The United States should heed Western Europe’s economic decline as a warning, Hudgins says.

“If the United States wants a strong economy in the future, it should not only reject climate alarmism but also use the Index to guide it toward more freedom across the economy and, as a consequence, greater prosperity,” Hudgins said.

Ashley Herzog (aebristow85@gmail.com) writes from Avon Lake, Ohio.

Economic Illiteracy

The decline in understanding of economics, and therefore declining support for freedom among many Americans, is the most troubling ‘score’ to him, says Hudgins.

“Benjamin Franklin said, Those who would give up essential Liberty, to purchase a little temporary Safety, deserve neither Liberty nor Safety,’” Hudgins said. “I would add ‘a little temporary prosperity,’ through government programs that limit liberty but promise a special handout or favor.”

In the end, limiting liberty makes people poorer, Hudgins said.

“Freedom leads to property because it unleashes the creative spirit of individuals who pursue their own well-being by providing goods and services to willing customers,” Hudgins said.

Liberty and Prosperity

Liberty is a precondition for prosperity, Hudgins says.

“Hong Kong and Singapore, always at the top of the Index list, are the best examples of countries that allowed the maximum economic freedom and went from impoverished to among the richest in the world,” Hudgins said.

“Unfortunately, many countries today are slipping,” Hudgins said.

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“Because of tax cuts and deregulation by the Trump administration, the United States has moved up on the Index to 76.8 and its economy is booming,” Hudgins said.

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Arizona AG Sues State University Over Real Estate Deals

By Bonner R. Cohen

Arizona Attorney General Mark Brnovich filed a lawsuit against the Arizona Board of Regents (ABOR) to stop Arizona State University (ASU) from entering into land deals that allow commercial developments to benefit from educational institutions’ property tax exemption.

Two recent transactions—one completed, the other proposed—brought matters to a head. In one deal, ASU rented out some of its property for a massive State Farm Insurance campus. State Farm pays rent to ASU but enjoys the university’s property tax exemption because ASU retains ownership of the land. A similar deal is in the works for a proposed 330-room Omni Hotel with a 30,000-square-foot conference center. As with State Farm, Omni’s development would be exempt from property taxes.

The lawsuit filed in Arizona Tax Court on January 10 alleges ABOR lacks the legal authority to approve the university’s property tax exemption because ASU retains ownership of the land. “Universities all over the country take advantage of their tax-exempt status and compete with private business. The most common abuses are running hotels and conference centers and leasing commercial real estate.”

Jenna Robinson
President, James G. Martin Center for Academic Renewal

Problem ‘All Over the Country’

Other states have debated whether universities should be allowed to use their tax-exempt status for private businesses, says Jenna Robinson, president of the James G. Martin Center for Academic Renewal, based in North Carolina.

The 1929 Umstead Act in North Carolina specifically prohibits governmental entities that do not pay state and local taxes from competing with private individuals or businesses, says Robinson.

Over the years, however, both North Carolina State University and East Carolina University have allowed private development to take place on their property, with companies benefitting from the educational institutions’ tax-exempt status, Robinson says.

“Universities all over the country take advantage of their tax-exempt status and compete with private business,” said Robinson.

“The most common abuses are running hotels and conference centers and leasing commercial real estate,” Robinson said. “The land itself is rarely taxed, despite being used for commercial purposes.”

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

Americans continued to migrate from states with more burdensome tax systems to ones with lower taxes in 2018, an analysis by the Tax Foundation shows.

The Tax Foundation compared migration patterns to the structure and level of taxes and regulations as revealed by the more than 100 variables in its 2019 State Business Tax Climate Index.

The analysis used data from the National Movers Study released annually by United Van Lines, the largest moving company in the United States, which reveals relocations among the 48 contiguous states and the District of Columbia.

Where People Move From
Since 1977, United Van Lines has annually reported migration patterns on a state-by-state basis. The 2018 study is based on household moves handled by United and a survey of the company’s clients, states a United Van Lines press release on the 2018 National Movers Study.

The states with the most outbound migration were New Jersey, Illinois, Connecticut, New York, and Kansas, in descending order. Roughly two people moved out of New Jersey and Illinois for each person who moved into the state.

In the Northeast, Connecticut, New Jersey, and New York were among the top 10 outbound states for the fourth consecutive year. In the Midwest, Kansas, Illinois, Iowa, and Ohio experienced high outbound relocations as well.

States where inbound migration nearly balanced outbound migration include Arkansas, Maine, and Mississippi, the study found.

Where People Move To
The states with the most inbound migration as a percentage of interstate household moves were Vermont, Oregon, Idaho, Nevada, and Arizona. Roughly three people moved into Vermont for each person who left the state, the study reports.

States in the Mountain West and Pacific West regions, including Oregon, Idaho, Nevada, Washington, and South Dakota, continue to increase in popularity for inbound moves. Arizona joined the list of top 10 inbound states in 2018.

Several southern states also experienced high percentages of inbound migration, such as North Carolina and South Carolina. United Van Lines determined the top reasons for moving south include job change, for nearly half the people moving, and retirement.

Why People Move
The survey showed a leading motivation behind these migration patterns across all regions is career change, the United Van Lines press release states. About half of the people who moved in the past year moved for a new job or company transfer.

Other reasons for the high percentage of moves to Mountain West states in 2018 include retirement, proximity to family, and lifestyle change. Idaho experienced the nation’s largest influx of new residents desiring a lifestyle change.

More people flocked to New Mexico for retirement than to any other state. In past decades, the study found California was a popular destination for retirees, but now they are leaving California and moving to other states in the Pacific West and Mountain West.

Young professionals are migrating to vibrant metropolitan economies such as Washington, DC and Seattle, the press release states.

Taxes Play a Role
Taxes are rarely cited as a reason for individual state-to-state moves, but they can certainly factor into relocation decisions, says Katherine Loughead, a policy analyst with the Tax Foundation who wrote “Where Did Americans Move in 2018?”

