San Francisco Voters Reject Airbnb Crackdown

By Kimberly Morin

San Francisco residents rejected a ballot measure to impose new restrictions on Airbnb and other peer-to-peer short-term rental services in the city.

The proposal, Proposition F, would have required Airbnb hosts to file quarterly activity reports with the San Francisco City Planning Department and would have limited homeowners to host Airbnb guests for no more than 75 days per year.

Regulators for More Regulations

Ian Adams, a senior fellow with the R Street Institute, says regulators are intent on expanding their authority.

"Regulators are so eager to bring about regulations on Airbnb," Adams

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HUD Proposes Ban on Smoking, E-Cigs in Public Housing

By Luke Karnick

The U.S. Department of Housing and Urban Development is proposing a ban on smoking in all taxpayer-funded housing apartments in the country.

The final Housing and Urban Development (HUD) rule may also include a ban on e-cigarette use in public housing.

Not the People’s House

William Anderson, a professor of economics at Frostburg State University, says the proposed rule goes too far.

“Even more than tobacco, this is a true 'gateway' issue, because if you can get away with banning tobacco, then you can get away with reading material. What about who you vote for? What if someone votes the wrong way?"

BAN, p. 4
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Ohio Lawmaker Proposes Workplace Freedom Bill

By Tony Corvo

A Ohio lawmaker is proposing a bill that would prohibit employers from requiring union membership as a condition of employment in private-sector businesses.

Currently, workers in some workplaces are required to join or contribute money to unions, regardless of whether they wish to be represented by a union.

Competing for Job Investments

State Rep. Tom Brinkman (R-Mount Lookout) says increasing workers’ economic freedom improves a state’s economic competitiveness.

“It is very important to be competitive when it comes to jobs, and Ohio has not built a multimillion-dollar factory, probably since Honda back in the 1970s and 1980s,” Brinkman said. “We are increasingly seeing big factories go to South Carolina and Alabama and other right-to-work states. Statistics show that since Michigan has passed right-to-work, their private-sector job growth has been seven times that of Ohio, in less than a year.”

Brinkman says right-to-work laws improve the economic outlook for union members.

“Competition is always good, and right-to-work adds a level of competition,” Brinkman said. “Right-to-work may say to a union, ‘Hey, you need to represent your people better, or they will not join the union or go to another union.’ Unions will have to compete. They will have to provide a service and a benefit for their members.”

Brinkman says now is the time to create workplace freedom in Ohio.

“Our neighboring states are starting to see the benefits of right-to-work, and I just don’t think Ohio can wait too long,” Brinkman said. “Businesses are making plans. Factories have to make decisions, and if we wait too long for this, within two, three, four years, those job sites are going to go to our neighboring states. ... I think the time is now, and we just can’t afford to wait years to see how it plays out.”

“Competition is always good, and right-to-work adds a level of competition. Right-to-work might say to a union, ‘Hey, you need to represent your people better, or they will not join the union or go to another union.’ Unions will have to compete.”

Tom Brinkman
State Representative
Mount Lookout, Ohio

‘A Personal Choice’

Aparna Mathur, a resident scholar in economic policy studies at the American Enterprise Institute, says workplace freedom laws give workers more choices and flexibility.

“I believe it’s good to have right-to-work laws, because it allows people who think there is a union wage premium to belong to a union, but if some people value flexibility instead, they are free to choose or not choose union membership as a personal choice,” Mathur said.

More Choices

Mathur says right-to-work laws are all about giving workers more choices and freedom.

“In states that have right-to-work laws, union membership is going down because it is not being forced on workers, but that suggests to me that people are weighing the benefits of union membership,” Mathur said. “If they see benefits, they would choose to be part of the union in states where they have a choice.”

Brinkman says right-to-work laws are an inherently American concept.

“America is about competition, and we should revel in it,” Brinkman said. “That’s what I’m trying to do with this bill.”

Tony Corvo (tcorvo54@gmail.com) writes from Beavercreek, Ohio.

“Ohio Lawmaker: Now Is Time For Right To Work,” Jessie Balmert, Cincinnati Enquirer, August 18, 2015
Providence, Rhode Island residents are seeking a referendum to enact an ordinance that would prohibit taxpayer subsidization of sports stadiums. Residents successfully defeated a plan to stick state taxpayers with a bill for stadium construction in April. Facing public opposition to a plan that would divert $120 million in state tax revenues to building a new stadium for the Pawtucket Red Sox, a local minor-league baseball team, team owner Larry Lucchino announced the team would move to another city.

Taxpayer Opposition
Victor Matheson, a professor of sports economics at College of the Holy Cross, says opposition to public funding for privately owned sports teams is more common than many people think.

“It is not unusual for organized opposition to exist,” Matheson said. “Nearly all stadium proposals have some level of opposition. It is just unusual for it to be so successful.”

Matheson says the boost in attendance and revenue spurred by a new stadium tapers off quickly, leaving owners looking for handouts from the government to cover their expenses.

“A new stadium, whether located in Pawtucket or Providence, would likely result in a temporary increase in attendance and an increase in ticket prices,” Matheson said. “Past new AAA stadiums raise attendance by 2,200 per game in the first year. By year 10, the attendance bump is down to 250 per game, [or a] 88,000 total bump over 10 years. This is a fraction of the financing costs for building a new stadium, and hence the request for a big public handout.”

Reshuffling Entertainment Spending
J.C. Bradbury, an economist and associate professor at Kennesaw State University, says sports stadium subsidies don’t create new economic activity.

“There is little reason to expect anything more than a reshuffling of entertainment dollars within a community that brings in a minor league team,” Bradbury said. “If a locality wants to fund a team to feel better about itself, that’s fine. Just don’t expect a financial windfall.”

Bradbury says economists generally agree subsidizing privately owned sports stadiums is a poor use of taxpayer dollars.

“In general, most economists believe that minor league baseball is mainly attended by locals, so what goes on is mainly shifting entertainment spending,” Bradbury said. “Obviously, some people come into town even for minor league baseball so there will be some positive impact. … Of course, the same thing could be said about almost every business in town. Unless governments want to get into the business of subsidizing every type of business, minor league sports stadiums don’t seem particularly deserving.”

Michael Bates (blog@batesline.com) writes from Tulsa, Oklahoma.

What are the economic, ethical and legal principles of a free society?
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HUD Wants Ban on Smoking, E-Cigs in Public Housing
Continued from page 1

with banning a lot of other kinds of behavior or actions,” Anderson said.

“The list is endless. The term they use is ‘managerial state,’ but I think this goes beyond that. This is out-and-out bureaucratic control. And this particular administration, the Obama administration, sees no limits at all to their power.”

Unjustified Rulemaking
Jeff Stier, a senior fellow at the National Center for Public Policy Research, says banning e-cigarettes in public housing is unjustifiable.

“The only justification for such an intervention would be the health of other people,” Stier said. “I can understand why one might think we should ban smoking in public housing, because of secondhand exposure. When it comes to e-cigarettes, there is no secondhand smoke. In fact, there isn’t even any firsthand smoke. There’s no combustion. The ambient exposure presents no risks whatsoever, even for long-term exposure to so-called ‘secondhand vapor.’”

Stier says banning e-cigarettes would actually undermine people’s health by discouraging a safer alternative to tobacco use.

“If you have some of our most vulnerable population in public housing, and they’re interested in reducing their risk by switching to e-cigarettes, it would be ill-advised to make it more difficult for them to switch,” Stier said.

Luke Karnick (lkarnick@yahoo.com) writes from Indianapolis, Indiana.

“Even more than tobacco, this is a true ‘gateway’ issue, because if you can get away with banning tobacco, then you can get away with banning a lot of other kinds of behavior or actions.”

WILLIAM ANDERSON, FROSTBURG STATE UNIVERSITY
China Grove, North Carolina Council Bans Smoking in Government Facilities

By Tony Corvo

Lawmakers in China Grove, North Carolina have imposed a ban on tobacco use in all government-owned buildings and parks.

