Congress Weighs Licensing for Tax Preparers

By Leo Pusateri

Lawmakers in Congress have introduced a bill that would authorize the Internal Revenue Service to enact occupational licensing regulations for tax preparation agents. If approved by Congress and signed into law by President Barack Obama, the Tax Return Preparer Competency Act (TRPCA), sponsored by U.S. Reps. Diane Black (R-TN) and Pat Meehan (R-PA), would require professional tax preparation agents to pass a series of federal examinations, meet federal standards for continuing education, and pass government law enforcement background checks.

Tax preparers are already required to register with the Internal Revenue Service (IRS) in order to obtain (R-PA), would require professional tax preparation agents to pass a series of federal examinations, meet federal standards for continuing education, and pass government law enforcement background checks.

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Chicago, IL 60606

www.budgetandtax-news.org

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By Michael Bates

During a speech at the Texas Public Policy Foundation’s annual Policy Orientation convention, Texas Gov. Greg Abbott (R) called on state lawmakers to draft and pass legislation that would authorize the state to join the growing movement to convene a convention of the states to consider and draft a constitutional amendment requiring a balanced national budget.

All Aboard the Reform Train

Kyle Maichle, project manager for constitutional reform at The Heartland Institute, which publishes Budget & Tax News, says the constitutional reform wheels are already in motion.

“States should be working together to design the overall operation of a convention,” Maichle said. “The convention operations and rules are currently being considered by the Assembly of State Legislatures, which met in Utah in November. Although the ASL left Utah without ratifying a set of rules, it is closer to finalizing the framework for a convention.

Texas Governor Calls for Convention of States

By Michael Bates

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CONVENTION, p. 6

Texas Gov. Greg Abbott, shown during a December 2015 news conference.
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Florida Restores Work Requirements for Food Stamps

By Luke Karnick

After six years of waiving eligibility requirements for people on the state’s Supplemental Nutrition Assistance Program (SNAP), Florida is returning the safety-net program to normalcy by reinstating minimum work requirements for able-bodied individuals receiving entitlement payments.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) requires healthy individuals without dependents to seek employment or job training as a condition of receiving SNAP benefits.

In 2012, the Obama administration created a waiver for qualifying states, removing the work requirements for food stamp recipients.

Waiver-Mania

Joshua Archambault, a senior fellow with the Foundation for Government Accountability, says the waiver system created perverse economic incentives.

“Under a waiver, you don’t have to meet education requirements or part-time work requirements, so able-bodied adults can just stay on the program.” Archambault said. “That’s a problem. That’s why the waiver is so important. Just to understand the implications, the [removal of the] waiver does not just kick a bunch of people off. It says, ‘If you’re going to remain on the program as an able-bodied adult without kids, then you’ll have to meet some basic requirements in return for those benefits. Those activities, in return, are hopefully moving you toward being employed or more employable or getting the skills to become employed.’”

Archambault says the system is trapping people, instead of helping them.

“The public rationale, for years, has been, ‘The economy is weak, and therefore we need to provide assistance,’” Archambault said. “But that rationale has been removed in most of these states as the economy has improved and the enrollment in these ‘counter-cyclical safety net programs’ hasn’t gone down, and therefore it has raised lots of questions about [whether]

IN OTHER WORDS . . .

“Florida was one of many states that suspended the [SNAP work] rules during the height of the Great Recession.

“Nondisabled adults who don’t meet the work requirement will be limited to three months of assistance in a three-year span. Exemptions exist for pregnant women. . . .

“The 1996 welfare reform law created the work requirement for the food-stamp assistance program. During the economic downturn, the Obama administration made it easier for states with high unemployment to waive that requirement.

“About 40 states, including Florida in 2009, filed for waivers. Florida qualified for the waiver for the first quarter of fiscal year 2016, according to the U.S. Department of Agriculture.”


“It says, ‘If you’re going to remain on the program as an able-bodied adult without kids, then you’ll have to meet some basic requirements in return for those benefits.’”

Joshua Archambault, Senior Fellow
Foundation for Government Accountability

‘Principle of Reciprocity’

Rachel Sheffield, a policy analyst for The Heritage Foundation’s DeVos Center for Religion and Civil Society, says the numbers show the system is being exploited.

