Congress Revives Plan to Collect Sales Tax on Internet Purchases

By Matt Hurley
A group of U.S. Senators is reintroducing a proposal that would force online businesses to collect and remit sales taxes on purchases made in states where the businesses are not located.

In 2014, the Marketplace Fairness Act (MFA) was passed in the U.S. Senate but did not receive a vote in the House. The bill is being reintroduced by Sens. Dick Durbin (D-IL), Lamar Alexander (R-TN), and Mike Enzi (R-WY).

Taxing Across Borders
R Street Executive Director and Senior Fellow Andrew Moylan says MFA would make doing business more complex and expensive for small business owners and workers using the Internet to sell goods and services.

“Marketplace Fairness Act would have a huge impact on web-based retailers, their consumers, and the Internet economy as a whole,” Moylan said. “The Internet is

Wis. Gov. Walker Signs Right-to-Work Law

By Alexander Anton
Wisconsin Gov. Scott Walker (R) signed legislation to make union membership in a place of work voluntary instead of mandatory.

Walker’s efforts to increase worker freedom in the state began in 2011, when he signed Act 10, a bill freeing employees unrepresented by a union from involuntary payments to the union.

MacIver Institute Communications Director Nick Novak says the new law will benefit Wisconsin workers and the state’s economy.

“The right-to-work policy in Wisconsin is obviously going to be a huge win for Wisconsin’s economy and ensuring worker freedom all across the state,” Novak said. “Almost every economic indicator that we can look at shows that right-to-
JOIN US FOR AN ALL-AMERICAN WEEKEND WHEN THE STARS FALL ON COLORADO THIS JUNE

Ben Carson  Scott Walker  Carly Fiorina  Rick Perry  Mike Huckabee  Rick Santorum

Marco Rubio*  Ted Cruz*  Rand Paul*  Katie Pavlich  Byron York  Arthur Brooks

Hugh Hewitt  Mary Katharine Ham  Michael Martin Murphey  Guy P. Benson  Nigel Farage  David Horowitz

WESTERN CONSERVATIVE SUMMIT 2015

YOUR STORY: FREEDOM ALIVE

June 26-28, 2015 | Denver, Colorado

REGISTER NOW!
www.WesternConservativeSummit.com
Or call 844.685.4376

Presented by Centennial Institute at Colorado Christian University

* Invited

For Students Age 16-20
Young Conservatives Leadership Conference
with Hugh Hewitt
“City on a Hill”
June 21-26 at CCU
www.hewittccu.com
Congress Demands Consequences for ‘Operation Choke Point’ Crackdown

By Jeff Reynolds

Congressional lawmakers are calling on banking regulators to fire government employees who participated in a U.S. Department of Justice program that used banking regulations to force businesses in disfavored industries, such as adult entertainment or firearm sales, to stop doing business.

In hearings before the House Financial Services subcommittee, Rep. Sean Duffy (R-WI) called on Federal Deposit Insurance Corporation (FDIC) Chairman Martin Gruenberg to fire employees who participated in the government program known as “Operation Choke Point.”

‘Disfavored Lines of Business’

Legacy Foundation Senior Legal Fellow Alden Abbott says Operation Chokepoint was used to target specific industries disfavored by the Obama administration.

“We are now right now with Operation Chokepoint is that the FDIC officials have admitted in testimony that bad judgment was shown in issuing this list in 2011 to two banks of disfavored lines of business [that] could occasion audits,” Abbott said.

The Truth Is Out There

Abbott says government officials are probably hiding the full story behind Operation Choke Point.

“The [Obama] administration claims not to have any lists of particular lines of business that will occasion auditing by the FDIC bank examiners or likely [lead to] audits,” Abbott said. “The very fact that this is out there, and the administration hasn’t … formally made a strong statement [to the contrary], means that there are still … some lingering risks. … By that, I mean, people know what was on the 2011 list.”

Abbott says Congress should continue to demand resignations at FDIC and make other significant reforms within the banking agency.

“You want to have the resignation and dismissal of all the officials found to be complicit, and new leadership at the FDIC,” Abbott said. “I’d like to see a public commitment by the new leader of the FDIC that he or she would make it a priority to prevent any discrimination against particular lines of commerce. You do need personnel changes in several different departments.”

‘This Isn’t Pursuing Fraud’

U.S. Consumer Coalition Senior Advisor Brian Wise says Choke Point is an end run around Congress’s lawmaking authority.

“There’s a role for some of these agencies to play in pursuing fraud, but this isn’t pursuing fraud,” Wise said. “They are going after law-abiding citizens in industries they’ve been trying to destroy for decades. Eric Holder himself said that his biggest regret was not being able to stop people from buying guns. Yet his biggest legacy will be Operation Choke Point, which stops people from being able to buy guns, so the irony is that his biggest regret may still come to pass.”

Strong-arm Tactics

Wise says Choke Point is reminiscent of criminal organizations’ tactics.

“Very simply, this is exactly how the Mafia used to operate,” Wise said. “It was, ‘Look, we can’t force you to do something, but we can make life difficult for you if you don’t,’ and if people don’t comply, that’s when you see enforcement action against them. It’s very difficult to fight the federal government when they have an enforcement action against you.

“In the course of their regular examination procedure, these guys go in and they say, ‘Look, we can’t tell you not to do business with these industries, but if you do, we will be sure to audit every single transaction that comes through your bank,’” Wise said.

Wise says the federal government’s efforts to “choke” disfavored but legal industries are un-American.

“It’s really sad,” Wise said. “It’s not the America I grew up in, and it’s not the America I was raised to love. It’s not America. That’s what everyone needs to start understanding. [These are] tactics that are used in countries that we try and bring democracy to.”

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

INTERNET INFO

By Amelia Hamilton

If Congress allows a temporary moratorium on cities and states taxing Internet access to expire in October, a bill introduced by Washington state Rep. Gina McCabe (R-Goldendale) would help keep Washingtonians' Internet bills low by banning access taxes in the state.

McCabe says the expiration of the federal Internet Tax Freedom Act (ITFA), a moratorium on local and state Internet access taxes and other Internet-only taxes, would put many small business owners out of business.

“There are a lot of empty storefronts throughout Washington State, and we’re really trying to help those businesses stay in business,” McCabe said. “I want to promote new businesses. I want to make sure we do everything we can to help them stay in business or grow, and the environment for that is really tough in Washington State, and this new tax would make it much harder.”

Economic Booster
McCabe says increased Internet availability leads to economic growth for people at all income levels.

“I own a hotel, and it’s interesting to see the amount of people that park outside my hotel and use the Internet, and it’s the same in libraries,” McCabe said. “I don’t mind, and I’ll give them a password, because most of them are looking for jobs, they’re looking for coupons, they’re booking doctor appointments, and some are even going to school online.

“If they can’t afford the Internet, it really isolates them, and this tax is going to make it even harder,” McCabe said.

Carrying ‘the Highest Burden’
Paul Guppy of the Washington Policy Center says McCabe’s bill protects the state’s most vulnerable residents from excess taxation.

“In the twenty-first century, the Internet is going to be like electricity was in the twentieth century: a basic thing that everybody’s going to have to access to,” Guppy said. “So, we think it’s not fair to impose a barrier … that would fall hardest on low-income people … people who are sort of left out of the information economy. They would carry the highest burden.”

Track Record of Success
Since its passage in 1998, federal lawmakers have renewed ITFA four times. Guppy says over the past 17 years, ITFA has a track record of economic success.

“From the dawn of the Internet era until today, this exemption policy has been working fine,” Guppy said. “We would make an argument from experience that if something is working, keep doing it. The government is not suffering because they can’t impose a new fee on the Internet.”

Amelia Hamilton (mail@amelia hamilton.com) writes from Traverse City, Michigan.

---

**ADVERTISEMENT**

**Market Competition Can Revive Cities**

Some say cities and towns achieve success through government central planning and regulation.