“A state’s fiscal landscape, including tax structure and burdens, plays a role in the types of employment opportunities available and whether prospective employees would be willing to move to a particular state for a job,” said Loughead.

Comparing the states with the highest percentage of inbound moves to the states with the best scores on the Tax Foundation’s 2019 State Business Tax Climate Index shows significant overlap, says Loughead.

“Five of the ten worst-performing states on our State Business Tax Climate Index are also among the ten states showing the highest outbound moves on this year’s United Van Lines National Movers Study,” said Loughead.

Population and Economic Growth
When it comes to demonstrating the effect of state tax policies, migration patterns provide powerful data to consider, says Loughead.

“States experiencing prolonged periods of outbound migration ought to evaluate how their fiscal landscape might be playing a role and take steps to facilitate a fiscal landscape that invites, rather than deters, investment and long-term growth,” Loughead said.

“For example, tens of thousands of individuals work in greater Chicago but live in Indiana, where many interstate commuters are attributable, at least in part, to stark differences in tax landscape,” Loughead noted in her analysis.

‘Driving Out the Middle Class’
Some states have natural advantages that outweigh the burden of state taxes, says economist Devon Herrick, a policy advisor to The Heartland Institute, which publishes Budget & Tax News.

“California and the southwestern states, and Florida and other southern states, have sunny climates that attract people,” said Herrick. “And coastal states with natural harbors, such as New York City and Los Angeles, have advantages as major hubs of international commerce that could allow them to have more burdensome tax regimes but also have higher incomes,” Herrick said.

Despite those advantages, the higher cost of living, including tax burdens, in some states makes them less attractive to the middle class and retirees, says Herrick.

“States like California and New York are basically driving out the middle class,” said Herrick.

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

INTERNET INFO


The DC Opportunity Scholarship Program (DCOSP) needs “predictability and stability in funding,” U.S. Secretary of Education Betsy DeVos said at a forum celebrating the scholarship program’s 15th anniversary.

“The DCOSP is the only federally funded school voucher program in the nation. It provides annual funding in a multilayer structure, with $20 million in grants to government schools to help them improve and compete and $20 million in tuition scholarships that give children from low-income families access to private schools.

The DC Opportunity Scholarship Program was reauthorized through 2022 by the Scholarships for Opportunity and Results Act of 2017, though Congress must appropriate funds annually.

‘A Political Football’
The program has had its ups and downs, says DeVos. Authorized in 2003 under the Bush administration, funding lapsed under the Obama administration in 2009, leaving private donors to fill the gap.

“This program has been a political football, in too many ways and for too many years,” DeVos told the audience at The Heritage Foundation on January 23 during national School Choice Week.

“It is imperative that Congress not only reauthorize this program but do so with predictability and stability, and I would argue with an automatic growth piece put into it so that more and more students can take advantage of the choices some have today,” DeVos said.

“The demand continues to be unmet.”

‘Clear and Convincing Evidence’
Critics of the program often refer to a slight, temporary drop in test scores among students who enroll, but that is not representative of the results, DeVos says.

“Everybody wants to constantly refer to the one [statistic] where students—especially in math—showed a little dip after their first two years,” said DeVos. “Well, think about it: if a kid is struggling in a school to which they’re assigned, they then change schools and start something new. Any time we change anything, it takes a little while to get up to speed.”

Over the long term, DC scholarship students show improvement, DeVos says.

“All of the studies that have been longitudinal in nature, and for students that have been in the program the longest period of time, they continue to show growth year after year,” said DeVos.

Unions vs. Public, Children
The major opposition to school choice in DC and nationwide is teachers unions, DeVos says.

“Sixty-seven percent of the people in this county—two-thirds—support choice,” DeVos said. “The only thing standing in the way is the teachers unions that have a personal, vested interest.”

DCOSP and similar programs face a constant threat of closure, says Lennie Jarratt, project manager for the Center for Transforming Education at The Heartland Institute, which publishes Budget & Tax News.

“The DC Opportunity Scholarship comes under threat of being defunded every few years,” said Jarratt. “This is political gamesmanship that usually ends in the program getting funded.”

“Spread funding is due to several facts: an increase in graduation rates, increase in student safety, and the cost savings of these scholarships over the district-operated schools,” Jarratt said. “This program should be expanded instead of threatened with closure.”

‘Couspy Empirical Research’
Scholarship programs are a cost-efficient way to improve education, says Tim Benson, a policy analyst at The Heartland Institute.

“Copious empirical research on the Washington, DC program and other voucher programs throughout the country finds they improve access to schools that deliver quality education inexpensively, benefit public school students and taxpayers by increasing competition, decrease segregation, and improve civic values and practices,” Benson said.

“There is also a strong causal link suggesting voucher programs such as the DC Opportunity Scholarship Fund improve the mental health of participating students,” said Benson.

Cites Parental Satisfaction
School choice works by matching students with schools that meet their needs, DeVos told the audience.

“The preponderance of evidence is really clear that choice ultimately works for students and works for families,” said DeVos. “There’s too many kids across this country that don’t have the chance to be in the right school with the right fit.”

Parents of school choice students are highly satisfied because the schools they choose better meet their children’s needs, says DeVos.

“Survey after survey shows that the satisfaction of parents that have had the opportunity to choose their child’s school is very high,” said DeVos. “They’re happy because they’re in a place that they feel is right for them. They’re happy because they feel the school is safe for them, and they’re happy because of the outcomes and the achievement that their children are demonstrating and doing.”

Concerned About Political Prospects
Funding for the DCOSP faces political opposition but will probably survive it, says Benson.

“It’s unfortunate that the future of the DC Opportunity Scholarship Fund is up in the air,” said Benson. “I don’t expect Senate Republicans or President Trump to go along with Democratic efforts to gut the program. So, while plans to eliminate it may pass the House of Representatives, that is hopefully as far as the attempt will go.”