The new ordinance, which took effect on November 3, applies to “any local government-owned building or park owned, leased, occupied, or operated by the Town of China Grove,” carrying a $50 fine for violations. The ban does not apply to e-cigarettes.

Slippery Slope Effect

Aeon Skoble, a professor of philosophy at Bridgewater State University, says lawmakers often feel an obligation to jump down the slippery slope of imposing bans for behavior they think is harmful.

“It’s a natural progression of the idea that government action is necessary to resolve all social problems,” Skoble said. “Indoor smoking bans lead to outdoor smoking bans.”

The problem is even though there’s some evidence that smoking creates dangerous levels of pollutants for nearby nonsmokers indoors, there’s much less reason to think that dispersed cigarette smoke outdoors is more harmful than, say, a passing truck,” Skoble said.

Study: Youth E-Cig Bans Increase Smoking Rates

By Leo Pusateri

A Yale University researcher has found a link between bans on e-cigarette use by youth under age 18 and increases in underage cigarette smoking rates.

The study, authored by Abigail Friedman, an associate professor of public health at Yale, contradicts government-sponsored studies suggesting e-cigarettes are a “gateway drug” to cigarettes among the underage population.

Not Comparable Goods

Dr. Gilbert Ross, executive director of the American Council on Science and Health, says e-cigarette use is a much healthier alternative for tobacco users.

“Under no circumstances can vaping be comparable in harm or risk to smoking combustible cigarettes,” Ross said. “The current mantra is e-cigs are 95 percent safer than cigarettes. It could be 99 percent, just as easily.”

Unintended Consequences

Ross says hastily written regulations often lead to unintended consequences similar to those found in the Yale study.

“I would advise government at all levels, including regulators, to avoid overregulating products just for the sake of regulation,” Ross said. “Regulation which leads to restrictions on use and production of safe and useful products must be based on sound science. If there is no science indicating a risk, then do not regulate.”

Robert West, a professor of health psychology at the University College–London’s Health Behavior Research Centre, says regulating things based on possible risks, instead of actual risks, makes for harmful and ineffective policies.

“Some very vocal public health advocates argue that we should regulate e-cigarettes out of existence on the precautionary principle, just in case they undermine tobacco control in the future,” West said. “This study needs careful examination to assess the veracity of its claims, but it serves as a reminder that this principle works both ways.”

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

Smoke and Sensibilities

Mitch Kokai, director of communications for the John Locke Foundation, says banning smoking in parks and other outdoor recreational areas is more about protecting people’s feelings than their health.

“It really comes down to an offense to some people’s sensibilities,” Kokai said. “Rather than put people through the horror of having to watch someone else smoke, these government leaders decide to go ahead and make it illegal to do so.”

Kokai says outdoor smoking bans often lead to more intrusive bans.

“Regulation which leads to restrictions once you have some restrictions in place,” Kokai said. “Prohibition works in other areas of life, and I think those who are pushing for this overall goal of banning smoking are picking areas where it seems least objectionable and moving from there.”

“I think you certainly see that it’s easier to contemplate those additional restrictions once you have some restrictions in place,” Kokai said. “Prohibition works in other areas of life, and I think those who are pushing for this overall goal of banning smoking are picking areas where it seems least objectionable and moving from there.”
Lawmakers Draw Up Impeachment Charges for IRS Commissioner

By Elizabeth BeShears

Lawmakers on the U.S. House Oversight and Government Reform Committee have drawn up charges to impeach Internal Revenue Service (IRS) Commissioner John Koskinen.

Beginning in 2010, employees of the IRS’s Exempt Organizations division, supervised by former Division Director Lois Lerner, violated agency policies by singling out organizations for enhanced audits based on a group’s name or policy positions, intending to impede conservative organizations’ ability to receive tax-exempt donations in the run-up to the 2012 elections.

Cover-Ups and Accountability

U.S. Rep. Jim Jordan (R-OH), who serves on the House Oversight committee, says Koskinen impeded justice by helping to hide Lerner’s illegal activities.

“There were 422 backup tapes that were destroyed while [Koskinen] was commissioner, containing potentially 24,000 e-mails,” Jordan said. “So he didn’t preserve all the documents. He didn’t produce all the documents, because if you’ve destroyed the tapes and 24,000 e-mails, there’s no way to know that you’ve given all the documents that we need to get to the truth and fully investigate this.

“For all these reasons, we think someone should be held accountable, and the commissioner was presiding over the agency when all this took place,” Jordan said.

‘Most Fundamental Right’

Jordan says Americans’ constitutional rights were violated by the IRS, which he says became a runaway agency with excessive power over people’s lives.

“Think of what the IRS did,” said Jordan. ‘They went after American citizens’ most fundamental right: your right under the First Amendment to speak and to speak in a political fashion,’ Jordan said. ‘That’s what they targeted. That’s why I’ve been pushing as hard as I can for so long, because it doesn’t get any more basic than this.”

Letting Lerner Loose

Hans von Spakovsky, a senior legal fellow with The Heritage Foundation, says the Obama administration erred when it decided to let Lerner off the hook.

“Criminal prosecution can only be done by the U.S. Department of Justice,” von Spakovsky said. “They’ve decided not to do that. I actually think that’s a mistake. That decision was clearly a political decision. It was not a decision based on the evidence.”

Impeachment is a valid tool for removing abusive public officials, von Spakovsky says.

“I think there was sufficient evidence to prosecute Lois Lerner, but Congress cannot prosecute in the courts,” said von Spakovsky. “Only the executive branch can do that. The one tool they were given by the Constitution is to impeach [and potentially] remove bad public officials in the executive branch.”

Elizabeth BeShears (liz.erob@gmail.com) writes from Trussville, Alabama.

Sarasota, Florida Lawmakers Deregulate Taxicab Services

By Leo Pusateri

Sarasota, Florida lawmakers voted unanimously to deregulate the city’s taxicab industry, one month after voting to remove government restrictions on peer-to-peer economy transportation services such as Uber and Lyft.

When debating the deregulation proposal, government officials were unable to recall why the taxicab industry had been regulated in the first place.

Cure Worse Than Disease

Michael Farren, a research fellow with the Mercatus Center’s Project for the Study of American Capitalism, says government consumer regulations can do more harm than good.

“It is completely possible for a regulation or law to create worse harm than the problem it is trying to solve,” Farren said. “It’s important to consider the possibility of government failure as well as market failure. The problem with regulations is that they generally do a poor job of getting it right because the necessary information to craft the exactly correct regulation doesn’t exist [or] the regulation is generally not dynamic and able to respond to new information and circumstances.”

Historical Examples

Farren says history has shown deregulation causes improvements for consumers. “Airline, railroad, and trucking deregulation in the late 1970s and early 1980s provide some excellent examples of how when the government stopped heavy-handed regulation of those industries, there were enormous subsequent gains in the amount of value they created for customers,” Farren said. The Madison Institute, says freer markets can make government regulatory boards obsolete. “Free markets provide for the greatest protection for consumers because competition breeds quality,” Nuzzo said. “Market participants competing for your patronage have two ways to succeed: lower costs and higher quality.”

Nuzzo says consumers are the winners when businesses have to compete on a level playing field. “Regulations are oftentimes pursued by existing market players in an attempt to stifle competition and keep new providers from entering the market,” Nuzzo said. “Free markets encourage competition through the fundamental forces of supply and demand.”

Leo Pusateri (psycheistr@fastmail.fm) writes from Saint Cloud, Minnesota.
Pennsylvania Lawmakers Propose Horse-Racing Subsidy

By Gabrielle Cintorino

Pennsylvania lawmakers are proposing a bill that would subsidize the state’s multibillion-dollar horse-racing industry by paying for horse racers’ compliance costs with money from consumers visiting the state’s government-approved casinos.

The bill, Senate Bill 352, would reallocate money from the Pennsylvania Race Horse Development Fund (PRHDF) to the nearly empty State Racing Fund, paying for two state regulatory boards’ operations and racehorse owners’ drug testing fees.