Bankrupt Detroit was once considered a model of urban planning. The city nonetheless lost investment, jobs, taxes, and population.

That’s because it didn’t sell to “free to choose” businesses and families in the face of competition from the rural South and its own suburbs.

But how can you sell places like Detroit and other older cities today? Maybe by learning from a company that sold the unsellable.

**The “Unsellable” Best-Seller**

The original Volkswagen Beetle--Hitler’s car--was thought to be unsellable in the U.S.

But VW made it the best-selling car of all time--by Thinking Small.

**Marketing Big...by Thinking Small: How Anything You Sell Can Be Helped by the Greatest Marketing Achievement of the 20th Century**

It shows how Thinking Small marketing worked. How VW’s success can help cities like Detroit. And how it can boost any hard-to-sell product, cause, or service--and make any marketing more productive and less expensive.

**Marketing for Growth**

It’s a 43,000-word user-friendly manual by John L. Gann, Jr., who consults, trains, and writes on marketing for economic growth.

Called “a Cadillac in marketing expertise,” he’s written manuals on marketing college towns and bypassed hamlets and on evaluating marketing programs.

**Compulsion vs. Persuasion**

Get a copy for your own business. And because it shows the power of persuasion over compulsion, send copies to your mayor, city manager, planner, and elected officials.

Can you spend less on bringing to revenue but accomplish more?**MARKETING BIG...by thinking small**

How much can you really be helped by the greatest marketing achievement of the 20th century?

John L. Gann, Jr.
Consultant, trainer, writer on marketing

Marketing means setting, selling, setting, renaming, inventing, convincing others you’re thinking things. That means inventing every business, cause, and city needs to do.

“Persuading” the city to sell its sales or this manual means setting new thought processes.

How do you do that?

It’s just $59.75 print or $49.75 electronic edition. Find out more at salesjobsandtaxes.com/thinksmlall. html. Or contact John at (800) 762-GANN or citykid@uwalumni.com.
Lawmakers Plan to Block FCC’s ‘Net Neutrality’ Regs

By Alexander Anton

Responding to the Federal Communications Commission’s (FCC) assertion of regulatory power over the Internet, congressional lawmakers have submitted a bill that would halt FCC’s 400-page “net neutrality” regulations before they are implemented and would prevent future regulators from granting themselves similar authority.

Reps. Marsha Blackburn (R-TN) and Bob Latta (R-OH) sponsored the Internet Freedom Act, a bill designed to block FCC’s plan to regulate Internet service providers (ISP) as utility companies. FCC asserts it has the authority to regulate ISPs using the Telecommunications Act of 1996’s Title II powers.

Latta is vice-chairman of the House Energy and Commerce Subcommittee on Communications and Technology, responsible for overseeing FCC.

Scott Cleland, a telecommunications policy analyst who served as deputy U.S. coordinator for communications and information policy in the George H.W. Bush administration, says outdated regulations are already slowing economic innovation and harming consumers. Cleland also serves as a policy analyst for The Heartland Institute, which publishes Budget & Tax News.

‘Hyper-Politicized and Self-Centered’

“Currently, we have the most antiquated regulations controlling the most modern part of the economy. The FCC has become hyper-politicized and self-centered. What it is doing is best for the FCC, not consumers or America.”

SCOTT CLELAND
POLICY ANALYST
THE HEARTLAND INSTITUTE

Reasserting Congressional Authority

Titch says the proposed bill by Blackburn and Latta would help fix the problem FCC has created.

“Blackburn’s bill is a step in the right direction,” Titch said. “It reasserts Congress’s authority to define the law that the FCC is empowered to follow. The FCC is not in a position to make its own rules. I would support any legislative steps that would reverse this decision.”

Buyer’s Remorse

Titch says the general public’s opposition to FCC’s new regulations is growing as more information is released.

“People are waking up to how bad this idea is,” Titch said. “Perhaps we’ll get some more interest from Democratic representatives in California, when they hear from companies like Netflix that have real regrets about this.”

“We are already seeing buyer’s regret on this,” Titch said. “Long-term, there is a good chance [FCC’s regulations will be] rolled back, especially through the courts, but we may not see something come about until there is a new presidential administration in place.”

Alexander Anton (alexanderanton.heartland@gmail.com) writes from Palatine, Illinois.
work states outperform states without right-to-work. When you look at job growth, when you look at wages, right-to-work states are just performing better overall, and so it’s going to be a good thing for Wisconsin’s economy and for workers that maybe wouldn’t want to join a union at their place of employment.”

Worker Freedom, Prosperity
Novak says wherever individual freedom is promoted, economic prosperity follows.
“The focus needs to be on worker freedom,” Novak said. “The data already suggest right-to-work states are better economically, but the folks on the other side have their own data that they could argue about all day long. … Worker freedom is the most important aspect.”

Novak says people who choose to bargain collectively can still do so.
“Right-to-work does not prohibit unions or outlaw collective bargaining,” Novak said. “All it does is allow workers to choose whether or not they want to be a part of a union, and if they don’t, they won’t have to pay union dues. Right-to-work says you don’t have to be a part of a union as a condition of your employment. Previously, you could be fired if you refused to pay union dues for certain jobs. The individual should be able to make the choice.”

‘A Great Victory’
Ohio University economics professor Richard Vedder says the passage of the Wisconsin right-to-work law was a historic moment for the entire nation.

Vedder is also a policy advisor for The Heartland Institute, which publishes Budget & Tax News.

“I think it was a great victory for workers, the citizens of Wisconsin, and more generally, for the nation, because this is a turning point,” Vedder said. “This is the first time in American history since right-to-work laws began in the 1940s that we have half of the American states with right-to-work laws.

“We have a hit a milestone,” he said.

Vedder says the right-to-work law will help revitalize Wisconsin’s economy.

“Wisconsin has grown … slowly compared to the national average,” Vedder said. “This law is another tool that would allow the growth deficit to be erased over time. It gives Wisconsin a chance to reassert its economic power and become one of the nation’s more prosperous states.”

Alexander Anton (alexanderanton.heartland@gmail.com) writes from Palatine, Illinois.

IN OTHER WORDS . . .

“When even historically progressive Wisconsin adopts a right to work law—making employee payments to a union voluntary instead of mandatory—it’s a sign that compulsory unionism’s inherent flaws are catching up to it.

“Unions have long claimed to be the champions of ‘the working man’ (and women)—protecting and advancing their interests against mean, greedy employers. While fully admitting that employers frequently pay workers less than they want and not disputing that employers may be mean and/or greedy, labor unions in America have persisted in their present form only due to a combination of political privilege and popular ignorance of economic truths.

“Unions have received privileged treatment by law ever since the passage of the Clayton Antitrust Act of 1914, which specifically exempted unions. The underlying reasoning behind the Clayton Act is economically sound: In the absence of competition, monopolistic firms can give less value to customers and charge them unfairly high prices because the customers have no alternatives.

“The same economic dynamic holds true for unions: With unions enjoying monopoly status, rank-and-file members can’t opt for an alternative representative in dealing with management, and union dues tend to be higher than they would be if the union had some competition.”

—Mark Hendrickson, Forbes, February 27, 2015
GAO: Entitlement Fraud and Waste on the Rise

By Alexa Moutevelis Coombs

The Government Accountability Office (GAO) has reported federal government fraud and waste increased from fiscal year 2013 to fiscal year 2014. Improper payments rose by $18.9 billion, or 17 percent.

The minority of government agencies that complied with GAO’s cost-cutting recommendations over that period reduced their spending by a total of $20 billion.

‘Government-Waste Iceberg’

Leslie Paige, vice president for policy and communications at Citizens Against Government Waste, says the problem of government fraud is getting worse.

“What we are seeing is only the tip of a massive government-waste iceberg, the kind that sank the Titanic,” Paige said.