“We have calculated that in 2014 about $9.5 billion of food stamp money went to able-bodied adults without dependents,” Sheffield said. “Therefore, $9.5 billion of the $75 billion allotted for food stamp money went to able-bodied adults without dependents. It’s a significant amount. In 2014, there were 4.7 million able-bodied individuals receiving food stamps.”

Sheffield says PRWORA’s work requirements were included for a good reason.

“The principle is that there should be a work requirement with food stamps and that the able-bodied adults should be required to work, to be training for work, or to be looking for work in exchange for these benefits,” Sheffield said. “That then establishes the principle of reciprocity between the taxpayer, who is paying for the benefit, and the individual who is receiving the benefit. It promotes work and self-sufficiency, and work and self-sufficiency should be the goal for able-bodied adults on welfare.”

Luke Karnick (lkarnick@yahoo.com) writes from Indianapolis, Indiana.
Hawaii Raises Minimum Age to Buy Tobacco, E-Cigs

By Gabrielle Cintorino

A new statewide law raising the minimum age required for individuals to purchase tobacco products and e-cigarettes has gone into effect in Hawaii.

Individuals under the age of 21 are no longer able to legally purchase these products, making Hawaii the first state in the nation to raise the smoking age to 21, as of January 2016.

Keli‘i Akina, president of the Grassroot Institute of Hawaii, an independent nonprofit research and educational institution devoted to promoting individual liberty and accountable government, says the new law treats adult Hawaiians as though they are children.

“This is an abuse of government power and an inappropriate means to an end,” Akina said. “The role of government is to defend individual liberty, not to serve as a controlling nanny over citizens. The State of Hawaii should instead foster a citizenry of individuals capable of balancing rights and responsibilities on their own.”

Black Markets on the Beach

Christopher Snowdon, director of lifestyle economics at the Institute of Economic Affairs, says the new law treats individual nonprofit research and educational institutions such as the Grassroot Institute of Hawaii, an independent research foundation, to force people to behave as the government, or the pressure groups behind the government, would wish,” Snowdon said.

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

Lawmakers Debate Entitlement Changes, Reorganization for U.S. Postal Service

By Andrea Dillon

Members of Congress are developing a plan to shift and reorganize costs incurred by the struggling U.S. Postal Service (USPS) in an attempt to reform the quasi-government agency’s operations.

In fiscal year 2015, USPS spent $5.1 billion more than it collected in revenue, and it has continued to default on entitlement payments for retired employees.

The U.S. Senate Committee on Homeland Security and Governmental Affairs, chaired by Sen. Ron Johnson (R-WI), heard testimony on January 21 about legislation that would reform USPS, Senate Bill 2051, by shifting retirees’ health care entitlement programs into taxpayer-funded programs such as Medicare.

SB 2051 would also change the process through which underutilized post offices are closed or reorganized.

Richard Geddes, an associate professor at Cornell University’s Department of Policy Analysis and Management, says the proposed reforms would make those decisions.

“On the other hand, they say, ‘Oh, wait, we are going to straitjacket you in certain ways. You cannot decide which post offices to keep open, which to close, and where to put them to optimize your network, because we, Congress, are going to make those decisions.’”

‘Worse than a Band-Aid’

James Gattuso, a senior research fellow at The Heritage Foundation’s Roe Institute for Economic Policy Studies, says the proposed reforms would make the problem worse, not better.

“It is worse than a Band-Aid,” Gattuso said. “This legislation would actually diminish USPS’s ability to reform by placing moratoriums on closing unneeded facilities and consolidating services.

“Banning the closure of post offices is exactly the wrong thing to do,” Gattuso said. “USPS needs to downsize. Mail is shrinking, leaving USPS with far too much infrastructure. The problem, of course, is that no congressman wants any post offices in their district closed. That illustrates the problem with government ownership of USPS.”

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

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New Mexico Gov. Martinez Revives Right-to-Work Push

By Tony Corvo

ew Mexico Gov. Susana Martinez (R) is attempting, for the second time, to bring right-to-work reform to her state.

In 2015, the measure passed the Republican-led state House of Representatives, but it was later rejected, due in part to strong union opposition, by the Democrat-led state Senate.

Paul Gessing, president of the Rio Grande Foundation, says right-to-work could cause the kind of economic boost the state needs.

“New Mexico desperately needs something to jumpstart its economy,” Gessing said. “It has the highest unemployment rate in the nation, and [it] has relied for too long on federal spending. Right-to-work would be a great first step towards growing New Mexico’s private-sector economy.”