Since 2001, state tax revenue from horse races has declined by 65 percent. Wagering volume has declined by 71 percent over the same period.

Horses and Handouts
Bob Dick, a policy analyst for the Commonwealth Foundation, says the bill is a taxpayer-funded bailout.

“Rather than handing out special subsidies to favored industries, lawmakers could cut corporate welfare and use the savings to lower Pennsylvania’s corporate tax rate, which is one of the highest in the industrialized world. The racing fund has been bailed out in the past, and there’s no guarantee another infusion of cash, even on a permanent basis, will keep it solvent in the future.”

Saying ‘Neigh’ to Bailouts
Dick says private businesses should work together to regulate themselves, instead of leaving taxpayers holding the feed bag.

“Having the industry pay for its own regulations is a much better alternative [than] sticking taxpayers with the bill,” Dick said.

Frank Gamrat, a senior research associate at the Allegheny Institute for Public Policy, says using general fund revenues to bail out the declining horse-racing industry is an unacceptable option.

“SB 352 proposes that funding to support the Race Horse Industry Reform Act come from three sources … the State Racing Fund, the PRHDF, and, if those two are not sufficient, the general fund,” Gamrat said. “Thus, the general fund is being used as a backstop for the industry. If the industry is not self-sustaining, it should find ways to cut costs or raise its own revenues.”

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

“Rather than handing out special subsidies to favored industries, lawmakers could cut corporate welfare and use the savings to lower Pennsylvania’s corporate tax rate, which is one of the highest in the industrialized world.”

BOB DICK, POLICY ANALYST, COMMONWEALTH FOUNDATION

Portland, Maine Lawmakers Dial Up Taxpayer-Funded Internet Service

By Andrea Dillon

Lawmakers in Portland, Maine are proposing to create a taxpayer-funded Internet service, an “open access fiber network” for residents, by expanding existing government networks to cover the entire city.

Repeating History
Steve Pociask, president of the American Consumer Institute, says taxpayer-funded Internet service leads to higher tax bills.

“I think the thing that consumers need to know, is that when you look at all the empirical evidence, time and time again the public provision of private goods such as broadband services seems to lead to unprofitable operations,” Pociask said. “When that happens, that means they push to recover the losses to taxpayers or other public services. As some examples, you’ll see fees attached to your water or your electricity or other municipal fees or to bonds. So, rarely are these things even close to profitable.”

Unsatisfied Consumers
Pociask says meeting consumers’ demands just isn’t in the government’s “code.”

“When you look at it, these companies lack the incentive to maximize revenues and satisfy consumers,” Pociask said. “Just go to the state DMV and see how long the lines are.”

‘The Broadband Wagon’
Frank Conte, communications director of the Beacon Hill Institute, says lawmakers should give up on the idea of building taxpayer-funded broadband networks.

“I don’t think it’s a wise move at all,” Conte said. “I think government tends to get on the broadband wagon at the wrong time, and it has no way of keeping up with either the infrastructure that it seeks to maintain or the changing technology.”

Core Competencies
Conte says lawmakers should ensure government sticks to its core responsibilities. “I think the city government ought to concentrate on what it does well: public safety, [a] basic level of public education, [and] road and highway maintenance,” Conte said. “I think that for them to get into this risky business is questionable.”

Markets, not governments, are good at filling consumers’ needs, says Conte.

“It seems that government will fail in judging what consumers really want,” Conte said. “If you have a private monopoly provider, the answer is to introduce more competition. This should all go back to the fact that government provision of some goods is always inferior to what the private market can provide.”

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

INTERNET INFO

State Lawmakers Call Foul on Daily Fantasy Football

By Gabrielle Cintorino

Lawmakers are reviewing the legal status of daily fantasy sports competitions in several states in order to determine whether popular services such as DraftKings and FanDuel are permitted by state gambling laws.

Daily fantasy sports (DFS) services allow players to compete online by selecting professional athletes for their fictional teams and comparing real-world performance statistics over an agreed-upon period of time. Players whose teams achieve the best results often win prizes or cash.

Legal reviews of pay-to-play DFS have been started by lawmakers in Maryland and Ohio, and lawmakers in Michigan, Minnesota, and Pennsylvania have introduced or announced plans to introduce bills addressing the legality of DFS services. In New York, state Attorney General Eric Schneiderman declared DFS competitions to be a form of “illegal gambling” under the state’s laws. DFS companies have challenged the ruling in state court.

‘It’s Going to Happen’

Michelle Minton, a consumer policy fellow at the Competitive Enterprise Institute, says prohibition and restrictions send consumers into risky underground markets.

“Whether or not fantasy sports betting is legal, it’s going to happen,” Minton said. “When online gambling was largely considered illegal in the United States, Americans still spent billions of dollars wagering on websites operated overseas. That’s what will happen if daily fantasy sports betting is thrown back into the black market: Most will continue to play online but in a much less secure environment.”

Minton says DFS competitions are games of skill and knowledge.

“The classic fantasy sports game, where you choose a lineup of players, most certainly is a game of skill, and the more knowledge of the players and teams you have, the more likely you are to win,” Minton said.

Showdown in New York

Daniel Wallach, a sports law attorney with Becker and Poliakoff, a commercial law firm based in Fort Lauderdale, Florida, says the outcome of New York regulators’ war on fantasy football will have consequences for sports fans across the nation.

“If [DFS] loses New York, it could potentially lose a lot more,” Wallach said. “In New York, it is fighting for existence.”

“New York is the financial center of the world and home to pro sports leagues,” Wallach said. “Being forced out of New York could create a ripple effect throughout the industry and with the daily fantasy sports business partners.”

Institute, says prohibition and restrictions for law enforcement and helps lead to situations where money may not be being spent efficiently or correctly.”

Calls for More Reforms

There are efforts in process to reform the state’s criminal justice laws and decrease these negative incentives, Skorup says.

“Michigan has passed a package of laws recently that allow more transparency for forfeited funds, but the next steps are to send the money to the local departments that seize the assets,” Skorup said. “That causes misaligned incentives for law enforcement and helps lead to situations where money may not be being spent efficiently or correctly.”

“Documents obtained through public records requests and lawsuits reveal that local police have hidden their use of this surveillance technology. The secrecy is disturbing.”

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Mich. Police Buy Snooping Tools with Seized Cash

By Matt Hurley

Public records obtained by the American Civil Liberties Union reveal the Michigan State Police has used civil asset forfeiture revenues to purchase electronic surveillance equipment to monitor and track individuals’ locations and cell phone records.

Asset Seizures for Stingrays

In 2013, the Michigan State Police (MSP) used proceeds from assets seized from citizens believed to have committed crimes to purchase “surveillance and counter-surveillance equipment and supplies” from a Florida defense contractor business. MSP purchased the equipment to upgrade the police agency’s electronic surveillance apparatus, which was originally purchased in 2006 with counterterrorism grant money received from the U.S. Department of Homeland Security.

Among MSP’s purchases were suitcase-sized electronic surveillance equipment called Stingrays, designed to trick cell phones into revealing private personal data, such as call histories and text message logs.

Melissa Ngo, a privacy and information policy consultant and former senior counsel and director of the Electronic Privacy Information Center’s Identification and Surveillance Project, says Stingrays violate citizens’ privacy in many different ways.

“The Stingray and similar cell phone surveillance technologies are extremely invasive,” Ngo said. “They simulate a cell phone tower so that nearby mobile devices will connect to it and reveal their location, text messages, and other personal information. They can even record voice conversations. This is not directed toward one suspect’s cell phone. The surveillance technology [can] scoop up data on everyone within its range, so innocent people’s private information is gathered, too.”

‘Disturbing’ Secrecy

Ngo says law enforcement agencies often try to hide their mass invasions of privacy.

“Documents obtained through public records requests and lawsuits reveal that local police have hidden their use of this surveillance technology,” Ngo said. “The secrecy is disturbing. Stingray surveillance technology vacuums up data on any cell phone within its range, so innocent people’s data is gathered. We don’t know when they’re using this technology, what they’re doing with the personal data gathered from innocent people, [or] how long they’re keeping everyone’s private information.”