“Both in percentage of federal outlays and dollars, improper payments are moving in the wrong direction,” said Paige. While the GAO report makes mention of the $20 billion in financial benefits, the $19 billion in increased losses essentially wipes that out completely ... not to mention that the GAO reminds us that not all agencies are in compliance with the improper-payments reporting rules, so that $19 billion in losses is essentially a lowball figure.”

Agencies Ignoring the Problem

Taxpayers Protection Alliance President David Williams says cracking down on improper payments is important.

“Billions of dollars are being wasted just because the federal government isn’t halting improper payments,” Williams said. “The GAO report shows that many agencies know exactly how much is being wasted, yet they choose not to fix the problem.”

DAVID WILLIAMS, PRESIDENT
TAXPAYERS PROTECTION ALLIANCE

“Billions of dollars are being wasted just because the federal government isn’t halting improper payments. The GAO report shows that many agencies know exactly how much is being wasted, yet they choose not to fix the problem.”

By Paula Bolyard

Rep. Jackie Speier (D-CA) is proposing a bill directing the Consumer Product Safety Commission (CPSC) to issue new rules establishing safety standards for liquid detergent packets.

Speier’s bill, the Detergent Poisoning and Child Safety (PACS) Act, directs CPSC to impose new regulations on the color, design, and contents of detergent packets in an effort to prevent children from swallowing them.

The only recent confirmed child fatality linked to detergent packets occurred in Florida in 2013. Using population data from the U.S. Census Bureau, the child fatality rate associated with accidental laundry packet ingestion is about 1 in 73.9 million. By comparison, there is only a slightly lesser chance an individual will be killed by an asteroid falling from space in a given year, according to data from the National Safety Council and National Academy of Science.

Using Common Sense

Jeff Stier, senior fellow and head of the Risk Analysis Division at the National Center for Public Policy Research, says parental common sense is a more effective safeguard than government regulation.

“Consumers are one of the first lines of defense against products that they think are not fit for their families,” Olson said. “The product has not been rejected by the parents of America.”

Olson says safety standards written by manufacturers may be more effective than rules issued by CPSC.

“You could potentially have very effective industry standards [that] could be adopted much faster than regulations, if you get the right people to agree,” Olson said.

By Paula Bolyard (paula.bolyard@gmail.com) writes from Doylestown, Ohio.

INTERNET INFO
Huge Public Pension Liabilities Loom in Jacksonville

By Kelsey Hackem

The Jacksonville, Florida City Council Finance Committee is debating how to pay for $1.7 billion in unfunded pension liabilities in the city’s Police and Fire Pension Fund.

James Madison Institute Vice President of Policy Sal Nuzzo says city leaders will have to make tough decisions in order to make the pension funds solvent.

“One policy reform would be to freeze the current system for existing employees and develop a new, more reasonable retirement program for new hires. Over time, normal attrition would bring the system into greater levels of sanity. “For new employees, everything should be on the table for discussion: adjustments to vesting and retirement ages, examination of the future of health benefits for retirees; [employee] contributions; and other elements of retirement systems that the private market has recognized over the past 25 years,” Nuzzo said.

Don Ohannes, a former municipal financial analyst for Allstate Insurance Company and current member of the National Federation of Municipal Analysts, says Jacksonville’s elected officials promised more than they were capable of delivering to workers.

“Where are [the Jacksonville city council members] going to get the extra money to meet [the estimated future costs]?” he said. “There is where the problem really comes in... [T]hey were too optimistic in terms of what their returns would be on that money, and therefore they can’t meet the expectations.”

Ohannes says making Jacksonville’s pension plans solvent after years of mismanagement will not be painless.

“People are going to get hurt either way,” Ohannes said. “Either the taxpayer or the recipient is going to get hurt.”

That pain can be averted by making reforms sooner, Nuzzo says.

“The alternative looks like Detroit,” Nuzzo said. “City leaders need to decide which future they want for their city.”

Kelsey Hackem (khackem@gmail.com) writes from Columbus, Ohio.
New San Diego Stadium Would Sack Taxpayers

By Jeffery Reynolds

Local taxpayers, not private investors, may be on the hook for most of the costs of building a new stadium for the National Football League’s (NFL) San Diego Chargers.

Team officials have been threatening to relocate the team to Los Angeles if a replacement for their current publicly owned venue, Qualcomm Stadium, is not built soon.

City officials estimate building a new stadium will cost at least $1 billion, $400 million of which would be taxpayer-funded.

Tax Law Backfired

Independent Institute Research Fellow Craig Eyermann says owners of sports teams are incentivized to use public money for stadium construction and renovation.

“Even if it doesn’t run over budget, the team’s owners will seek to refresh or update the new stadium and its amenities every several years to stay competitive with its peers, just like Wal-Mart does with its stores,” Eyermann said. “That means that the public will also have to pay for their desired upgrades as they try to keep up with the team’s peers, which in this case, would be other teams with publicly financed stadiums.”

Eyermann says this incentive encourages sports organizations to make taxpayers feel guilty for not supporting higher taxes.

“Unlike Wal-Mart, however, if the public balks, the teams would still threaten to move … to a place that will appreciate them more, while the public would be left with the obligation to pay the debt it took on to build the new stadium in the first place.”

‘Sucker Cities’

Steve Ellis, vice president of Taxpayers for Common Sense, says sports teams will ask for and receive public funding as long as elected officials anywhere agree to give it.

“Study after study demonstrates that public subsidies for stadiums and sports teams are economic losers,” said Ellis. “There isn’t enough economic activity and permanent jobs associated with the cost to justify the expense of subsidizing construction.”

 Sadly, teams find it all too easy to exploit the economic bribery that they will leave, because there are enough sucker cities out there to make it seem plausible.”

Steve Ellis
VICE PRESIDENT
TAXPAYERS FOR COMMON SENSE

The Heartland Institute’s New Home

After 31 years of renting in downtown Chicago, we bought a building in suburban Arlington Heights and are moving in June 2015.

Donor recognition and career opportunities are available.

For more information, call 312/377-4000 and ask to speak to Gwendalyn Carver, or send an email to gcarver@heartland.org.
OREGON

By Matt Hurley

Oregon state Rep. Julie Parrish (R-Tualatin) is proposing a bill that would place music therapists under the control of the state’s Health Licensing Office, a central licensing and regulatory agency overseeing government regulation and licensing of health-related occupations.

Parrish’s bill proposes creating a Board of Music Therapy, comprised of state-licensed music therapists, a licensed professional from a health care field other than music therapy, and the director of the Health Licensing Office.

The Board of Music Therapy would set state standards for individuals seeking to practice music therapy in the state, including 1,200 hours of approved clinical training and passing certification examinations.

Barriers to Entry

Institute for Justice Senior Attorney Robert McNamara says occupational licensing laws like the one proposed by Parrish prevent people from becoming entrepreneurs and using their talents to help others.

“Occupational licensing restricts the ability of new entrepreneurs to enter a given field,” McNamara said. “This means that consumers face fewer choices and higher prices, while would-be entrepreneurs face high barriers to entry or are shut out of the market altogether. The burdens of occupational licensing fall particularly hard on people with fewer resources or on older people transitioning into a second career.”

McNamara says reducing competition is often the true goal of occupational licensing.

“All too often, we see government power used simply to protect insiders from economic competition rather than to protect the public from a genuine threat to health or safety,” McNamara said. “In field after field, we’ve seen licensing boards use their powers to crack down on would-be competitors, instead of protecting the public from any of the dangers that licensing is supposed to address.”

‘Fewer Competitors to Choose From’

Cascade Policy Institute Senior Policy Analyst Steve Buckstein says Oregon has more occupational licensing laws than most states.

“Fifty-nine occupations are regulated in Oregon, more than the average state,” Buckstein said. “The impact has been to keep new entrants out of those occupations, which tends to raise prices to consumers as they have fewer competitors to choose from. It also keeps people from practicing the profession of their choice, which harms those individuals economically.”