Voting with Their Feet

“All of New Mexico’s neighbors, with the exception of Colorado, have right-to-work laws on the books,” Gessing added. “Despite sunny weather and its location in the American Southwest, New Mexico has been losing population in recent years. Texas, with its right-to-work law and lack of income taxes, has been a particularly attractive state for New Mexicans to relocate [to].”

Martinez’ push to make New Mexico friendlier to workers and businesses comes at a time when right-to-work reform has become a national issue. Opening arguments in a case brought by a group of California teachers challenging the constitutionality of automatically deducting union fees from government teachers’ paychecks were presented before the U.S. Supreme Court in January 2016.

If the Court rules in favor of the lead plaintiff, Rebecca Friedrichs, individual teachers would be allowed to decide whether to contribute to teachers unions. Currently, many public school teachers are required to contribute funds to a teachers union as a condition of employment.

‘A Huge Case’

Richard Vedder, a professor of economics at Ohio University, says the case, Friedrichs v. California Teachers Association, could have implications for workers all over the nation, in every profession.

“I think [Friedrichs is] a huge case,” Vedder said. “I think there is a decent chance the plaintiffs might win this one. And if they do, it’s just another nail in the coffin of the labor unions in the United States.”

‘Just Saying No’

Vedder says people in right-to-work states, such as Wisconsin, are taking advantage of their freedom to choose whether to associate with labor unions.

“We see in Wisconsin the enormous decline in union membership in the public sector after Gov. [Scott] Walker’s aggressive actions on right-to-work,” Vedder said. “I think people are voting with their feet to not be members of a union. They are just saying ‘no’ to unions.”

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

Alaska Governor Proposes Reviving State Income Tax

By Kimberly Morin

alaska Gov. Bill Walker (I) is proposing a series of new tax hikes and spending reforms that aim to reduce a $3.6 billion gap between spending and revenue, caused in part by the decline in global petroleum prices and reductions in energy companies’ mining activity over the past year.

Walker’s new proposal, called the New Sustainable Alaska Plan, includes the creation of a state income tax, an increase in the state’s gas tax, and cuts to government agencies’ budgets. Walker’s plan would also reduce cash payouts to residents made through the state’s Permanent Fund dividend (PFD), an entitlement program funded by excise taxes levied on energy companies.

Dollars and Sense

Jeremy Price, state director for the Alaska chapter of Americans for Prosperity, says Alaska’s budget problems are the result of excessive government spending, not insufficient revenue.

“Like most states, the biggest cost-drivers in the state budget are pension obligations and Medicaid,” said Price. “A decade ago, the legislature opted for defined-contribution plans moving forward, so that will help in the future. On the other hand, Gov. Walker expanded Medicaid this year, which will require greater state spending down the road.

“Alaska’s revenue primarily comes from oil production,” Price said. “The gradual decline in production over the last couple decades, and the recent drop in price, resulted in less revenue to the state, creating a $3 billion to $4 billion deficit.”

Price says the tax hikes will not cover the state’s budget gap.

“Increasing taxes on businesses and reinstating an individual income tax takes money from the private sector and gives it to government,” Price said.

“While taxes in Alaska are low when compared to other states, the marginal corporate tax rate is still one of the highest in the country, currently at 9.4 percent. The legislature could raise taxes on tourism, commercial fishing and mining, reinstate the income tax, and institute a sales tax, and we would still have a deficit.”

Not a ‘Sustainable Alaska Plan’

David Boyle, executive director of the Alaska Policy Forum, a policy research institute providing free-market solutions to problems facing Alaska, says Walker’s proposal focuses on the wrong problem.

“The governor is only focusing on revenue streams, because he contends that government has been cut to the bone, which pays back to the public employee unions that elected him,” Boyle said. “No amount of taxes would support the size of state government that we have today.”

Boyle says Alaskans want any necessary tax hikes to be paired with spending cuts.

“Alaska’s revenue primarily comes from oil production. The gradual decline in production over the last couple decades, and the recent drop in price, resulted in less revenue to the state, creating a $3 billion to $4 billion deficit.”