The restrictions on the DC program could undermine it, Jarratt says.

“The larger threat to the program is the limitation of participants and the regulations imposed on the scholarship schools,” said Jarratt. “The more mandated regulations, the less flexibility and future participation rate of alternative schools.”
Ten Years of Congress Members’ Spending Votes Now Available to the Public

By Bill Eastland

Members of the public can now see and compare 10 years of spending votes by each member of Congress, using online tools at SpendingTracker.org, a federal watchdog group announced.

The website’s database allows users to look up the record of any member of Congress. It calculates an individual score in dollars of affirmative votes that decrease or cut spending by representatives and senators in each session, and cumulative spending votes for individual members over multiple terms in office.

If a lawmaker votes to increase spending, the amount of the increase is added to his or her score. If he or she votes to decrease spending, the amount is subtracted from the score. The higher the score, the bigger the spender. In the last Congress, only seven lawmakers had a net negative score.

Newly added data include spending from the start of the Obama administration, the 111th Congress, which took office January 3, 2009, to the current, 116th Congress.

‘Unsustainable Spending and Debt’
The Coalition to Reduce Spending launched SpendingTracker.org two years ago to increase transparency about spending and debt, says Coalition founder and president Jonathan Bydlak, a policy advisor to The Heartland Institute, which publishes Budget & Tax News. Bydlak also heads a companion group, the Institute for Spending Reform.

“Our generation is increasingly burdened with unsustainable spending and debt while the vast majority of politicians claim to be doing the right thing,” said Bydlak. “Transparency into actual voting records is the missing piece.”

When SpendingTracker.org was launched in 2017, it had spending records for two years. Since then, the Coalition has taken 6,000 Congressional Budget Office spending estimates for legislative proposals and digitized them to add them to the database.

“It was a herculean task,” said Bydlak.

Creating ‘Ultimate Scorecard’
Voting records on individuals in Congress weren’t readily available when people asked Rep. Ron Paul (R-TX) about it during his 2008 presidential campaign, says Bydlak, who was director of fundraising for the Paul campaign.

“People had been asking questions about how much more spending certain members of Congress vote for versus other members,” said Bydlak. “We didn’t necessarily have an answer to that question.

“We had the idea … that we could create a spending scorecard,” Bydlak said. “This creates an objective way of measuring the support for spending by any member of Congress relative to any other member,” Bydlak said.

Only yes votes are counted, only bills that involve greater than $1 million increase are included, and the bills must be scored by the CBO, says Bydlak.

SpendingTracker uses voting records from the Sunlight Foundation. Only bills that become law are included, and the results are updated in real time as soon as each bill is passed, the bill is scored, and the votes are available. Further updates are made after passage if the CBO changes its estimates.

‘Net Spending Decrease’
Analyzing congressional spending produced some results voters may find surprising, says Bydlak. For instance, the average member of the 115th Congress—of either party—voted to increase spending roughly $1.58 trillion, Bydlak says.

“Overall, there’s not too much difference between spending by Democrats and Republicans,” said Bydlak.


The 115th Congress was also the first in the past decade in which several lawmakers voted for a net spending decrease over the course of a session. In addition to Amash and Massie, Reps. Jimmy Duncan (R-TN), Raúl Labrador (R-ID), and Morgan Griffith (R-VA) and Sens. Rand Paul (R-KY) and Mike Lee (R-UT) voted for overall cuts.

Staying Objective
SpendingTracker’s methodology ensures an objective measure of congressional spending habits by simply adding new tax dollars voted for by each member and subtracting spending reductions they vote for, says Bydlak.

“This creates an objective way of measuring the support for spending by any member of Congress relative to any other member,” Bydlak said.

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‘No Subjective Judgments’
The transparency provided by SpendingTracker.org is welcome, says U.S. Rep. Ron Wright (R-TX), who is serving his first term in Congress.

“The site provides an objective way for constituents to judge the propensity of their representatives to be profligate spenders. Since only spending is being measured, there are no subjective judgments being made on ideological grounds,” said Wright. “In addition, citizens can now see the magnitude of the problem created by a Congress bent on spending their hard-earned tax dollars.”

RON WRIGHT
U.S. REP. (R-TX)

INTERNET INFO

SpendingTracker: https://spendingtracker.org/

Jesse Hathaway, “Government Is Ballooning Out of Control Under Both Parties (Guest: Jonathan Bydlak),” Heartland Daily Podcast, March 6, 2018:
https://www.heartland.org/multimedia/podcasts/government-is-ballooning-out-of-control-under-both-parties-guest-jonathan-bydlak
Study: U.S. Intellectual Property Protection Is Strong, but China Poses Big Problem

By Joe Barnett

The United States ranks first among the world’s 50 largest economies in the strength of its protection of intellectual property (IP), the U.S. Chamber of Commerce’s International IP Index states.

The report ranks economies based on 40 indicators that measure activity in patent, trademark, copyright, and trade secrets protection critical to innovation. The 50 economies represent a geographical cross-section of the world and the vast majority of global economic output, contributing more than 90 percent of global Gross Domestic Product.

IP-intensive industries support at least 45 million U.S. jobs and contributed more than $6 trillion to U.S. gross domestic product, 38.2 percent of the nation’s total economic output, in 2016, according to the U.S. Department of Commerce.

Benchmark IP Protection

The report highlights the improvements in IP protection in the U.S.-Mexico-Canada Agreement (USMCA) signed by President Trump in 2018 and pending approval by Congress, which the study states could set a new global IP standard.

The USMCA’s IP-related provisions are a significant improvement over the North American Free Trade Agreement (NAFTA) and other international agreements specifically related to IP, says the report, released on February 8.

Specifically, USMCA includes stronger pharmaceutical-related IP protection, including regulatory data protection for five years for new chemical entities and 10 years for biologics. It also includes more effective trade secret protection, including criminal sanctions, and border enforcement against all suspected counterfeit goods, including in-transit goods.