Alternatives to State Licensing

Buckstein says allowing industries to self-regulate would protect consumers better than new regulations and regulatory boards.

“These provide valuable information to consumers without overly restricting entry into the profession.”

Nongovernmental organizations can help consumers make better decisions without using government regulations or state agencies.

“Also, third-party consumer organizations, such as the Better Business Bureau, and … online sites like Angie’s List let consumers gain real-time information about specific practitioners and share positive and negative comments with other consumers more quickly than government licensing boards can, all without competition-restricting government licensing requirements,” Buckstein said.

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

INTERNET INFO

By Alexa Moutevelis Coombs

Virginia Gov. Terry McAuliffe (D) has approved a bill authorizing ridesharing transportation services such as Lyft and Uber to operate in the state.

The legislation comes about eight months after Virginia’s Department of Motor Vehicles banned the companies for operating without the state agency’s permission. The new law’s requirements include subjecting drivers to background checks and mandating ridesharing companies purchase expensive insurance policies and special licenses for drivers.

‘Ban First, Ask Questions Later’

R Street Executive Director Andrew Moylan says government regulators are struggling to adapt to new sharing-economy businesses models like those used by Lyft and Uber.

“Uber and Lyft have been facing aggressive regulators and special interests trying to shut down their businesses in cities and states across the country,” Moylan said. “Rather than modernize rules to recognize technological advancement, many governments have taken a ‘ban first, ask questions later’ mentality to the services.”

Learning from Virginia’s Example

Moylan says Virginia regulators’ struggle to deal with the issue can be educational for government officials elsewhere.

“Virginia is an instructive example because it showed both the worst and best regulators have to offer in response to this important debate,” Moylan said. “The state’s Department of Motor Vehicles sent out a cease-and-desist order to Uber and Lyft in an attempt to shut down the businesses as they were just getting off the ground.”

Moylan says consumer demand for ridesharing services forced regulators to open the market to Lyft and Uber.

“The public backlash to that move forced the legislature and governor to respond, by passing a common-sense bill that contains only a few regulations in areas where government has a legitimate role: requiring insurance coverage, criminal background checks, and appropriate licensure for drivers,” Moylan said.

‘A Good Common-sense Approach’

Baruch Feigenbaum, assistant director of transportation policy at the Reason Foundation, says the new law is a compromise, lowering regulatory barriers while addressing some people’s consumer-safety fears.

“The Virginia law is a good common-sense approach,” said Feigenbaum. “We are okay with basic safety checks and driver background checks, assuming both taxicabs and ridesharing companies are treated the same.”

Feigenbaum says deregulating the taxicab industry as a whole would benefit Virginia consumers even more.

“I would also like to see the taxi industry reformed,” said Feigenbaum.

‘That industry has many onerous regulations, many that date back 60 years that are no longer relevant. When cab drivers complain that they have to follow silly regulations such as paint color, they make valid points.

“Taxi medallions and quotas do nothing but add barriers to entry to the system,” said Feigenbaum. “Nobody should be subject to anything other than minimum safety and insurance regulations that actually protect the passenger.”

Alexa Moutevelis Coombs (alexaxshruggled.com) writes from Washington, DC.

INTERNET INFO


Louisville Threatens Airbnb Hosts with Fines

By Jen Kuznicki

Property owners in Louisville, Kentucky who host travelers using the popular service Airbnb are being threatened by city regulators, who claim Airbnb hosts are operating illegal hotels and evading hotel taxes.

Louisville officials have sent Airbnb hosts letters threatening steep fines, up to $500 per day, although the city’s laws do not specifically forbid or even directly address short-term housing.

Different Kind of Service

Matthew Feeney, a policy analyst at the Cato Institute, says “sharing-economy” services such as Airbnb are fundamentally different than traditional businesses.

“The sharing economy is different than traditional service providers in that traditional providers rely on professionals to provide goods and services while the sharing economy relies on providers using their own assets, such as their cars, to provide a service,” Feeney said.

Feeney says giving consumers what they want is good for everyone, including sharing-economy providers.

“The sharing economy is demonstrably popular among consumers, as the rapid growth of sharing economy companies such as Uber and Airbnb demonstrates,” said Feeney. “This growth is good for providers in the sharing economy, which offers providers a flexible way to make money.”

Digital Revolution

Bluegrass Institute for Public Policy President Jim Waters says the Internet has facilitated a revolution in how people do business.

“Shared information at the speed of, and the speed made possible by, the Internet has transformed not only our lives but our economy as well,” Waters said.

“These innovations have developed as a way for consumers to bypass top-heavy businesses for more flexible, local, convenient, unique, and personal options—whether that’s passing up monopoly-controlled taxicabs for local transport via Uber or Lyft or renting a local home via Airbnb to bypass big used-by-the-masses and every-city-has-the-same-and-looks-the-same hotels,” said Waters.

More Choice, More Competition

Waters says increased competition for consumers’ spending leads to a higher quality of service.

“The sharing economy ... provides consumers with more choice,” Waters said. “More competition, whether it’s in education or ridesharing services, drives up quality while pushing prices lower.”

Waters says by making it easier for people to utilize available capital, such as spare bedrooms in their homes, consumers win.

“A growing body of research shows that promoting this kind of voluntary exchange leads to job growth, a stated goal but unfortunately not always a demonstrated practice of many lawmakers, including locally elected officials,” said Waters. “Policymakers should not be looking for ways to regulate or kill an emerging market, especially without seeing what’s working or not in other cities globally and also what the specific complaints are in their communities.”

Jen Kuznicki (jenkuznicki@reagan.com) writes from Hawks, Michigan.
Petaluma Considers New Airbnb Regulations, Taxes

By Kelsey Hackem

Prompted by a group of residents opposed to the popular sharing-economy website Airbnb, the Petaluma, California City Council is finalizing new housing restrictions making it harder for individuals to host travelers in their homes on a short-term basis.

The proposed regulations would limit the number of guests and the number of days an entire house can be rented. The new rules would also raise additional tax revenue for the city. The city council projects the city will receive $85,000 in additional annual revenue collected from permit fees and hotel tax revenue.

Consumer Benefits Cited

Independent Institute Senior Fellow Lawrence J. McQuillan says services like Airbnb benefit consumers in many ways.

“Residence-sharing apps provide many benefits to consumers, including greater affordability, flexibility to schedule last-minute stays, screening and reviews of hosts, convenience, and the potential of meeting new friends that share similar interests, especially a love of travel,” McQuillan said.

Fearing ‘Imagined Problems’

McQuillan says some community members’ complaints about Airbnb’s negative externalities are overblown.

“It is important to separate real from imagined problems,” McQuillan said. “Every neighborhood has busybodies that are overly concerned with other people’s business and cry ‘foul’ whenever somebody does something in the neighborhood that they think is wrong, whether it affects them or not.

“As for traffic congestion, it is unlikely that Airbnb would swamp a neighborhood with tourists,” McQuillan said. “Congestion should never be used as an excuse to prevent progress or development. ... Congestion should be tackled directly with private provision of roads and road usage fees to mitigate problems.”

‘If There Is No Problem …’

Duke University political science professor Michael C. Munger says local governments should stay out of the business of regulating exchanges between private individuals.

“Many people think that the role of the state is to reduce the transaction costs of legitimate, voluntary exchanges,” said Munger. “So, if there is a market failure, then there may be a role for government ... but in this case[,] Airbnb has outsourced trust in a way that is very efficient.”

Ex Post and Ex Ante Regulations

Munger says Airbnb’s rules and process help protect hosts and consumers alike, giving both parties information needed to make decisions.

“Airbnb has a name, address, and financial info on the specific person named in the contract,” said Munger. “That is more information than we have on literally any employee in the ‘regulated’ hotel sector. All the hotel regulations are ex post, a threat to prosecute if someone does something wrong, but Airbnb info is ex ante for a prospective renter. I can judge the reputation of the seller and make informed judgments.