Bad Incentives

Jarrett Skorup, a policy analyst with the Michigan-based Mackinac Center for Public Policy, says the state’s current civil asset forfeiture laws encourage bad behavior.

“One major problem with forfeiture in Michigan is that 100 percent of the proceeds go back to the local departments that seize the assets,” Skorup said. “That causes misaligned incentives for law enforcement and helps lead to situations where money may not be being spent efficiently or correctly.”

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There are efforts in process to reform the state’s criminal justice laws and decrease these negative incentives, Skorup says.

“Michigan has passed a package of laws recently that allow more transparency for forfeited funds, but the next steps are to send the money to the general fund and require a conviction before assets can be transferred over to the state,” Skorup said.

Matt Hurley (wmdtvmat@yahoo.com) writes from Cincinnati, Ohio.
CFPB Expands Into College Education Accreditation

By Andrea Dillon

Federal banking regulators are expanding the power of the Consumer Financial Protection Bureau (CFPB), demanding records and testimony from higher-education accreditation agencies as part of an investigation into possible "unlawful acts and practices in connection with accrediting for-profit colleges."

CFPB was created by the Dodd-Frank Wall Street Reform and Consumer Protection Act to advocate for consumers.

No Oversight

Diane Katz, a senior research fellow in regulatory policy with The Heritage Foundation, says CFPB's quest to expand its regulatory reach is nearly unstoppable.

"CFPB is, you know, perhaps one of the most powerful agencies that has ever been created," Katz said. "The problem is that there is no accountability or oversight by Congress. Their funding comes straight from the Federal Reserve, and it's set in statute that funding comes straight from the Fed-

"They are also maintaining an enormous database of information on virtually every credit transaction by consumers," Katz said. "By cross-referencing the different types of information they are collecting, it is easy to identify individuals. It is antithetical to the very notion of consumer privacy."

No Safeguards for Consumers

Brian Wise, a senior advisor with the U.S. Consumer Coalition, says CFPB is almost completely unaccountable to anyone.

"The CFPB is unique," Wise said. "Congress doesn’t have the power of the purse over this agency. So, literally, when [Director Richard] Cordray goes to Congress to [give] his semiannual reports, it’s more out of a courtesy. It has nothing to do with control or accountability.”

Wise says CFPB is a growing threat to individual freedom.

"They have given themselves this power, and that is one of the biggest threats that the CFPB poses to consumer choice and freedom, that they are able to almost unilaterally expand their jurisdiction because there is nobody that is able to check that increased power," Wise said. "They don’t fall under the U.S. Congress appropriations process, and there is really no oversight or accountability for their actions.”

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

INTERNET INFO


Economics in Plain English

Choice

Cooperation, Enterprise, and Human Action

Robert P. Murphy

"Economics is never a dismal science when Robert Murphy writes about it. The wisdom of one of the finest economists of all time, Ludwig von Mises, comes alive in Murphy’s excellent volume, Choice. . . . [This book] stands on its own merits as a superbly accessible discourse on the most relevant social science of our time.”

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“It’s an affront to a free society to say that police should have carte blanche to steal citizens’ property. If it is true that civil forfeiture is used only to thwart criminals, then why wouldn’t police agree to a change requiring at least an arrest before property can be seized?”

JUSTIN OWEN, CHIEF EXECUTIVE OFFICER, BEACON CENTER OF TENNESSEE

Tenn. Lawmakers Hold Hearings on Civil Asset Forfeiture Reform

By Matt Hurley

Tennessee lawmakers are holding legislative hearings about civil asset forfeiture reform, learning more about how the law enforcement practice may infringe on citizens’ due process and private property rights.

In October, the State Senate Judiciary Committee heard testimony from experts both favoring and disapproving of reforming civil asset forfeiture laws. One witness, West Tennessee Drug and Violent Crime Task Force prosecutor Steve Jones, claimed, “If you do away with asset forfeiture, the criminals will thank you.”

“Ultimately, by saying that reforming the law is akin to siding with the criminals, law enforcement is admitting that it would rather seize cash and property than arrest criminals for their actions,” Owens said. “Therein lies the perversion of policing for profit.”

‘Serious Questions’

Adam Bates, a policy analyst at the Cato Institute’s Project on Criminal Justice, says people should be concerned about Tennessee’s opaque civil asset forfeiture program.

“When you have the government taking property from people without charging them with or convicting them of a crime and not even aggregating and revealing the extent of this practice, it raises serious questions about the appropriateness of the practice,” Bates said. “It’s laughable to suggest that protecting due process and private property rights is some kind of surreptitious attempt to benefit criminals.”

Principles of Reform

Justin Owen, chief executive officer at the Beacon Center of Tennessee, says the state’s asset forfeiture laws are at odds with good-government goals, such as accountability and transparency.

“It is impossible to know how much property is being seized under the state’s civil forfeiture laws, because law enforcement is not obligated to track and report that information,” Owen said. “A key component of any reform should be to shine light on this practice, so that we can truly know how much property is being seized and from whom.

“It’s an affront to a free society to say that police should have carte blanche to steal citizens’ property,” Owen said. “If it is true that civil forfeiture is used only to thwart criminals, then why wouldn’t police agree to a change requiring at least an arrest before property can be seized?”

Owens says he disagrees with Jones’ suggestion protecting citizens’ property rights benefits criminals.

“Ultimately, by saying that reforming the law is akin to siding with the criminals, law enforcement is admitting that it would rather seize cash and property than arrest criminals for their actions,” Owens said. “Therein lies the perversion of policing for profit.”

‘Run Roughshod Over’ Rights

Bates says reforming civil asset forfeiture is a moral imperative for lawmakers.

“If a person is engaged in criminal behavior, then let the state prove it to a jury beyond a reasonable doubt, in accordance with the values of a free society,” Bates said. “To simply skip all of that, take their stuff, and refuse to ever present the case to a jury may make it easier for law enforcement to hurt criminals, but it also makes it unacceptably easy for the government to run roughshod over the rights of innocent people.”

Matt Hurley (wmdtvmatt@yahoo.com) writes from Cincinnati, Ohio.

San Francisco Voters Reject Proposed Airbnb Crackdown

Continued from page 1

said, “When you’ve got a product that’s far more transparent than traditional situations, or even hotels to a certain extent, you have confidence mechanisms in the form of online reviews that are consistently vetted and re-evaluated. Airbnb, at the end of the day, has a huge incentive to self-regulate, unlike a hotel and unlike someone who is renting long-term.”

Housing Crunch

Adams says San Francisco’s restrictive housing and zoning policies, not Airbnb, are causing problems for consumers searching for a new home.

“The housing situation in San Francisco right now is really unique,” Adams said. “The message proponents of the ballot initiative were trying to send ... was essentially a social justice narrative, which was to say, ‘If you vote against Prop F you are voting to punish people who are renters, because this will lead to fewer homes on the market and the need for stricter controls.’”

Restricted Supply

Benjamin Powell, a senior fellow with the Independent Institute, says Airbnb’s growth can actually help solve the city’s housing crisis.

“I think people in San Francisco and the Bay Area in general have a desire for affordable housing, but what they don’t have is a tolerance for residential development,” Powell said. “As a result, the supply of housing is restricted, and that jacks up prices.”

Homeowners, Consumers Win

“On the margin, [Airbnb] does something to make housing slightly more affordable, without actually building something,” Powell said. “It lowers their cost of ownership. On the margin, it helps make their homes more affordable, if they recover some of the costs with Airbnb.”

Powell says increased competition and freer markets are good for everyone, not just San Francisco homeowners.

“Airbnb is good for competition, not just for housing affordability, but [also] for hotel rental affordability, both in choice and price,” Powell said. “We’ve certainly seen the pressure that Uber has put on taxicabs in many markets across the country, and it would be a good thing if Airbnb does this for hotels.”

Kimberly Morin (kimberlyamorin@gmail.com) writes from Brentwood, New Hampshire.