USMCA also includes strengthened copyright provisions, such as a longer term of protection and digital rights management (DRM) and other technological protection measures.

‘We’re Waiting for Congress’

The USMCA must be approved by both houses of Congress, and some members are trying to block the deal, says economist Stephen Moore, a senior fellow with The Heritage Foundation and an economic advisor to the Trump presidential campaign.

“All these Democrats who were sounding like free-trade zealots when Trump was talking about tariffs, now that they have a chance to actually vote on a free-trade agreement, they don’t want to do it,” said Moore.

“I really want to get this thing signed, sealed, and delivered, and we’re waiting for Congress to act,” Moore said.

China Challenge

IP challenges at the heart of the current trade dispute between China and the United States highlight the importance of IP to the two largest economies in the world, the report states. The trade dispute has brought much-needed attention to longstanding issues that create significant challenges for IP-intensive industries globally.

Since the mid-2000s, China has introduced and implemented a range of policies that make access to the Chinese market conditional on the sharing of technology and IP with domestic entities. These include the transfer of proprietary technologies in procurement, joint ventures, and standardization processes; local manufacturing requirements; and limitations on investment by foreign entities. U.S. businesses dealing with China have no guarantee their IP will be protected from unauthorized disclosure, duplication, distribution, and use.

Although some of these policies have been revoked, many are still in place, and China continues to introduce more of them.

China has made meaningful changes to its legal code, and enforcement efforts have improved, although they still face a daunting challenge, the report states. In key areas such as technology transfer, licensing, and localization requirements, Chinese policy remains largely wedded to the nation’s desire to exploit IP developed elsewhere.

A ‘Half-Trillion Dollar’ Theft

Losses due to the theft of U.S. IP by Chinese companies amount to hundreds of billions of dollars, says Edward Hudgins, research director for The Heartland Institute, which publishes Budget & Tax News.

“China highlighted in the report are a major subject in the ongoing U.S. trade negotiations with China, says Moore.

“I think China is a big problem,” said Moore. “I think we’re in an abusive relationship with China. It’s got to stop. They have to start playing by the rules. They have to stop cheating and stealing.

“Trump is trying to level the playing field, and I think this is critically important to our economic future that we prevail here,” Moore said. “I want them to start behaving themselves and make some concessions that are all very fair-minded. If that happens, I think the economy is really going to boom.”

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

Legal Remedies Sparse

China’s legal system provides little recourse for U.S. firms, says Hudgins.

“Placing American labels on counterfeiting products is a regular practice, but legal remedies for American companies in China are among the worst in the world,” said Hudgins.

“Just as low-priced labor is one of China’s economic advantages, the intellectual property created by American firms is one of this country’s great strengths,” said Hudgins. “The United States needs to negotiate a trade deal that protects Americans’ intellectual property rights.”

‘An Abusive Relationship’

The challenges of IP protection in China...
Statewide Rent Control Bill Speeds Toward Passage in Oregon

By Hayley Sledge

The Oregon legislature is poised to pass the nation’s first statewide rent control law.

The legislation is expected to pass in February. Gov. Kate Brown, a Democrat, has endorsed the bill, and the majority leadership in both houses supports passage. Democrats hold supermajorities in both houses of the legislature.

The bill would cap annual rent increases for occupied apartments in buildings more than 15 years old to 7 percent and prohibit evictions without cause after a tenant’s first year of residency.

Oregon Senate Bill 608 (S.B. 608) is designated as emergency legislation, which means it will take effect immediately if it passes and is signed by the governor.

Major Restrictions on Development

The state’s lack of affordable housing is caused by land-use restrictions that limit the supply of new apartment units and homes, driving prices higher, says economist Randall Pozdena in a new report from the Oregon-based Cascade Policy Institute. Oregon adopted statewide anti-sprawl legislation in 1970. Every major city in the state is surrounded by an urban growth boundary, beyond which building is restricted.

“All eight of Oregon’s [most populous Metropolitan Statistical Areas] housing markets failed the test of affordability and adequacy of supply,” Pozdena writes in the report. “The estimated total shortfall in supply equals approximately 18 percent of the existing stock.

“Between 1982 and 2007, for example, the population of the Portland metro area grew by 60.7 percent while the share of land developed for all uses grew by only 6.7 percent,” Pozdena writes.

‘Increasing Cost of Land’

Oregon’s housing regulations make home-building in rural areas difficult, forcing potential landowners into the cities, where the rising demand increases the cost of land, says Randal O’Toole, a senior fellow at the Cato Institute and a policy advisor to The Heartland Institute, which publishes Budget & Tax News.

“Oregon has made housing unaffordable by putting urban-growth boundaries around every major city,” O’Toole said. “Outside the boundaries, in about 96 percent of the state, people can build a house on their own land only if they own 80 acres, actually farm it, and actually earn—depending on soil productivity—$40,000 to $80,000 a year from farming it in two of the last three years.

“The result has been a depopulation of rural areas and increasing cost of land and housing inside the boundaries,” O’Toole said.

‘The Problem They Created’

The state’s lawmakers are now adding further restrictions to try to solve a problem they caused, says O’Toole, a native of Oregon.

“No politicians are doing everything they can to make people think they want to deal with the problem they created except actually abolishing the boundaries,” O’Toole said.

“Their proposed solutions include rent control, charging developers for each new home they build and putting the money into an ‘affordable housing fund,’ and increasing property taxes on homeowners to build affordable housing. Of course, all of these things will make housing less affordable, not more,” O’Toole said.


‘Lower-Quality Service’

Rent controls cause deterioration of the housing stock, says Gerald Mildner, an associate professor of real estate finance at Portland State University and academic director of the university’s Center for Real Estate.

“It creates unintended consequences, both in terms of the maintenance of the units and in terms of the production of new units, and then ultimately the efficiency for how the housing market allocates units,” Mildner said.