“If anything, you are safer in an Airbnb rental than in many hotels,” Munger said.

Kelsey Hackem (khackem@gmail.com) writes from Columbus, Ohio.

INTERNET INFO


“The Secret Strategy to Destroy the West

Today, living in the United States under a protective identity, the man credited by the CIA as the only person in the Western world who single-handedly demolished an entire enemy espionage service—the one he himself managed—takes aim at an even bigger target: the exotic, widely misunderstood but still astonishingly influential realm of the Russian-born “science” of disinformation.

Lt. Gen. Ion Mihai Pacepa, along with his co-author, historian and law professor Ronald Rychlak, expose some of the most consequential yet largely unknown disinformation campaigns of our lifetime.

To order your book and DVD bundle of Disinformation by Lt. Gen. Ion Mihai Pacepa and Prof. Ronald J. Rychlak call toll-free 1-800-4WND-DOM (1-800-496-3266), or go to SuperstoreWND.com or mail your order and payment to: WorldNetDaily.com, P.O. Box 1627, Medford, OR 97501. Discount price $42.95 plus $5.00 shipping. Also available at Amazon.com and other fine retailers.
Bipartisan Team Launches Calif. Pension Reform Plan

By Rudy Takala

In November 2014, California State Controller John Chiang published a report calculating the total value of local and state public pension programs’ unfunded pension liabilities. Chiang reported the increase in municipal and state pensions’ liabilities exceeded the rise in assets by $191.7 billion.

In 2003, California public pension programs had overpromised benefits by $6.3 billion, or about $178.72 per resident. In 2013, liabilities exceeded assets by $198 billion, or about $5,210.53 per resident.

Responding to Chiang’s report, former San Diego City Councilman Carl DeMaio (R-Rancho Bernardo) is joining former San Jose Mayor Chuck Reed (D) to launch a 2016 statewide ballot initiative that aims to tackle the pension crisis by reforming the state’s 130 taxpayer-funded pension programs.

Political Decisions

DeMaio says public pension decisions respond to political pressure instead of market performance.

“Politicians have bowed to the pressure of the government union and have voted to spike pension benefits for state and local government employees without paying for it,” DeMaio said. “This has created billions in debt that taxpayers are now on the hook to pay off.”

DeMaio says turning defined-benefit pension programs into defined-contribution programs, similar to those enjoyed by taxpayers in the private sector, is one way to help solve the looming unfunded liability crunch.

“Ideally, we would move government employees into the same retirement packages that taxpayers have, which would include 401(k) accounts, privately insured annuity programs, and Social Security,” DeMaio said.

DeMaio says holding public pension funds to the same financial standards to which private funds are held is an important part of controlling costs.

“The only solution to the pension crisis is to reform pension benefits so they are in line with the local labor market—no better, no worse—and require that politicians pay for these benefits when they are due,” DeMaio said. “No more accounting gimmicks, no more payment holidays.”

Risks of Public Safety

Independent Institute Senior Fellow Lawrence McQuillan says unfunded pension liabilities are also becoming a public-safety issue in California.

“Any right that exists solely at the whim and caprice of unelected bureaucrats is no right at all,” McQuillan said. “As such, property, like one’s life and liberty, should be protected by law and not taken from someone by force, unless a person is convicted of a crime through due process of law.”

“The problem is that, practically, being forced to spend time and money to exert one’s ownership interest forces an individual to determine if the restoration of their ownership interest—which is not guaranteed—is worth the guaranteed costs of legal representation and court fees,” Cohen said.

Cohen says civil asset forfeiture laws purposely make it difficult for innocent citizens to reclaim their property from the government.

“There is no reading of the abstract concept of property rights that allows for property to be forfeited, absent due process,” Cohen said. “Thus, people are given a difficult, costly pathway to remediation. It is completely arbitrarily enforced, and when patterns are demonstrable, they are not in the best interest of public safety but rather the pecuniary interest of the police department.

“Any right that exists solely at the whim and caprice of unelected bureaucrats is no right at all,” Cohen said.

Civil Asset Forfeiture Reform Bill Offered in Texas

By Matt Hurley

A Texas state representative is introducing a bill to require local and state law enforcement agencies to obtain a criminal conviction before seizing individuals’ cash or property.

Currently, Texas law enforcement agencies can seize private property believed to have been used to commit crimes, using a process known as civil asset forfeiture.

A Profitable Practice

Texas Public Policy Foundation Senior Policy Analyst Derek Cohen says civil asset forfeiture seizures are very profitable for the state’s law enforcement agencies.

“In 2012, Texas law enforcement and prosecutors ended the year with $143,040,730.74 in their forfeited accounts,” Cohen said. “Of course, this is all on your honor’ self-reporting to the attorney general’s office, which has no audit authority, so this is the absolute most conservative estimate one could produce for forfeiture as a whole in Texas.

“The problem is that, practically, being forced to spend time and money to exert one’s ownership interest forces an individual to determine if the restoration of their ownership interest—which is not guaranteed—is worth the guaranteed costs of legal representation and court fees,” Cohen said.

Cohen says civil asset forfeiture laws purposely make it difficult for innocent citizens to reclaim their property from the government.

“There is no reading of the abstract concept of property rights that allows for property to be forfeited, absent due process,” Cohen said. “Thus, people are given a difficult, costly pathway to remediation. It is completely arbitrarily enforced, and when patterns are demonstrable, they are not in the best interest of public safety but rather the pecuniary interest of the police department.

“Any right that exists solely at the whim and caprice of unelected bureaucrats is no right at all,” Cohen said.

Property is the Fruit of Someone’s Labor

The bill’s sponsor, Texas state Rep. David Simpson (R-Longview), says civil asset forfeiture violates property rights.

“Property is the fruit of someone’s labor,” Simpson said. “As such, property, like one’s life and liberty, should be protected by law and not taken from someone by force, unless a person is convicted of a crime through due process of law.”

“The problem is that, practically, being forced to spend time and money to exert one’s ownership interest forces an individual to determine if the restoration of their ownership interest—which is not guaranteed—is worth the guaranteed costs of legal representation and court fees,” Cohen said.

Cohen says civil asset forfeiture laws purposely make it difficult for innocent citizens to reclaim their property from the government.

“There is no reading of the abstract concept of property rights that allows for property to be forfeited, absent due process,” Cohen said. “Thus, people are given a difficult, costly pathway to remediation. It is completely arbitrarily enforced, and when patterns are demonstrable, they are not in the best interest of public safety but rather the pecuniary interest of the police department.

“Any right that exists solely at the whim and caprice of unelected bureaucrats is no right at all,” Cohen said.

Property is the Fruit of Someone’s Labor

The bill’s sponsor, Texas state Rep. David Simpson (R-Longview), says civil asset forfeiture violates property rights.

“Property is the fruit of someone’s labor,” Simpson said. “As such, property, like one’s life and liberty, should be protected by law and not taken from someone by force, unless a person is convicted of a crime through due process of law.”

“The problem is that, practically, being forced to spend time and money to exert one’s ownership interest forces an individual to determine if the restoration of their ownership interest—which is not guaranteed—is worth the guaranteed costs of legal representation and court fees,” Cohen said.

Cohen says civil asset forfeiture laws purposely make it difficult for innocent citizens to reclaim their property from the government.

“There is no reading of the abstract concept of property rights that allows for property to be forfeited, absent due process,” Cohen said. “Thus, people are given a difficult, costly pathway to remediation. It is completely arbitrarily enforced, and when patterns are demonstrable, they are not in the best interest of public safety but rather the pecuniary interest of the police department.

“Any right that exists solely at the whim and caprice of unelected bureaucrats is no right at all,” Cohen said.

Property is the Fruit of Someone’s Labor

The bill’s sponsor, Texas state Rep. David Simpson (R-Longview), says civil asset forfeiture violates property rights.