INTERNET INFO

Ky. Commissioners Pull Plug on Proposed Netflix Tax

By Matt Hurley

Kentucky commissioners have ruled popular streaming video services such as Netflix are different from cable television companies or over-the-air broadcast television stations and should therefore be exempt from the state’s gross revenue and excise taxes on satellite broadcast and wireless cable services.

The Kentucky Board of Tax Appeals ruled Netflix and other similar services are not “generally considered comparable to programming provided by a television broadcast station,” denying the state Department of Revenue’s demand to be allowed to use existing state tele-communications tax laws to collect revenue from Netflix.

Virtual Headaches

Steven Titch, a telecommunications policy analyst for The Heartland Institute, says “Netflix taxes” hurt consumers and create legal headaches for lawmakers. “Beyond the general principle that taxation places an additional cost burden on both the consumer and service provider, … taxing cloud-based services also creates jurisdictional problems,” Titch said. “A Netflix subscription is portable. A subscriber can use it anywhere there is an Internet connection. So if I watch a good portion of Netflix videos while I’m traveling outside my city or state, what claim does the city have on that transaction?”

Consumer ‘Backlash’

Netflix taxes may be popular with lawmakers, but they’re understandably unpopular with voters, Titch says. “Legislators may try, but they could face backlash for the reasons [already mentioned],” Titch said. “Because cloud services are virtual, there’s no telling where or when they might be used by the consumer. Like online retailing, it’s arguable that state and local legislators have no legitimate claim on the transaction.”

Pam Villarreal, a senior fellow with the National Center for Policy Analysis, says discriminatory taxes such as the Netflix tax proposed by the Kentucky Department of Revenue spread their harm unevenly. “Excise and discriminatory taxes such as these are regressive and tend to hurt lower-income households the most,” Villarreal said. “When you look at the taxes imposed on other technologies, such as voiceover and cable TV, the taxes and fees have become numerous and excessive.”

Making entertainment more expensive has a disparate impact on those who can least afford to pay up, Villarreal says. “For instance, in my state, Texas, which has some of the highest effective tax rates in the country on phone and cable services, the typical landline phone bill is about 25 percent taxes and a cable TV bill is about 14 percent taxes,” Villarreal said. “The ability to tax Internet services would make a fairly affordable technology for all more and more expensive and open the door to numerous taxes and fees. These hit lower-income households the hardest.”

Matt Hurley (wmdtvMatt@yahoo.com) writes from Cincinnati, Ohio.

Tampa Bay NFL Team Seeks State Tax Subsidy

By Gabrielle Cintorino

The Tampa Bay Buccaneers, a privately owned National Football League team, is requesting millions of taxpayer dollars to fund planned renovations to Raymond James Stadium.

Each year, the team receives $26 million in county sales tax revenue and $2 million in state taxpayer money. If state lawmakers approve the new request, the Buccaneers would receive an additional $1 million per year from Florida taxpayers.

Growing Problem

Will Freeland, a research analyst for the American Legislative Exchange Council, says taxpayer subsidization of privately owned sports teams has become a worsening problem. “Before World War II, 28 major sports facilities were built, but only five were paid for in part with taxpayer subsidies,” Freeland said. “Since World War II, there’s been 140 sports stadiums built or refurbished, and only 14 didn’t use taxpayer dollars.”

Instead of picking winners and losers, Freeland says state lawmakers should make every business a winner with tax reform. “States would be better off if they improved their tax codes instead of offering one or two businesses a special sweetheart deal,” Freeland said. “There’s no reason to give them deals.”

‘Politicians in Their Cheerleader Outfits’

Mark Soskin, an associate professor of economics at the University of Central Florida, says sports subsidies are more about appealing to politicians’ vanity than promoting economic growth. “You need a big wad of taxpayer cash to bribe—oops, I mean encourage—a company or sports team to locate or not move away,” Soskin said. “How much? The blackmail amount is always at least as great as any possible benefits to the local area, and every city in the nation bids on the tiny handful of companies willing to move, most of which don’t really plan to relocate but are only using these offers to hold up their current patsy cities for more tax money ‘incentives.’”

Economic Ransom

Soskin says demands for sports subsidies are similar to ransom demands. “Making entertainment more expensive has a disparate impact on those who can least afford to pay up, Villarreal says. “For instance, in my state, Texas, which has some of the highest effective tax rates in the country on phone and cable services, the typical landline phone bill is about 25 percent taxes and a cable TV bill is about 14 percent taxes,” Villarreal said. “The ability to tax Internet services would make a fairly affordable technology for all more and more expensive and open the door to numerous taxes and fees. These hit lower-income households the hardest.”

Matt Hurley (wmdtvMatt@yahoo.com) writes from Cincinnati, Ohio.

INTERNET INFO

Lawmakers in Santa Ana, California Allow Ban on Airbnb to Expire

By Michael Bates

By allowing a temporary ban on Airbnb transactions to expire, Santa Ana, California lawmakers have legalized the peer-to-peer economy company, as well as others like it, in the city.

The Santa Ana City Council voted unanimously to reject the Santa Ana Planning and Building Agency’s recommendation of extending the city’s ban on short-term housing rentals until formal rules could be drafted. Under California law, expired moratoria cannot be re-enacted later.

The local hospitality service workers union, Unite Here Local 11, was one of several special-interest groups supporting the Airbnb ban.

Battling for Markets

Peter Klein, professor of entrepreneurship at Baylor University, says Santa Ana is just one battlefront in the larger ongoing war between established companies and new businesses.

“What we’re seeing with Airbnb is not unique to room-sharing,” said Klein. “It fits into the larger pattern of disruptive innovation that comes from the outside and attempts from the dominant incumbents to prevent themselves from being disrupted.”

‘Naked Self-Interest’

Klein says established players in a market often use the law to protect themselves from competition and innovation.

“It’s very common for established companies to hide behind some public-spirited rationale for something that’s really in their own naked self-interest,” Klein said. “They make it sound like they’re concerned for the well-being of society, when it’s really a kind of protectionism, protecting themselves against competition.”

Klein says most complaints about Airbnb are already addressed by existing laws restricting public nuisance behavior.

“My suggestion is that this should be handled like any other neighborhood problem,” Klein said. “If your neighbor is playing music too loud, you might handle it one-on-one, you might go through the neighborhood association, you might file a police report for disturbing the peace, … but almost no one would say that Congress or the state or the city needs to pass legislation or appoint a commission about loud music. It’s just a local nuisance, and you already have means to handle that.”

Solutions Seeking Problems

Sheldon Richman, a fellow with the Independent Institute, says anti-Airbnb regulations unnecessarily restrict citizens’ right to engage in voluntary exchanges.

“I do not believe that regulations on short-term rentals in residential neighborhoods are consistent with individual liberty, property rights, and free exchange,” Richman said. “I presume that ordinances regarding specific nuisances—excessive noise at unreasonable hours, for instance—are already in place.”

Richman says Airbnb users do not represent a threat to anyone’s liberty or rights, and lawmakers should leave them alone.

“Ordinances against specific nuisances and tort law already protect neighbors,” Richman said. “No rights are violated by a short-term renter, per se. The mere fact that a renter pays for a short-term stay presents no nuisance. Therefore, no reason exists for government action.”

Michael Bates (blog@batesline.com) writes from Tulsa, Oklahoma.
**FCC Considers New Rules for Streaming Video**

By Andrea Dillon

Federal Communications Commission (FCC) regulators are considering whether to redefine Netflix and other “over-the-top” (OTT) Internet services as “multichannel video program distributors,” effectively treating video streaming services as though they were cable television companies.

“More Options Than Ever”

FCC Commissioner Ajit Pai says the OTT rules seek to solve a nonexistent problem.

“Consumers today have more options than ever when it comes to the video marketplace, including everything from new over-the-top competitors,” Pai told Budget & Tax News.

**INTERNET INFO**


Pai says government regulations can stifle product and services innovation. “That kind of environment, where there is no market problem to solve and private companies are experimenting with different business models, ... the last thing you want the government to do is effectively to freeze in or freeze out certain business plans by applying regulations that were modeled after the marketplace as it existed 20 years ago,” Pai said.