When demand exceeds supply, landlords reduce maintenance and services they provide to tenants, Mildner says.

“They’re unlikely to do small things to maintenance if you’ve got excess demand,” Mildner said. “Why bother painting the building, maintaining the number of hours of doorman service, or reducing the heat or air-conditioning expenditures on the building? These are all kinds of small and subtle ways that rent control leads to quality deterioration.”

‘Abolish Those Restrictions’

West Coast states must remove the government restrictions that are driving up costs for those trying to develop housing in nonurban areas, O’Toole says.

“The only real solution to affordable housing problems in Oregon, Washington, California, and other states that have restricted rural development is to abolish those restrictions,” said O’Toole.

“This will lead developers to quickly build affordable homes outside the existing urban areas, which in turn will reduce the cost of housing inside the urban areas,” O’Toole said.

Speaker’s Second Try

The bill, introduced on January 14, 2019, is sponsored by Senate Majority Leader Ginny Burdick (D-Portland) and Senate President Peter Courtney (D-Salem), among others. The companion bill in the House of Representatives is sponsored by Speaker Tina Kotek (D-Portland).

Kotek proposed a bill in 2017 that would have prohibited evictions without cause and lifted the state’s 1985 ban on local rent control ordinances. The Oregon State House passed the bill, but it failed in the Senate.

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

Official Connections:

Oregon state Senate President Peter Courtney (D-Salem): https://www.oregonlegislature.gov/courtney


Oregon state House Speaker Tina Kotek (D-Portland): https://www.oregonlegislature.gov/kotek
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State Legislators Concerned about Constitutional Rights in Firearms Regulation

By Sarah Quinlan

The Virginia legislature rejected a proposed law that would have allowed courts and police to remove firearms temporarily from persons they consider a danger to themselves or to others.

In response to the shooting at Florida’s Marjory Stoneman Douglas High School in February 2018, several state legislatures have considered “red flag” legislation, and the number of states that allow such “extreme risk protection orders” has increased from five to at least nine.

‘Slippery Slope into Abuse’

In Wisconsin, some legislators are calling for caution in considering such legislation, says Matt Kittle, an investigative reporter at the MacIver Institute.

“Some constitutional conservatives … see a slippery slope into abuse of power,” said Kittle.

For example, “[Wisconsin state rep. Mary Felzkowski] is worried a red flag bill could take away due process,” said Kittle.

“I don’t think I can support any legislation going forward that intentionally strips people of their constitutional rights,” Felzkowski wrote in a recent tweet. “I think we need to be very careful, especially in our present society.”

‘No Specific Rules’

One problem with red flag laws is insufficient procedural safeguards, says economist John Lott, president of the Crime Prevention Research Center and a policy advisor to The Heartland Institute, which publishes *Budget & Tax News*.

“Somebody who knows you … can complain to the police, or the police can complain, and they can go and get a warrant from a judge without a hearing to take away your guns,” said Lott. “[Or] they have a hearing, but there are no specific rules that have to be followed in terms of criteria that are met before you can have your guns taken away.”

There are already laws in place prohibiting those convicted of a crime from purchasing or owning a firearm, but some advocates of red flag laws want to add more people to that list, says Lott.

“We already have laws based on criminal history: if you have a felony, you lose your right to own a gun for the rest of your life, even if it’s a nonviolent felony, and, depending on the state and federal law, even for a misdemeanor you can lose the right to own a gun,” said Lott.

“Gun control advocates don’t want to have that type of restriction in terms of deciding who should be able to have their guns taken away,” Lott said.

*Laws Should ‘Disarm Criminals’*

Research has not found such “protective orders” to be effective, says Lott, who coauthored a recent study, “Do Red Flag Laws Save Lives or Reduce Crime?”

The study found red flag laws have no significant effect on rates of murder or suicide, the number of people killed in mass public shootings, robbery, aggravated assault, or burglary.

“Everyone wants to do something to stop mass public shootings, but we also have to be careful that the gun control laws primarily disarm criminals, not law-abiding citizens,” said Lott. “There has to be reasonable evidence that the regulations reduce crime.”

Sarah Quinlan (think@heartland.org) writes from New York City, New York.
U.S. Treasury Moving to Implement Opportunity Zone Tax Breaks

By Ben Dietderich

The U.S. Treasury Department is finalizing regulations to implement Opportunity Zone tax incentives in the Tax Cuts and Jobs Act (TCJA) designed to encourage long-term investment in economically depressed communities, after a hearing in February and review of public comments.

The Treasury released proposed regulations in October 2018, but final action was delayed by the federal government shutdown. The IRS says the regulations can already be cited for 2019 tax filings, even though they might be modified in response to public comments.

In 2018, all 50 state governors, the District of Columbia, and five U.S. territories nominated 8,761 communities to be certified as Opportunity Zones by the Treasury, the press release announcing the regulations states.

The TCJA, enacted in December 2017, includes ways for investors to reduce or eliminate capital gains taxes on investments in Opportunity Zones. Partnerships and corporations formed as investment vehicles can delay or reduce federal taxes if they reinvest at least 63 percent of their capital gains and derive 50 percent of their gross income from the active conduct of a trade or business in a zone, states the Treasury in the release. Opportunity Zone investments will be free of any tax on the capital gains if the money stays in the zones for at least 10 years, and investors may defer taxes on their capital gains until December 31, 2026.

Economically Distressed

Nearly 35 million Americans live in the census tracts designated as Opportunity Zones, according to data from the 2011-2015 American Community Survey, the Treasury reports.

The designated regions have an average poverty rate above 32 percent, compared with a 17 percent national average, and the median family income averages 37 percent below the area or state median, the Treasury says. The unemployment rate in the zones is nearly 1.6 times the national average.

The Congressional Budget Office (CBO) estimates the Opportunity Zone tax incentives will result in a $1.6 billion reduction of federal revenue in the years 2018 to 2027. The program would begin generating net annual tax revenue for the federal government by 2026, the CBO reports.