“Property is the fruit of someone’s labor,” Simpson said. “As such, property, like one’s life and liberty, should be protected by law and not taken from someone by force, unless a person is convicted of a crime through due process of law.”

“The problem is that, practically, being forced to spend time and money to exert one’s ownership interest forces an individual to determine if the restoration of their ownership interest—which is not guaranteed—is worth the guaranteed costs of legal representation and court fees,” Cohen said.

Cohen says civil asset forfeiture laws purposely make it difficult for innocent citizens to reclaim their property from the government.

“There is no reading of the abstract concept of property rights that allows for property to be forfeited, absent due process,” Cohen said. “Thus, people are given a difficult, costly pathway to remediation. It is completely arbitrarily enforced, and when patterns are demonstrable, they are not in the best interest of public safety but rather the pecuniary interest of the police department.

“Any right that exists solely at the whim and caprice of unelected bureaucrats is no right at all,” Cohen said.

Property is the Fruit of Someone’s Labor

The bill’s sponsor, Texas state Rep. David Simpson (R-Longview), says civil asset forfeiture violates property rights.

“Property is the fruit of someone’s labor,” Simpson said. “As such, property, like one’s life and liberty, should be protected by law and not taken from someone by force, unless a person is convicted of a crime through due process of law.”

“The problem is that, practically, being forced to spend time and money to exert one’s ownership interest forces an individual to determine if the restoration of their ownership interest—which is not guaranteed—is worth the guaranteed costs of legal representation and court fees,” Cohen said.

Cohen says civil asset forfeiture laws purposely make it difficult for innocent citizens to reclaim their property from the government.

“There is no reading of the abstract concept of property rights that allows for property to be forfeited, absent due process,” Cohen said. “Thus, people are given a difficult, costly pathway to remediation. It is completely arbitrarily enforced, and when patterns are demonstrable, they are not in the best interest of public safety but rather the pecuniary interest of the police department.

“Any right that exists solely at the whim and caprice of unelected bureaucrats is no right at all,” Cohen said.
**Congress Considers Ban on Online Poker, Gambling**

By Alexa Moutevelis Coombs

A bill titled the “Restoration of America’s Wire Act,” sponsored in Congress by Rep. Jason Chaffetz (R-UT), would ban all forms of online gambling, including playing poker over the Internet.

The bill would change the U.S. Department of Justice’s official interpretation of anti-wagering laws.

“Interstate transmissions of wire communications that do not relate to a ‘sporting event or contest’ fall outside the reach of the Wire Act,” U.S. Assistant Attorney General Virginia Seitz wrote in 2011, responding to two states’ requests for interpretation of the Wire Act of 1961.

**‘Restoration’ or Ban?**

The Restoration of America’s Wire Act (RAWA) would expand the Wire Act’s reach to include online activities such as online poker.

_Reason_ magazine Senior Editor Jacob Sullum says the legality of online gambling varies from state to state, and the passage of RAWA would affect many more people than just online poker players.

“This sort of paternalistic intervention should trouble anyone who has fun in ways that other people might not like, especially if he uses the Internet to pursue his pleasures,” Sullum said. “The absurdly broad reading of the Commerce Clause underlying Chaffetz’s bill, which makes anything that happens online a fitting target of congressional meddling, should trouble anyone who believes the federal government is limited to its enumerated powers.”

**‘Absolutely No Reason’**

Michelle Minton, a fellow at the Competitive Enterprise Institute, says states should be allowed to regulate online gambling.

“States have proven capable of regulating online gambling within their borders, and state legislators that do not want residents to have access to online gambling are perfectly capable of passing laws and enforcing that kind of state-level ban,” Minton said. “There is absolutely no reason why the federal government should be intervening in this matter.”

Minton says banning this form of online entertainment will drive consumers into underground black markets.

“With or without a national prohibition, Americans will continue to gamble online—it’s as simple as that,” she said. “However, allowing states to license and offer online gambling to those within their borders will give people a safe place to gamble instead of going into the black market.”

**State-Level Solutions**

Minton says the bill removes the self-governing authority of the states instead of protecting individuals from harm.

“Supporters of RAWA claim it is necessary to protect vulnerable individuals, but all it does is strip away the protections instituted by the states offering regulated online gambling,” said Minton. “States can require licensees to implement remedies to address any of the potential harms associated with online gambling, such as underage gambling, addiction, and crime.”

**‘Very Dangerous Precedent’**

Minton says RAWA goes beyond previous attempts to ban online gambling and could further expand the federal government’s grasp over online commerce.

“Whereas previous federal gambling laws were careful to limit their scope to transmissions related to truly interstate gambling, RAWA considers all online gambling transmissions to be interstate,” Minton said. “This sets a very dangerous precedent whereby Congress could intervene in any form of online activity even if the commerce begins and ends in the same state where the activity is legal.

“Today it is about online gambling, but tomorrow it may be about a different online activity that a member has a moral issue with or a donor seeking protection from his or her online competition,” said Minton.

Alexa Moutevelis Coombs (alexa@alexashrugged.com) writes from Washington, DC.

---

**INTERNET INFO**


---

**IN OTHER WORDS . . .**

“When it comes to gaming, however, security concerns are cited as a primary reason that online poker should be illegal. In fact, in the United States, only Delaware, Nevada, and New Jersey allow online poker; laws in the other 47 states make it illegal to play online poker. Even more troubling is H.R. 707, the Restoration of America’s Wire Act. The bill, introduced by Rep. Jason Chaffetz, a Utah Republican, would completely ban online gaming.”

—“Online Poker: Deal Me In,” _Aviel D. Rubin, Baltimore Sun, April 1, 2015_
Reform Pensions Now, Avoid Problems Later, Iowa Coalition Insists

By Alexander Anton

A grassroots coalition of activists is pressuring Iowa lawmakers to begin work on reforming the state’s five public pension programs and eliminate those programs’ unfunded liabilities.

In Des Moines, the Taxpayers Association of Central Iowa hosted an event headlined by former Utah state Sen. Dan Liljenquist (R-Bountiful) to discuss the need for pension reform with local business owners and community groups.

As a state senator, Liljenquist pushed through reforms to his state’s public pension program, including moving Utah’s pension system from a traditional defined-benefit system to a hybrid system incorporating elements of a defined-benefit pension system and defined-contribution system, similar to pension programs found in the private sector.

Keeping Promises to Workers

According to State Budget Solutions, a nonpartisan public policy organization focusing on local and state budget issues, Iowa’s pension programs have promised more benefits than they will be able to deliver.

Jonathan Williams, director of the Tax and Fiscal Policy Task Force at the American Legislative Exchange Council, says Iowa’s overpromising threatens the interests of both government employees and taxpayers.

“Unfunded liabilities in government-run pension systems pose significant challenges for government workers, taxpayers, and policymakers nationwide,” Williams said. “The best way to keep promises to current retirees and workers is by making annual pension payments and giving future workers a more portable, defined-contribution retirement plan.”

Unfunded Liabilities

Williams says research shows the magnitude of Iowa’s pension problem.

“According to the nonpartisan watchdog group State Budget Solutions, and using a market valuation of pension liability, Iowa’s current unfunded pension liability now exceeds $39.5 billion,” Williams said. “Those … numbers show the current funded level of Iowa’s pension system is 41 percent. The unfunded liability equals $12,807 per Iowa resident.”

Dannie Mahoney, director of state data labs at Truth in Accounting, says changing Iowa’s five pension programs is a common-sense move for lawmakers.

“States that license more workers have much lower employment growth,” Kleiner said. “If you compare occupations that are licensed in some states and not in others, those states that license more workers have slower employment growth.”

Kleiner says occupational licensing requirements do not increase quality of services or products for consumers.

“In a lot of cases, the question is: Should the input in the production process be licensed, or should it simply be the final product?” Kleiner said. “I assume you had lunch today. I’m sure the cook who made lunch was probably not licensed. Why do we not license cooks, dishwashers, servers, and yet in many states we license restaurants?”