**Backfiring Regulations**

Scott Cleland, deputy U.S. coordinator for communications and information policy under President George H.W. Bush, says applying obsolete laws to modern businesses causes problems for consumers.

“We have totally obsolete U.S. cable and telecom law,” said Cleland. “Cable law from 1992 assumes a monopoly. So, the problem here is the FCC, in trying to apply obsolete law to today, is tempted ... and does ... pick winners and losers.”

**Lying in the Bed They Made**

Cleland says Netflix’s past support of government regulations is ironic. “Netflix was a leading proponent of regulating broadband companies as utilities,” Cleland said. “And so they are being caught in the web they created: the heavy-handed web of heavy-handed regulation that they pushed.

“This is unintended consequences,” Cleland said. “Netflix imagined that it could get its competitors regulated to its advantage with no risk to itself, and what is happening here is ... blowback on companies that are saying, ‘regulate them, but never regulate me.’ ... It’s crony capitalism at its worst.”

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

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**Tax, Entitlement Reforms Head Toward Maine Ballot Box**

By Andy Torbett

Maine voters will get a chance to vote directly on significant tax and entitlement spending reforms proposed by Gov. Paul LePage (R) and blocked by lawmakers, if a referendum question currently being circulated makes it to the ballot in November 2016.

The proposed ballot amendment, as currently written, includes gradually eliminating the state’s income tax over a three-year period and reinstating work requirements for individuals receiving Temporary Assistance for Needy Families (TANF) entitlements.

**Tax Cuts, Economic Growth**

Liam Sigaud, a policy analyst with the Maine Heritage Policy Center, says allowing taxpayers to keep more of their money helps everybody in the state.

“Government is often inefficient and wasteful, as Maine’s oversized welfare system demonstrates,” Sigaud said. “Reducing the income tax and enacting substantive reforms to welfare programs would allow hard-working Mainers to keep more of what they earn, spurring economic growth in their communities.”

**Reform ‘Desperately Needed’**

Sigaud says streamlining the state’s entitlement system will help focus the program on helping the truly needy.

“Welfare reform is desperately needed in Maine,” Sigaud said. “The people’s referendum would, among others things, require able-bodied adults to seek work before qualifying for welfare benefits; prohibit TANF spending on tobacco, liquor, and other non-essentials; and eliminate welfare benefits for noncitizens. These reforms will help the poor to climb out of poverty, while saving taxpayers millions per year.”

Jonathan Williams, vice president of the American Legislative Exchange Council’s Center for State Fiscal Reform, says income tax reform is a no-brainer for Mainers.

“Eliminating the income tax would unquestionably benefit the citizens of Maine and certainly allow for Maine to grow a more prosperous free-market economy,” Williams said. “State income taxes are some of the most damaging forms of taxes that state policymakers can use to raise revenue. Income taxes inherently create a barrier between work and reward, harming economic productivity.”

Andy Torbett (meconservativevoice@gmail.com) writes from Atkinson, Maine.

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How does welfare in your state rank?

How can it be improved?

heartland.org/welfare-reform
Occupational License Case Snarls Iowa Salon Board

By Tony Corvo

With the assistance of a national public-interest law firm, a Sudanese immigrant and entrepreneur is challenging the constitutionality of mandatory occupational licensing requirements for ethnic hair braiders in Iowa.

Achan Agit, whose family fled Sudan’s civil war in 2001, attempted to open her own salon in Des Moines, Iowa after working for years in a Kansas City, Missouri salon.

Represented by the Institute for Justice, a public-interest law firm based in Arlington, Virginia, Agit is suing Iowa’s Board of Cosmetology Arts and Sciences, a government regulatory board organized under the state’s Department of Public Health, for the right to open her own business without explicit approval from government regulators.

Amy Frantz, vice president of the Public Interest Institute, a public policy think tank located in Iowa, says government regulators now play an important part in nearly every industry.

“The are 36 licensing boards in our state,” Frantz said. “These include medical boards, but we also have boards for cosmetology, barbers, interior designers, landscape architects, shorthand reporters, and others.”

Asking for Permission to Work

Frantz says government bureaucrats have too much power over the state’s workforce.

“In Iowa, 33 percent of our workforce is required to get a license by the state, which is the highest percentage in the nation,” Frantz said. “Essentially, one-third of our workforce has to ask the government for permission to do their jobs, but there is a vast difference between a surgeon cutting me open and someone just braiding my hair.”

Ridiculous’ Licensing

Industry organizations have an economic incentive to use government to keep potential competitors away from their bread and butter, Frantz says.

“My understanding is that it requires about 2,100 hours of training to get a cosmetology license, involving thousands of dollars,” Frantz said. “Hair braiding is barely touched on in this training, so requiring hair braiders to get this license is ridiculous. The cosmetology board is obviously made up of cosmologists, and it is in their best business interests to limit the competition. Less competition results in higher prices you can charge your customers.”

Chasing Dreams

Meagan Forbes, an Institute for Justice attorney representing Agit, says the state’s protectionist licensing rules are unconstitutional.

“The basic legal issues involved are the right to pursue your calling, free from irrational occupational licensing laws under the Fourteenth Amendment and under the state’s constitution,” Forbes said. “We have been taking a stand for the right of braiders across the country to earn a living free from irrational cosmetology licensing laws.”

Tony Corvo (tcorvo54@gmail.com) writes from Beavercreek, Ohio.

Midland, Texas Lawmakers Propose Putting Brakes on Uber

By Kimberly Morin

Midland, Texas lawmakers are proposing new regulations on Uber, a popular transportation network company connecting drivers and riders, treating the peer-to-peer economy ride-sharing company the same as government-approved taxicab companies.

If enacted, Uber drivers would be forced to pay city regulators licensing fees and purchase work permits from the government. Taxicab companies would remain the only option for travelers at the city’s international airport, as Uber drivers would not be permitted to pick up or drop off passengers there.

Costing Consumers

James Quintero, director of the Center for Local Governance at the Texas Public Policy Foundation, says new regulations hurt consumers more than they may help.

“Each new local regulation brings its own new cost for consumers and added hoops to jump for drivers,” Quintero said. “At the end of the day, this results in a product and experience that is less than it could be.”

‘Game Changer’ for Consumers

Quintero says taxi companies need to stop fighting the future and embrace it instead.

“Ridesharing services, like Uber and Lyft, have been an absolute game-changer for the way consumers travel and people participate in the economy,” Quintero said. “There’s no question that the traditional business model employed by taxi companies is going to have to adapt or risk going the way of the horse and buggy.”

Technological progress and consumers win in the end, Quintero says.

“Local laws and regulations present a challenge to [transportation network companies], since they are generally perpetrated by entrenched special interests seeking to shackle market participants with big government,” Quintero said. “But if there’s one thing that’s proven true time and again, it’s that innovation and progress generally win out in the end.”

Fewer Rules, More Success

Josiah Neeley, a senior fellow with the R Street Institute, says lawmakers should make it easier, not harder, to earn a living.

“What we see is that when the regulations become too onerous, it not only discourages people -- it can kind of shut down a lot of folks,” Neeley said. “It varies depending on your locale, but a lot of cities in Texas have a monopoly for a single company or other sorts of restrictions on the number of cabs or what kind.”

Neeley says lawmakers should work on cutting regulations on taxicabs instead of regulating taxicabs’ competitors.

“I think oftentimes it’s overlooked that in a lot of cities the cabs are overregulated too,” Neeley said. “While it certainly doesn’t make sense to apply more stringent regulations to ride-sharing companies than it does to traditional cabs, I don’t think you can assume that just applying the same regulation makes sense, and one of the reasons is that a lot of the cab regulations are over-burdensome, too. That really needs to be looked at.”

Kimberly Morin (kimberlyamorin@gmail.com) writes from Brentwood, New Hampshire.
The U.S. House of Representatives blocked an amendment to a multibillion-dollar highway infrastructure bill proposing to raise the federal government’s excise tax on gasoline by 15 cents per gallon.