Jeremy Price, State Director Americans for Prosperity-Alaska

“I believe most Alaskans are against [additional] taxes, unless the state cuts the size of the government,” Boyle said. “The governor has proposed capping the Permanent Fund dividend at $1,000. The PFD was $2,072 this year, so people see that cap as a 50 percent tax.”

Kimberly Morin (kimberlyamorin@gmail.com) writes from Brentwood, New Hampshire.
Madison, Wis. Lawmakers Dial Up Internet Plan Funded by Taxpayers

By Jenni White

Lawmakers in Madison, Wisconsin are proposing to use taxpayer funds to create a new government-owned Internet service provider that they hope will be able to compete with private-sector companies already providing Internet access and services to consumers.

City officials have hired a consulting firm to examine the feasibility of expanding local government data networks to provide universal wired-Internet coverage to everyone in the city.

‘Opportunity for Cronyism’

Chris Rochester, communications director for the John K. MacIver Institute for Public Policy, a Wisconsin-based think tank, says taxpayers can’t afford the cost of corruption associated with municipal broadband projects.

“I think cronyism polls pretty poorly, and the government getting into the Internet business is an opportunity for cronyism, by getting government involved in what should stay the business of the private sector,” Rochester said. “More cronyism certainly isn’t in the public interest.”

Doing IT Better

Rochester says the on-ramp to the information superhighway is littered with failed municipal broadband projects.

“Chattanooga spent $111 million in federal stimulus funds on a $300 million project,” Rochester said. “We see how large amounts of taxpayer money are being spent on projects that private business can and does handle more efficiently and effectively. When government wants to get involved in something, you always have to ask why. I don’t see a compelling answer here, other than government trying to grow its reach and go far beyond its purpose.”

Good Intentions, Bad Results

Tom Struble, policy counsel with TechFreedom, a nonpartisan public policy think tank focusing on digital issues, says municipal broadband projects’ costs often exceed their benefits to taxpayers.

“Unfortunately, those programs are rife with waste, fraud, and abuse,” Struble said. “For each municipal broadband success story, there is a similarly tragic story to be told of well-intentioned city officials trying to improve their citizens’ broadband but succeeding only in building a failed network with cost overruns and impending bankruptcy, leading the public network to be sold to a private company at a huge loss, [which is] ultimately borne by the local taxpayers.”

Struble says Madison taxpayers should instead enact common-sense reforms that promote private-sector telecom investment.

“If Madison wants to better serve the communication needs of their citizens, they should focus on adopting smart infrastructure policies that make it easier for existing providers to upgrade their networks and for new providers to enter the market,” Struble said.

Jenni White (jlwplusdmw@gmail.com) writes from Luther, Oklahoma.

Texas Governor Calls for National Constitutional Convention

Continued from page 1

The group will meet in New York or Philadelphia during the summer.

Safeguards Already in Place

Maichle says common objections to an Article V convention have already been addressed.

“An Article V convention is limited in scope, as it deals only with amendments to the Constitution,” Maichle said. “There are mechanisms already in place to limit the scope of a convention, including official legislative instructions from their respective states that require delegates to vote only for authorized amendments and delegate selection and limitation acts that serve as a sort of written code of conduct for delegates.”

History Lesson

Ilya Shapiro, a senior fellow in constitutional studies at the Cato Institute, says fears of a “runaway convention” are unfounded. He says the history of the nation’s first convention, held in 1776, gives little reason to fear future conventions would go awry.

“Both the congressional call and most of the authorizing resolutions from the states articulated the expectation that delegates would revise the [proposed Articles of Confederation] to establish a firm national government,” Shapiro said. “Revision’ had a broader meaning than ‘amendment,’ entailing the possibility of a total rewrite of the Articles [of Confederation].

“The lower ratification threshold for the Constitution was fully in the power of the attending states to propose, because the Articles were already breached, and the Articles were being replaced, not merely amended,” said Shapiro. “[The] unanimity requirement for alterations was not legally binding on the states.”

Shapiro says the constitutional amendment process is ultimately governed by the people.

“I would have no fear of a runaway convention, because whatever such a body produces would still have to be ratified by both legislative chambers in three-quarters of the states,” Shapiro said.

Shapiro said Abbott’s call for a convention is encouraging.

“The topics are certainly encouraging,” Shapiro said. “A good team could no doubt draft excellent amendments within those fields of law and thus dramatically improve the status quo. Keep in mind that a well-drafted amendment does not hinge on judicial fidelity, but rather minimizes the opportunity for judicial intervention by creating its own inherent incentives for good and bad policy actors to follow its terms.”