Idaho Gov. Otter Vetoes New Regulations on Sign-Language Interpreters

By Jeff Reynolds

Idaho governor Butch Otter (R) vetoed a bill that would have required licensing by a state board for the practice of interpreting and translating sign language for the hard of hearing.

If House Bill 152 had been signed into law, anyone performing sign-language translation in a “general setting” would have had to pay thousands of dollars for government licenses and permits.

‘Slower Employment Growth’

University of Minnesota Center for Human Resources and Labor Studies professor Morris Kleiner says occupational licenses make it more difficult for people to find employment, reducing employment rates and slowing job growth.

“From the financial point of view of the state, it seems there is no reason to keep pensions for state workers as defined-benefit,” Mahoney said. “Switching to defined-contribution helps Iowans by relieving the state of the costly pension burden and allowing state workers to have more control over their own individual retirement plan.”

Mahoney says addressing the problem now, instead of later, is the best course for Iowa’s lawmakers.

“Pension costs for Iowa haven’t reached the crisis level that states like Illinois and New Jersey are seeing,” said Mahoney. “It’s very proactive of Iowa to want to reform pensions in the state now, so future generations are not saddled with debt from something they did not even see the benefit of; paying state workers who worked long before … future generations were old enough to pay taxes.”

## Idaho Gov. Otter Vetoes New Regulations on Sign-Language Interpreters

By Jeff Reynolds

Idaho governor Butch Otter (R) vetoed a bill that would have required licensing by a state board for the practice of interpreting and translating sign language for the hard of hearing.

Idaho Freedom Foundation Vice President Fred Birnbaum says the bill would have reduced the number of sign-language translators, making things more difficult for people with hearing impairments.

“The sponsor of the legislation actually said it would reduce the number of people who can practice, because the requirements for the license are fairly onerous and expensive,” Birnbaum said.

Giving Workers Control

“From the financial point of view of the state, it seems there is no reason to keep pensions for state workers as defined-benefit,” Mahoney said. “Switching to defined-contribution helps Iowans by relieving the state of the costly pension burden and allowing state workers to have more control over their own individual retirement plan.”

Mahoney says addressing the problem now, instead of later, is the best course for Iowa’s lawmakers.

“Pension costs for Iowa haven’t reached the crisis level that states like Illinois and New Jersey are seeing,” said Mahoney. “It’s very proactive of Iowa to want to reform pensions in the state now, so future generations are not saddled with debt from something they did not even see the benefit of; paying state workers who worked long before … future generations were old enough to pay taxes.”

Jeff Reynolds (jeffreynolds@comcast.net) writes from Portland, Oregon.
Gov. Kasich Proposes Steep E-Cigarette Tax Increase

By Matt Hurley

In addition to several tax hikes on Ohio businesses, Ohio Gov. John Kasich (R) is proposing a massive increase in taxes on electronic cigarettes to offset government revenue reductions caused by proposed personal and business income tax cuts.

Greg Lawson, a policy analyst for the Buckeye Institute for Public Policy Solutions, says Kasich’s e-cigarette tax proposal, which would add an excise tax on vaping fluid based on the equivalent amount of cigarettes contained in the product, unfairly targets a segment of the population for heavier taxation.

“First and foremost, this tax violates the principle of tax equity, because it specifically targets a single type of taxpayer,” Lawson said. “Additionally, the massive increase for some of the vapor products really could put them out of business, and no tax should be the cause of eliminating a form of business.”

‘Bigger Sticker Shock’

Kasich proposes taxing vaping fluid at a rate of $1.125 per milliliter of fluid, potentially increasing the price of e-cigarette fluid by a significant amount. Fifteen milliliters of fluid costs $10.00. Kasich’s tax plan would add $16.88 to the price of the fluid, constituting a 168 percent tax hike. Together with the 7.25 percent sales tax currently applied to e-cigarette fluid, 15 mL will cost $28.82 if Kasich’s proposal is approved.

“On a per-cigarette equivalency, the tax should come out about even, which would imply no major substitution effect based solely on price,” said Lawson. “However, people seeing their e-cigs jacked up 150 percent will probably experience bigger sticker shock, and [that will] lead to some people who may have wanted to shift from tobacco not doing so.”

American Council on Science and Health Executive Director Gilbert Ross, M.D., says Kasich’s proposal will hurt Ohio taxpayers more than it helps.

“The purpose of this harmful, destructive, and counterproductive proposal is to attempt to extort money from addicted smokers and those who have quit smoking by switching to vaping and e-cigs,” Ross said. “The concept that e-cigs should be taxed at such an exorbitant rate is exactly the wrong reason to do this, from any point of view.”

‘Black Markets Will Thrive’

Ross says the sharp tax increase will discourage some people from trying to quit smoking.

“Switching to e-cigs will be reduced by this ridiculous tax, bringing great harm to Ohio’s smokers who want to quit,” Ross said. “They will keep on smoking, and over half of them will die prematurely from it.”

Some vapers will buy e-cigarette fluid through other means that avoid the state taxes, reducing Ohio’s revenue from the new tax and hurting small businesses.

“Many vapers will find ways and means to get their e-cigs and nicotine e-liquid without paying this doleful tax,” Ross said. “Out-of-state and Internet retailers and black markets will thrive and will seek no identification to check age, nor will they pay taxes.”

Declining Source of Revenue

“Small businesses in Ohio now thriving from the innovative e-cig breakthrough will flee the state to more consumer- and business-friendly regions,” Ross said.

Lawson says offsetting long-term income tax cuts with declining revenue from sin taxes on e-cigarettes is not a good idea.

“If these tax increases lead to some level of product cessation, as well as the likely increase in the untaxed black market, we will see a declining revenue stream,” Lawson said. “If that happens ... it is hard to see how other tax reforms would be sustainable, if predicated on such a declining source of alternative revenue.”

Matt Hurley (wmdtv matt@yahoo.com) writes from Cincinnati, Ohio.
Pension Woes Turn Five States into ‘Sinkholes’

By Dannie Mahoney

Financial conditions in many states have shown little improvement in the years since the recession began in 2008, but the economies of Connecticut, Hawaii, Illinois, Massachusetts, and New Jersey have continued to deteriorate.

These five states are being called “sinkholes” because they have the highest debt per taxpayer after available assets are tapped.

The ‘Sinkhole States’

In 2013, each Massachusetts taxpayer was liable for $28,000 in debt per person. In New Jersey, each taxpayer was responsible for paying $36,000 in liabilities. Each Illinois taxpayer was on the hook for $43,400, and each Connecticut taxpayer was liable for $48,100. Hawaii taxpayers were responsible for paying $27,000 per person in unfunded debt, the lowest per-capita amount among the five sinkhole states.

These five states are now in this dire financial situation because they did not make sufficient contributions to their state pension and retirement health care funds when they had the funds available to do so. This debt should be of grave concern to the citizens of these states.

Accounting Gimmicks

Elected officials led their states into this debt-ridden condition by using accounting gimmicks to avoid paying into state employee pension funds. Among those accounting tricks was the failure to include shortfalls in funds for promised pensions or retiree health care benefits when they “balanced” their budgets.

Another common accounting trick has been to project and rely upon a higher rate of return on investments of pension fund money than the funds realistically could have achieved.

One example of a state using an accounting gimmick to fool taxpayers can be found in Hawaii. At first glance, Hawaii seems to have burdened its taxpayers with less debt in 2013 than in 2012, but that is not what really happened.

“The decrease in Hawaii’s taxpayer burden is deceiving because most of the decrease is related to the state playing with the rate of return on the assets in its retirees’ health care plan,” Truth in Accounting Chief Executive Officer and founder Sheila Weinberg said. “The state increased the rate from 4 percent to 7 percent.”

Decades of state officials’ use of such tricks, which amount to borrowing taxpayer money, have put these five states on the verge of financial disaster. The economic future of these states will be determined by state officials as they decide how much to contribute each year to pension funds of state retirees, all while officials desperately try to keep their states out of bankruptcy.