Rep. Earl Blumenauer (D-OR) had proposed an amendment to raise the gas tax from 18 cents per gallon to more than 33 cents, an 82 percent increase.

Addressing ‘the Root Problem’
Akash Chougule, deputy director of policy for Americans for Prosperity, says taxpayers would be better served by lawmakers if gas tax revenues were spent on road construction and not bike trails and other non-road projects.

“Increasing the gas tax would simply not address the root problem of paying to repair our roads and bridges. The reason for that is ... at least 20 percent of federal gas tax revenue is not going toward roads and bridges.”

AKASH CHOUGULE
DEPUTY DIRECTOR OF POLICY
AMERICANS FOR PROSPERITY

Hitting Lower Incomes Hardest
Chougule says gas taxes have a disparate impact on vulnerable demographic groups.

“The reason for that is ... at least 20 percent of federal gas tax revenue is not going toward roads and bridges. Rather, it is going to completely unrelated and inherently state or local projects like bike paths, walking trails, and light rail. These are pet projects that completely throw out the window the concept of a user fee to fund federal road and bridge repair, which is what the federal gas tax is supposed to be.”

Randal O’Toole, a senior fellow with the Cato Institute, says there are better ways to tax drivers for wear and tear they cause.

“I support mileage-based user fees and am one of the volunteers in Oregon’s experiment with such fees,” O’Toole said. “They are better than fuel taxes because the money can go to the actual owners of each road people drive on.”

O’Toole says innovative user fee systems are more efficient than the excise tax system implemented more than 80 years ago.

“For example, when I drive to a grocery store, I drive on a private road, a county road, a federal Forest Service road, a state highway, and a city street, yet fuel taxes only go to the state,” O’Toole said. “The feds get the tax, but then pass it to the state. A mileage-based user fee could be set up so that my fee would go to the owners of each road I drive on.”

Matt Hurley (wmdtvMatt@yahoo.com) writes from Cincinnati, Ohio.
Nevada lawmakers are reviewing a request from the Nevada Transportation Authority, the state’s transportation regulatory board, for more funding and staffers in order to deal with peer-to-peer transportation companies’ increased activity in the state.

Nevada Transportation Authority (NTA) regulators, whose agency’s mission statement is ensuring “safe, adequate, economical and efficient service” for consumers, say they need to beef up staffing to monitor and regulate services such as Uber.

Earning Consumers’ Business

Victor Joecks, executive vice president of the Nevada Policy Research Institute, says freer markets lead to happier consumers and more innovation.

“In a free market, companies have to earn the business of consumers by offering the best combination of prices and features,” Joecks said. “Free markets allow businesses to experiment and try new ideas. Those ideas succeed or fail based on the wishes of consumers.”

Regulators Captured

Joecks says regulatory agencies such as NTA often become tools used by established companies to stifle competition.

“While there is a role for limited regulations related to public safety, too often companies use regulations to box out innovative competitors or use regulations to mandate consumers purchase their otherwise-unpopular products,” Joecks said. “Questions on regulations often come down to a more fundamental question: Are individuals smart enough to figure things out for themselves, or are they little more than children who need to be directed by Big Brother?”

Joecks says competition is better at ensuring quality of service than government boards and commissions.

“Making even a simple product like a pencil requires coordination among thousands of people,” Joecks said. “Even the smartest person in the world can’t compete with the collective wisdom of thousands of individuals pursuing their own self-interest.”

Old World Blues

Adam Smith, an assistant professor of economics at Johnson and Wales University, says government regulators are struggling to find their role in the new peer-to-peer economy.

“You have this kind of game going on between regulators and new companies, where regulators wish it was like the old way, where they could keep the organization in one place and just tax and regulate them that way,” Smith said. “The problem with peer-to-peer stuff is you’re regulating an organization that’s not a centralized organization. The other dynamic is that the service is so popular that they don’t want to get in the way of them.”

‘Markets on Steroids’

Smith says freer markets better satisfy consumers’ desires.

“Markets are good at getting consumers what they want,” Smith said. “These platform markets are almost like ‘markets on steroids.’ It’s getting consumers what they want at a much faster pace and at a more nuanced level of quality than we’re used to.”

Smith says regulators have largely been replaced by networks based on feedback from consumers.

“Regulators would be foolish to get in the way of it completely,” Smith said.

Andy Torbett (meconservativevoice@gmail.com) writes from Atkinson, Maine.

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IRS Chief Acknowledges Use of ‘Stingray’ E-Surveillance Program

By Kimberly Morin

In testimony before the U.S. Senate Finance Committee, Internal Revenue Service Commissioner John Koskinen revealed the tax collection agency’s use of “Stingrays” and other spy hardware designed to facilitate easy electronic surveillance and monitoring of citizens’ private data.

Stingrays mimic cell phone towers by broadcasting signals to cell phones in the area. After a phone connects to the Stingray, government agents can intercept text messages, stop phone service, and record voice conversations.

Secrets and Spy Gadgets

Andrew Crocker, an attorney with the Electronic Frontier Foundation, says government agencies have historically been unwilling to explain how or why they use Stingrays.

“There has been intense secrecy around Stingrays in general,” Crocker said. “It has led judges to get very fed up. I think the IRS’s secrecy is simply part of the larger unwillingness of the government to provide transparency about Stingray use.”

Crocker says lawmakers need more information about the IRS’s spy program. “I would say we’d need to see some oversight and reporting on how broadly the IRS interprets this type of investigation and numbers for how often Stingrays are actually used,” Crocker said. “That might give us a better basis to judge the IRS’s claims.”

Eyes on You

Adam Bates, a policy analyst with the Cato Institute’s Project on Criminal Justice, says government agencies’ rationales for prying into law-abiding citizens’ lives are often flimsy.

“It’s not just the IRS,” Bates said. “The Stingray device has been shrouded in government secrecy for its entire operational history. The typical arguments for the secrecy are that terrorists or drug kingpins will be able to evade surveillance if they know how the devices function, but that’s never been a very persuasive argument.

“Terrorists and drug kingpins figured out long ago that their cell phones were liabilities, and the data we have on how these devices are employed by law enforcement on a daily basis suggests that they’re entirely used for routine law enforcement matters that do not require this extreme lack of transparency,” Bates said.

Constitutional Issues

Bates says lawmakers should press IRS officials for more answers about their in-house spy program.

“Again, it’s hard to prove because so little is known about how the IRS is using them, but the devices are capable of sweeping up troves of personal data, from the surveillance target and innocent bystanders alike,” Bates said. “When used without a warrant for routine police work, there is a serious constitutional issue here.”

Kimberly Morin (kimberlyamorin@gmail.com) writes from Brentwood, New Hampshire.
Liquor PrivatizationBallot Question Filed in Oregon

By Kimberly Morin

Paperwork for a proposed voter initiative that would allow private-sector businesses to sell alcoholic beverages has been filed in Oregon.

Currently, consumers must purchase alcoholic beverages from state-approved stores operating under the direction of the Oregon Liquor Control Commission. If the new measure is approved, businesses in Oregon would be allowed to sell liquor, beer, and wine. Thirty-two other states already allow private businesses to sell alcoholic beverages.

Micromanaging Sales

Steve Buckstein, a senior policy analyst and founder of the Cascade Policy Institute, says government regulators keep a tight hold on the state’s economy.

“The state franchise stores are privately owned by owners that are granted a license to operate [the stores] by the state,” Buckstein said. “They are private stores, but the state tightly controls who gets the licenses, and they tightly control things like their operating hours, their prices, [and] what they can and can’t sell in the stores.”

Job Losses Doubted

Antony Davies, an associate professor of economics at Duquesne University, says arguments against allowing free-market principles to flow in the retail liquor industry are flatter than a drink left out too long.

“The argument the state makes is that ... if you privatize you’ll lose all these state jobs,” Davies said. “The fact is you won’t. What’ll happen is these private owners are going to need employees. Who better to hire than people who already have experience? I don’t see jobs going away.”