Incentives Tied to Place

There are already location-based tax incentive programs throughout the United States and at all government levels, often referred to as enterprise zones, says Scott Eastman, federal research manager at the Tax Foundation.

“Even though I am in favor of … these development zones, I think school choice and getting crime off the street and encouraging work for welfare programs—so you don’t get whole generations of families that are on welfare rather than in the workforce—those would be more powerful incentives to rebuild our inner cities,” Moore said.

‘Incentive Programs Are Ineffective’

Previous tax reductions tied to investment in specific areas at all levels of government have had little effect, says Eastman.

“Academic and government research shows place-based incentive programs are ineffective at drawing investment to economically distressed communities at best, and potentially even harmful for residents of economically distressed communities,” Eastman says.

“Place-based incentive programs encourage firms and investors to relocate into a zone for tax purposes, and this relocation can potentially push out firms or investments in a zone that aren’t subsidized, and potentially displace residents through increased housing prices or job competition,” Eastman said. “Even perfect data won’t make a flawed program effective.”

The most important thing you could do for inner cities to reduce poverty … [is] something that you all at The Heartland Institute have been working on for a long time, which is school choice,” Moore said. “I’ve supported [Opportunity Zones], but it is an experiment. We do know that these depressed areas have very anti-business policies in many cases, and it would help if the taxes were lower and there was less regulation. The most important thing you could do for inner cities to reduce poverty … [is] something that you all at The Heartland Institute have been working on for a long time, which is school choice.”

STEPHEN MOORE
VISITING FELLOW, THE HERITAGE FOUNDATION

“We Know and Don’t Know About Incentives Tied to Place”


INTERNET INFO


Ben Dietderich (bdietderich@hillsdale.edu) writes from Hillsdale, Michigan.
By Hayley Sledge

A bill proposed by Colorado state Rep. Patrick Neville would enable parents of students affected by school safety incidents to move their child immediately to a safe school.

Neville (R-Castle Rock), minority leader of the Colorado House of Representatives, introduced the Child Safety Account Act (H.B. 19-1112) on January 15, 2019 to pay eligible expenses for the education of qualified students.

CSAs would be funded using the state’s share of spending per pupil that would otherwise go to the child’s assigned government school. Parents would apply for scholarship money administered by an independent entity under contract with the state and would receive the funds in their child’s account.

The bill would also create an income tax credit for the parents of qualified students to pay eligible expenses above the amount provided through a CSA, and a tax credit for individual and corporate donations to fund the CSAs.

Extending Freedom of Choice

Neville says his legislation is about more than just distributing state educational funds; it’s about giving families choice over their education.

“The freedom of choice in education that is afforded to wealthy families should be extended to all families,” said Neville.

Students directly affected by instances of bullying, sexual harassment or abuse, gangs, and violence would be eligible for CSAs. Perpetrators would be excluded from eligibility. The funds could be used for tuition at participating private schools, home-based educational programs, or therapy to cope with the trauma of the incident.

Bullying ‘Tragically Too Common’

A survey by the U.S. Centers for Disease Control and Prevention reported 18 percent of Colorado high schoolers were bullied on school property in 2017. Another 14.5 percent were “electronically” bullied, 6.8 percent were threatened or injured with a weapon on school property, 5.2 percent skipped school because they felt unsafe there, and 7.2 percent attempted suicide.

Bullying and violence are common in public schools, says Neville, and giving families the choice to remove students from dangerous environments will challenge administrators and create a safer education for students in Colorado.

“Incidents of all forms of bullying are tragically too common in our public-school system, but students and their families should not feel helpless,” said Neville.

Cutting Response Time

Colorado’s current response to unsafe schools is public school transfers, says Timothy Benson, a senior policy analyst at The Heartland Institute, which publishes Budget & Tax News.

“The state does allow intra- and intra-district transferring for public school students, but a school can deny a transfer for a myriad of reasons, including lack of staff, inadequate facilities, or to maintain compliance with desegregation plans,” said Benson. “The process is also somewhat lengthy.

“Child Safety Accounts would allow parents to get their child into a safe school relatively quickly,” said Benson. “Every Colorado child deserves to have the resources available to allow them to escape an unsafe or unhealthy school environment, and Child Safety Accounts would allow that.”

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

Official Connections:

State Rep. Patrick Neville (R-Castle Rock):
https://leg.colorado.gov/legislators/patrick-neville

By Savannah Edgens

Clemson University and the University of Alabama have winning football teams, and they pay their coaches high salaries and pension benefits with a mixture of public and private funds, reports government spending watchdog OpenTheBooks.com.

Each school uses a different mix of public and private support to pay successful coaches multimillion-dollar salaries, and the stakes for taxpayers are high, says Adam Andrzejewski, CEO and founder of OpenTheBooks.com.

“College football coaches are among the top-paid public employees in the country,” said Andrzejewski.

Millions for Champions

OpenTheBooks’ database of salaries for 19 million public employees shows the highest-paid coaches at public colleges are Dabo Swinney of the Clemson University Tigers, in South Carolina, and Nick Saban of the University of Alabama’s Crimson Tide, says Andrzejewski.

Clemson beat Alabama, 44 to 16, in the National Championship game on Jan. 7, 2019.

“In the National Championship game, taxpayers had nearly $19 million in the pot between Alabama head coach Nick Saban’s $11.7 million salary and Clemson head coach Dabo Swinney’s $7.1 million,” Andrzejewski said.

Racking Up Debt

The University of Alabama and Clemson University supposedly profit from football, with Alabama making $46 million and Clemson making $7.8 million per year, based on the most recent available data, says Andrzejewski. But these schools have spent their profits on their football programs and incurred long-term debt.

“These programs have also racked up an amazing amount of long-term debt and have spent their future football profits,” said Andrzejewski.