Dannie Mahoney (dmahoney@truthinaccounting.org) is media relations manager for Truth in Accounting.

Falling Prey to the Fallacy of ‘Tailgate Economics’

By Joseph Miller

St. Louis, Missouri is in danger of losing the St. Louis Rams, a professional football team in the National Football League (NFL), as city and state officials work feverishly on plans for a new publicly financed state-of-the-art stadium.

The Rams’ owner sees greener pastures farther west, and after years of subpar play on the field, fan support is tepid.

Economics and Fan Pride

NFL teams prefer the public to subsidize their new stadiums, using the possibility of leaving town as a not-so-veiled threat. Currently, St. Louis and Missouri officials are presenting a plan to spend more than $400 million on a new stadium to keep the Rams, who moved to the city from Los Angeles in 1995.

No Evidence of Economic Growth

Government officials here and around the country argue professional sports franchises boost regional economies and spur urban regeneration. Unfortunately, it just isn’t so.

Cities have been fundings stadiums for decades, and the vast majority of economic research shows little evidence these subsidies have yielded any economic benefits or growth in tax revenue.

Diverting Diversions

As for claims of urban regeneration, stadiums can ride a revitalization trend, but there is no evidence they create them. Stadiums simply divert entertainment dollars already being spent in the metro area.

St. Louis officials do not need to read up on the economic literature to see why publicly funded stadiums do not provide significant economic benefits.

They can simply look at the results of the Edward Jones Dome, the Rams’ current stadium.

Tailgate Economics

Originally conceived as an effort to keep the Cardinals in St. Louis in the 1980s, the Edward Jones Dome (EJD) was financed entirely by the public.

When EJD opened in 1995, it was considered a state-of-the-art sports venue. Twenty years later, the Edward Jones Dome is being described as outdated, even though the city government is still paying for the loans. The new stadium and new team had no noticeable effect on tax revenue, aside from a small increase in income tax receipts. As for urban regeneration, the Bottle District, immediately north of the stadium, is currently an empty lot.

Despite the lack of evidence a new stadium would create significant economic benefits for the region, St. Louis’ elected officials still claim a new riverfront stadium will create urban regeneration and generate hundreds of millions of dollars in new state tax revenue. If regeneration means parking lots, which will surround the stadium, then they may have a point.

Even assuming the best-case scenario comes to pass and St. Louis is blessed with a football team holding home-field advantage through the two playoff games leading up to the Super Bowl, does anyone really believe that having 10 great tailgate parties a year outside a new riverfront stadium is the key to economic revitalization?

Joseph Miller (joseph.miller@showmeinstitute.org) is a policy analyst with the Show-Me Institute, based in St. Louis, Missouri.
By Jay Lehr, Ph.D.

Bitcoin is digital money for a digital age, and it could launch an economic revolution.

In The Age of Cryptocurrency: How Bitcoin and Digital Money Are Challenging the Global Economic Order, authors Paul Vigna and Michael J. Casey, two longtime Wall Street Journal business reporters, attempt to cut through the hype and demystify cryptocurrency to explore its current uses and future potential. The book is insightful, well-written, and wonderfully informative.

Removing the Middlemen
The goal of cryptocurrency is to cut out the banking middlemen, whose role is to process and verify transactions. Cryptocurrency allows a network of thousands of redundant computers to replace the middlemen, doing their job more accurately and more efficiently than centralized banks and financial institutions.

As the authors explain, computer-based currencies have been around for 20 years but had no real success until an unknown genius under the pseudonym Satoshi Nakamoto designed a system that worked effectively. Nakamoto gave it to the world all but anonymously, then disappeared from the Internet without a trace on December 12, 2010.

Nakamoto shared a system involving two major breakthroughs: an inviolable universal ledger, which he dubbed the “blockchain,” against which anyone could verify the validity of transactions, and a unique set of monetary incentives to encourage the network’s computer owners to keep the ledger up to date.

Although the authors try hard throughout the book to explain what a blockchain is, it can be summarized by saying it is a vast chain of computers working in a coordinated manner under the same computer code. The blockchain quickly verifies the accuracy of any transaction, removing the possibility of cheating, double-dealing, and fraud.

That may sound simple, but it took years and true genius to develop this foolproof system. The blockchain may be based on unfamiliar mathematical concepts, but the entire U.S. banking system is based on similarly unfamiliar ideas.

Worldwide Implications
In their research on cryptocurrency, Vigna and Casey traveled the world to determine whether the system could have averted a financial meltdown in Argentina and how it is currently working in Kenya. The authors profiled 174 people who have contributed to the growth of cryptocurrency over the past decade as part of their research.

As the authors make clear, eliminating the middlemen of government and big financial institutions will vastly increase the potential spread of business capital and personal financial options. The current political and economic power players see that as a threat, of course, and their reaction to Bitcoin has been predictably hostile.

The narrative and research in this book lay out two possible futures for Bitcoin and cryptocurrency: one in which Bitcoin withers and dies and one where it leads to a future economic revolution benefiting the entire world.

Jay Lehr, Ph.D. (jlehr@heartland.org) is science director at The Heartland Institute.
The Tenth International Conference on Climate Change (ICCC-10) will take place on June 11-12, 2015, in Washington, DC. You won’t want to miss this event!

Republican mid-term election gains create new opportunities to stop and begin to repeal the anti-energy and anti-jobs policies adopted during the height of the global warming scare.

New scientific discoveries suggest the climate’s “sensitivity” to carbon dioxide is lower than previously thought, and economists warn that reducing emissions enough to have a discernible impact on climate would cause more “energy poverty,” exposing millions of people to hardship or even death.

The most recent conference in this series, ICCC-9, took place in Las Vegas in July 2014 and was widely acclaimed as the best in the series yet. Some 650 people turned out to hear 64 speakers cover every aspect of climate change. Thirty-two organizations cosponsored the event and ten prominent scientists and activists received awards. Video of every presentation along with speakers’ Powerpoints delivered at that event can be found at climateconferences.heartland.org.

For more information and to register, go to climateconference.heartland.org.

To learn more about climate change awards, visit climatechangeawards.org.
JULY 8-11 2015 - PLANET HOLLYWOOD VEGAS

TOP TEN REASONS!
TO COME TO FREEDOMFEST
The World's Largest Gathering of Free Minds.

#1 BECAUSE HEARTLAND INSTITUTE WILL BE THERE!

Dream Debate of the Century!
PAUL KRUGMAN VS STEVE MOORE

Austerity vs Stimulus...Red State vs Blue State... and More!

JOHN MACKAY VS PETER THIEL

"Monopoly Power! Has Competition Been Oversold?"

TOP MEDIA COVERAGE

JOHN STOSSEL (FOX BUSINESS) INTERVIEWS STEVE WYNN (WYNN RESORTS)

Reason.TV, CSPAN-Book TV, Newsmax and many more

$50,000 AMERICAN DREAM AWARD!

Join the competition for the best new business idea!

DINETH D'SOUZA VS THE LATE, GREAT CHRISTOPHER HITCHENS

"What's So Great about God"

FREEFOMFEST CASH VAULT

INVESTORS' SUMMIT

PETER SCHIFF (EUROPACIFIC) ALEXANDER GREEN (OXFORD CLUB)

"Is the Golden Age of Investing Over?"

PLUS: THE FEDERAL RESERVE ON TRIAL

Prosecuting attorney Robert Murphy (Mises Institute) vs defending attorney Jeff Madrick ("The Case for Big Govt")

MICHAEL SHERMER (SCIENTIFIC AMERICAN) AND CONGRESSMAN ALLEN WEST

Debates on War, the American Dream, Moral Progress, and more...

Call us today or go to our website to register. We expect to sell out this year with over 2,500 attendees!

www.FreedomFest.com | 1-855-850-FREE