Fizzy Math

Davies says the numbers don’t add up to justify the government’s central planning of the liquor business.

“The numbers that are often quoted are that the state system contributes ‘x’ amount of dollars to the state each year, but if you dig down into that what you’ll find is they aren’t counting the taxes collected,” Davies said. “They are counting the revenues, but they aren’t counting any of the expenses. The state can easily get the revenues by licensing fees and taxes. The argument that the state is going to be losing revenue is a non-starter.”

Room for Improvement

Although a freer market for spirits is good for the taxman and consumers, Davies says privatization reforms could go further.

“The best outcome is to just open the doors and let businesses compete, and in fact it would be better for the state finances to do it that way,” Davies said. “Picture two scenarios where the state has a limited number of licenses they hand out to businesses, versus opening the doors and letting anybody step forward and bid for a license. The state can get much more in the second case.”

Kimberly Morin (kimberlyamorin@gmail.com) writes from Brentwood, New Hampshire.

Lawmakers Pass Weakened Version of FCC Reform Bill

By Leo Pusateri

By a voice vote, lawmakers in the U.S. House of Representatives approved the FCC Process Reform Act, a bill adding new procedural oversight to the Federal Communications Commission’s (FCC) rulemaking process.

Provisions requiring FCC to publish the exact text of proposed rules weeks in advance of votes were removed in order to gain lawmakers’ support, but provisions suggesting FCC review transparency procedures were retained.

Seton Motley, president of Less Government, says weakening the bill allows FCC to continue operating in an unaccountable manner.

“After the election, [President Barack] Obama said he wanted the Internet reclassified as Title II,” Motley said. “Republicans wanted FCC to republish the proposed rules, but FCC refused. The two Republicans on the FCC commission didn’t get the text of the new proposed rules until a few hours before the vote.”

‘Why Do We Even Need an FCC Anymore?’

Motley says the weakened version of the Process Reform Act is ineffective.

“This bill has done nothing to rein in the players,” Motley said. “The FCC is supposed to be this independent, expert agency that makes decisions based on facts and numbers—but they’re not.”

Motley says technological innovation is at odds with government interference.

“In 20 years, nothing in the history of human endeavor has grown bigger, faster, or better than the Internet, because the government had not been involved,” Motley said. “So why do we even need an FCC anymore? To paraphrase Jesse Jackson, ‘End it, don’t mend it.’”

‘Procedural Tinkering’

James Gattuso, a senior research fellow at The Heritage Foundation, says reforming FCC will require more than small changes at the margins to reverse the new authority taken on during the Obama administration.

“The problem is the vast and ill-defined new authority the FCC has asserted over broadband providers,” Gattuso said. “This requires substantive reforms and will not be resolved by procedural tinkering.”

James Gattuso, Senior Research Fellow
The Heritage Foundation

Gattuso says FCC is an agency seeking problems to solve with wrong answers.

“The broadband industry is providing unprecedented benefits to consumers now, in terms of innovation, quality, and price,” Pusateri said. “The open Internet rules are not needed and threaten to jeopardize broadband’s future growth. The situation is more complicated for broadcast, cable, and video issues, but generally the FCC should be looking to reduce its footprint in that sector as well.”

Leo Pusateri (psycmeistr@fastmail.fm) writes from Saint Cloud, Minnesota.
How Lawmakers Have Betrayed Our Children, and How We Can Fix It

Disinherited: How Washington Is Betraying America’s Young
by Diana Furchtgott-Roth and Jared Meyer
Encounter Books, 2015, 152 pages; $14.65 on Amazon.com

By Jay Lehr, Ph.D.

As time marches on, the current generation cedes ground to the next generation.

Instead of preparing our children to succeed by setting up opportunities for them, our government’s economic policies penalize the younger generation to benefit the incumbent generation currently in charge of political affairs.

Manhattan Institute for Policy Research scholars Diana Furchtgott-Roth and Jared Meyer deftly explain, using real-world stories of millennials, how crushing regulations and federal entitlement programs controlling health care and education inhibit nearly all of everyday life.

Furchtgott-Roth and Meyer explain how government control and restrictions are making it unnecessarily difficult for young people to travel down the path of adulthood once traveled by their forebears in days past.

The problems encountered by millennials today, Furchtgott-Roth and Meyer write, are caused by the government’s self-interested resistance to reform, which unfairly limits the nation’s future and restricts the next generation’s economic and social progress.

Success for Me, But Not Thee

By creating artificial barriers to entry, such as worker rules and occupational licensing policies, the incumbent generation makes it harder for millennials to start careers doing the jobs they love and to develop new skills.

Occupational licensing requirements for hair-braiding and hundreds of other occupations increase the cost of learning new skills and developing talents. These laws and regulations, found in every state’s legal code, keep new workers out of the workplace, protecting existing members from competition.

Few people recognize how lawmakers are standing in the way of the average young person’s career path by banning or restricting opportunities for internships in the U.S. job market. Lawmakers have given themselves exemptions from anti-internship rules, exempting their government agencies from bans on unpaid internships.

In a succinct 152 pages, the authors explain how government policies don’t just hinder young people’s progress but actively siphon assets and opportunities from the young to the old.

Instead of benefiting all people equally, the authors write, entitlement programs created by the Affordable Care Act are designed to function as generational transfers of wealth, forcing young people to bear the costs of their parents’ and grandparents’ health care.

Government education policies also function, by design, to benefit the incumbent generation, instead of serving to give the young the best possible foundation upon which to build a life and career. For instance, for decades teachers unions have fought to protect poorly performing educators in the classrooms. By pushing through rules to maximize pay and minimize responsibilities, teachers unions have caused a dramatic increase in the number of nonteaching administrative person-

IN OTHER WORDS . . .

“Many older Americans think that they are disadvantaged by today’s culture or by old age in general. Claire Sommers, in her eighties and living in Brooklyn, finds it hard, for instance, to use modern technology such as computers and smartphones. Her husband, Sonny, finds it increasingly difficult to complete daily tasks around the house.

“But in terms of government spending, Claire and Sonny are winners—unintended winners, because they never wanted to take advantage of their grandchildren, but winners nevertheless. Washington politicians increase the federal debt with unfunded promises to retirees, and, if Claire and Sonny’s grandchildren get jobs and pay taxes, they are the ones who will end up funding that debt.”

—“The Overarching Problem,” Diana Furchtgott-Roth and Jared Meyer, Disinherited: How Washington Is Betraying America’s Young

Failing the Children

Furchtgott-Roth and Meyer say when lawmakers aren’t hindering students’ success themselves, they’re actively punishing those who dare to implement policy reforms intended to help students succeed.

When Michelle Rhee served as chancellor of the Washington, DC public school system, her reforms led to a better and more effective educational system. As a reward for advocating for parents and students, political pressure from the local teachers union ultimately forced Rhee to resign.

Higher education, another dysfunctional sector of the educational complex, is also addressed by Furchtgott-Roth and Meyer. The authors also highlight schools that have implemented positive reforms.

The present trend of rising, crippling student debt, they write, is tied to the current fashion among university administrators to spend taxpayer and tuition money on trendy absurdities, such as climbing walls in fitness centers and other amenities and unnecessary services, which is done in an effort to better compete for students, who now often pay their bills using taxpayer-subsidized student loan money.

On the opposite end of this spectrum, Kentucky’s Berea College trades the benefit of free tuition for students’ time and labor, requiring 10 hours per week of community work to qualify for the aid. A fiscally responsible institution, Berea College’s endowments and investments rival those otherwise found only in Ivy League schools.

Reality Check

Although this book may seem depressingly bleak, Disinherited provides a well-documented and tightly focused primer of the uphill trek facing the coming generation, and it will better equip our youth, and all other generations, to understand how government interference and regulation make our lives more difficult and less fulfilling.

By reaching out to millennials and educating them in how government is an obstacle to be routed around and minimized, we can ensure future generations will have the best possible opportunities for personal success, just as prior generations enjoyed.

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