“Alabama built their football program on $225 million in long-term debt, and students at Clemson pay $1,414 each to pay down their athletic debts,” said Andrzejewski. “In other words, the coaches better keep winning.”

“Alabama’s Crimson Tide, says Andrzejewski of the University of Notre Dame’s Fighting Irish, Andrzejewski says.

“Our Dame uses zero public funds and made the highest profit of any university on its football program: $63 million,” said Andrzejewski.

“But instead of racking up debt, Notre Dame has a $13.1 billion endowment and billions more in gross assets,” Andrzejewski said.

Savannah Edgens (savannah.edgens@gmail.com) writes from Gainesville, Florida.

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California, Connecticut Legislatures Consider Taxing Firearms and Ammunition

By Joe Barnett

California legislators are considering a bill to raise the cost of gun ownership by hiking taxes on firearms, and Connecticut legislators are considering raising the state’s sales tax on ammunition by 50 percent.

California Assemblyman Marc Levine (D-Greenbrae) introduced Assembly Bill 18, which would impose an excise tax on the sale of handguns and semiautomatic weapons, which are already subject to sales taxes, and allocate the money to the California Violence Intervention and Prevention Grant Program.

Connecticut state Rep. Jillian Gilchrest (D-Hartford) introduced HB 5700 in January to raise the state’s tax on ammunition sales.

Regulations on Ammo Sales

The California firearms tax proposal comes on the heels of a state law requiring licensed firearms dealers to check, using the Automated Firearms System, the eligibility of a consumer to buy ammunition each time that consumer purchases ammunition. There is a $1 fee paid by the consumer every time he or she buys ammunition.

Under the new law, the sale will be denied if an individual is not in the Automated Firearms System because he or she has not purchased a firearm or received a permit requiring a background check. The individual will also be denied if the person is in the system but the record shows he or she is ineligible to possess a firearm.

Sales by non-dealers are limited to 50 rounds per month. Regulations implementing the requirements will go into effect July 1.

‘Excessive and Expensive’

The California law requiring background checks on ammunition purchases is an excessive burden on gun owners, says Lennie Jarratt, project manager for the Center for Transforming Education at The Heartland Institute.

“Firearm owners already underwent a background check when they purchased their firearm,” said Jarratt. “It is excessive and expensive to require one for each ammunition purchase.

“This law is like forcing every driver to verify their license and insurance before each fill-up at the gas station while charging a fee for the verification,” Jarratt said.

‘Backdoor Assault’ on Rights

Politicians are trying hard to undermine Second Amendment rights without overtly banning guns, which the Constitution prohibits, says H. Sterling Burnett, a senior fellow with The Heartland Institute.

“These taxes and conditions for ammunition purchases are a backdoor assault on the Second Amendment,” said Burnett.

“Unable to constitutionally prevent nonprohibited citizens from purchasing firearms, these legislators are doing the next best thing, from their point of view: trying to prevent people from exercising their right to legally use firearms, by making ammunition unaffordable,” Burnett said.

‘Disproportionate Effect’

These state laws have the worst impact on the most vulnerable in society because the additional costs have a disproportionate effect on lower-income firearms owners, says economist John Lott, president of the Crime Prevention Research Center and a policy advisor to The Heartland Institute, which publishes Budget & Tax News.

“You may not stop a wealthy white person who lives in the suburbs, but the very people that my research indicates benefit the most from owning guns are people who are most likely to be the victims of violent crimes, like poor blacks who live in high-crime urban areas,” said Lott.

“Five-hundred dollars may make a big difference between whether they will be able to defend themselves and their families,” Lott said.

Joe Barnett (joepaulbarnett@att.net) is a research fellow with The Heartland Institute.
Adopting the Right Fiscal Policy Can Prevent a Major Recession

By John Merrifield and Barry Poulson

Martin Feldstein, the George F. Baker Professor of Economics at Harvard University and president emeritus of the National Bureau of Economic Research, recently posed the question, “Is another recession looming?”

Feldstein’s answer: A recession is inevitable, and there is nothing the United States can do to prevent it.

In a recent speech, Federal Reserve Chairman Jerome Powell said, “These last innovations in fiscal policy, at least in the medium term, have probably reduced the amount of fiscal room we have to react.” Ben Bernanke, a former Fed chairman, predicts the economy will continue to grow in 2019 but “Wile E. Coyote will go off the cliff in 2020.”

These economists are referring to the return of trillion-dollar deficits that will undermine monetary policies and overwhelm the U.S. Treasury very soon. Whether we expect a debt crisis in 2020 or shortly after, the outcome would be a global economic disaster. Just look at the turmoil in Argentina resulting from its debt crisis.

Unfortunately, such gloomy forecasts are becoming ubiquitous, lending credence to the view that economics is the dismal science.

Fiscal Policy Rules
To test the hypothesis that a recession is inevitable, we simulated a mild recession with budgetary rules in place that would allow the government to pursue a countercyclical fiscal policy.

These fiscal rules impose a government spending limit tied to population growth and inflation. The rules provide for disbursement of emergency funds to offset revenue shortfalls. These funds can be used to finance the increased spending required for automatic stabilizers such as unemployment insurance and other transfer payments. Funds are also disbursed from the capital fund when the growth in gross domestic product is below the long-term average.

With the fiscal rules in place, discretionary spending is stabilized and countercyclical expenditures sustain the level of spending in a mild recession. A mild recession makes it more difficult to reach the long-term goal of a sustainable fiscal policy. It also increases the magnitude of savings required each year to reach that goal. But our simulation underscores the importance of linking countercyclical fiscal policy to fiscal rules. With the proposed fiscal rules in place, the United States would have the fiscal room to pursue countercyclical fiscal policy.

Swiss Success
Switzerland set the precedent for this type of policy. For decades, Switzerland has pursued a cyclically balanced budget, with deficits in periods of recession offset by surplus revenue in periods of growth.

Economists often argue that fiscal rules tie the hands of elected officials and preclude them from responding to business cycle fluctuations. Switzerland’s experience refutes that argument. Effective fiscal rules let Switzerland pursue a countercyclical fiscal policy during the 2008 financial crisis without increasing its debt-to-GDP ratio.

Because the United States is now a major debtor country, it has less room to pursue a countercyclical fiscal policy. Even so, the fiscal rules we propose would allow the government to pursue countercyclical policies in response to a mild recession. However, the rules would not allow the government to continue to pursue discretionary fiscal policy as it has over the last two decades. Continuing to incur deficits and debt of that magnitude would result in a financial crisis accompanied by stagnant economic growth, as the Congressional Budget Office predicts in its long-term forecast under current law.

Action Required
Our proposed fiscal rules allow us to turn Feldstein’s argument on its head. The United States will likely experience a recession and financial crisis if elected officials don’t act. If we fail to enact effective fiscal rules required for a sustainable fiscal policy, his gloomy prediction will likely come true. It is not that we don’t have effective rules available, it is that elected officials refuse to make the difficult choices that would be required.

We should not watch as Wile E. Coyote goes off the cliff. We do not have to wait for credit markets to more strongly signal an unfolding debt crisis in the United States. By enacting new fiscal rules, we can prevent a financial crisis and put the country on the path toward a sustainable fiscal policy.

John Merrifield (John.Merrifield@utsa.edu) is a professor of economics at the University of Texas at San Antonio. Barry Poulson (barry.poulson@colorado.edu) is professor emeritus at the University of Colorado at Boulder. This article was originally published by American Greatness and is reprinted with permission.
Problems of Governance Plague the City That (Sometimes) Works

By Jay Lehr

It is common knowledge that Chicago is a city in torment with serious problems around every corner. Political power is in the hands of too few people. The schools have long been unsatisfactory. The teachers appear to care far more about themselves than the students. One of the world’s largest convention centers loses money year after year. Meigs Field, a lakefront airport serving downtown, was closed by mayoral fiat.

The mayor controls all aspects of city government and nearly 100,000 public employees, almost 4 percent of the city’s population, yet the city code spelling out the mayor’s duties is minimal and perfunctory.

The power of entrenched local alderman is unconscionable, continuing decade after decade. The city is not bankrupt but never far from it. Some think it is the crime capital of the world, from Al Capone’s escapades to today’s increasing murder rate. Yet, somehow, Chicago is not in freefall.

One of the results of these problems is that the city’s population has been dropping for years, and Chicago is now no larger than it was a century ago. Meanwhile, the city of Houston, Texas, is growing and will soon displace Chicago as the third-largest city in the United States.

Unrestrained Government

The New Chicago Way, by Ed Bachrach, a retired business CEO and president of the Center for Pension Integrity, and Austin Berg, director of content strategy at the Illinois Policy Institute, endeavors in 234 pages to explain how the city has worked for nearly a century. It also explains the ways in which the city has not worked. It is not a history book, but it contains dozens of fascinating stories of what went wrong over time.

The list of unwise city actions is long. Controversial proposals large and small are conceived by the mayor in private with vendors and rubberstamped by the city council. The mayor’s control is perpetuated by the fact that he appoints the chief financial officer and the city attorney.

For example, the city gave up millions of dollars of potential revenue by privatizing its parking meters. Beginning in 2005, Mayor Richard M. Daley began selling off city assets for upfront payments to bail the city out of its financial problems. Among those assets were parking meters and city-owned garages. Privatizing public parking not only cost the city a huge stream of income but also ended up requiring the city to pay to park its own vehicles in garages it had sold.

The authors are not opposed to privatization, done correctly. Among their recommendations to improve Chicago’s financial performance, Bachrach and Berg propose transferring some city facilities and properties to the private sector. For example, they recommend selling hotels owned by the city and repurposing money-losing convention halls at McCormick Place, leaving Lakeside Center as the only city-owned convention center.

Comparing Cities

The book could easily be used as a college textbook on city management in a political science department. In one volume, the authors collect information and analysis about the key issues with which Chicago is grappling. It explains them simply and succinctly but comprehensively and in detail.

The book offers some details on how the country’s larger cities have solved some of the same problems Chicago faces, and how some have done just as poorly.

For example, Bachrach and Berg say Indianapolis has a relatively weak city council, allowing one mayor to build a sports arena without first securing a major sports franchise. Another Indianapolis mayor sold a parking concession, following Chicago’s example.

Costly Government Schools

Much of the book focuses on problems with the city’s school system. The government schools’ student population has declined by 13 percent since 2003, but the budget has remained the same. Charter schools have been implemented successfully, with 57,000 students enrolled, out of a total student population of more than 350,000. Illinois is one of the few states that allow teachers to strike. Among the other 15 largest U.S. cities, only Philadelphia is in a state that allows strikes.

The city’s greatest problem is unfunded pensions and other benefits for teachers and other unionized employees, say Bachrach and Berg. The city has entered into collective bargaining agreements for compensation and benefits it does not have the money to pay. Chicago taxpayers now owe $41.9 billion for pensions.

Proposing Fundamental Reforms

Bachrach and Berg suggest there is a better future for Chicago if the city’s leaders and voters are willing to invest heavily in new ideas. They lay out specific recommendations for the creation of a new city charter that would address the imbalance between the executive powers of the mayor and the legislative powers of the city council.

Bachrach and Berg say the city council must become completely independent of the mayor. The council must be structured to focus on big-picture, citywide policies and develop its own ability and authority to study issues in support of legislative decision-making.

Unfortunately, charter reform is difficult under Illinois law. Chicago’s city charter dates to 1863. Most of the changes in city government since then have been adopted by the city council through its ordinance-making power. Unlike other major American cities, say the authors, the voters of Chicago cannot initiate, and do not vote on, changes in the city’s government, making reform even more difficult.

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