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

“I think cronyism polls pretty poorly, and the government getting into the Internet business is an opportunity for cronyism”

CHRIS ROCHESTER
COMMUNICATIONS DIRECTOR
JOHN K. MACIVER INSTITUTE FOR PUBLIC POLICY
Unveiling his budget priorities for fiscal year 2017, newly inaugurated Maryland Gov. Larry Hogan (R) is pushing for more tax relief for residents and business owners and reform of the state’s spending formulas to include automatic reductions triggered by revenue decreases.

Hogan also says he plans to transfer $1.1 billion in revenue to the state’s emergency reserve fund, commonly called the rainy-day fund, and he pledges to reform the state’s corporate income tax and service fee structures.

Christopher Summers, president of the Maryland Public Policy Institute, says Hogan has the right idea.

“Gov. Hogan’s approach [to implementing] tax cuts is a prudent and fiscally responsible proposal at this time,” Summers said. “The current balance of the rainy-day fund is appropriate and should be maintained, and [any] excess revenue or surplus should be applied to reducing state debt.”

Reform Is ‘Unavoidable’

“The state has continued to suffer from structural deficits, because there has not been an appetite to restrain spending in Annapolis,” Summers said. “This is a policy where reform is absolutely unavoidable if the state is to continue on sound fiscal footing.”

Miriam Roff, state affairs coordinator for Americans for Tax Reform, says Hogan’s proposal is a brave step toward sound fiscal policy.

“He could have taken the easy route—when he inherited more than $5 billion in overspending mandates, including $2.1 billion in 2015 to 2016 alone—by raising taxes like his predecessor did when things got tough,” Roff said. “But instead, Hogan is proposing $400 million in tax and fee cuts, and he’s proposing reducing mandatory state spending in tough economic times. This is one of the most common-sense proposals coming out of any state this year.”

Roff says Hogan’s plan will help attract new jobs and new residents to Maryland.

‘Attracting More Taxpayers’

“It is no coincidence that the states without an income tax, with lower overall tax burdens, and more-restrained spending are attracting more taxpayers and businesses than those, like Maryland, who are on the other end of the spectrum,” Roff said. “Hogan’s election stopped the bleeding. Not only had Maryland taxpayers been hit with $8 billion in higher taxes by Hogan’s predecessor, Martin O’Malley, little or no recent attempts to reform government to make it cost less had been undertaken by lawmakers.”

Roff says state lawmakers should work with Hogan to make Maryland economically competitive.

“If Maryland lawmakers are genuinely interested in generating more tax revenue for their spending priorities, they should work with Gov. Hogan to grow the base of businesses and individuals who pay taxes in Maryland,” Roff said. “To do this, they’re going to have to work with the governor to make Maryland more competitive, attractive, and appealing for businesses big and small to move to the state. That requires lower taxes and less reckless spending.”

Dustin Siggins (dustinsiggins@yahoo.com) writes from Washington, DC.
Ind. Lawmakers Propose Excise Tax Increases for Road Funding

By Andrea Dillon

Indiana lawmakers are proposing to raise the state’s excise taxes on gasoline and cigarettes to generate more money for road construction and repair.

The bill, sponsored by state Rep. Edmond Soliday (R-Valparaiso), would also divert the majority of sales tax revenue from fuel sales toward development projects unrelated to road construction or maintenance.

The bill, which was proposed and supported by many in the Republican leadership, would increase Indiana’s excise tax on cigarettes from 99 cents per pack of cigarettes to $1.99 per pack, and it would raise the gasoline tax from 4 cents per gallon to 22 cents, a 450 percent increase.

‘Huge Black Market’

Chris Edwards, director of tax policy studies at the Cato Institute, says the road funding plan would create an illegal underground market for cigarette sales.

“High cigarette taxes have created a huge black market that is funding organized crime and terrorists,” Edwards said. “This is a very serious problem, and hiking taxes further would make it worse. Furthermore, raising cigarette taxes would be a particularly heavy burden for moderate income Hoosiers.”

Edwards says lawmakers should consider cutting costs before hiking taxes.

“Highway construction has become hugely expensive,” Edwards said. “State governments should put more effort into cutting costs, [rather] than always increasing revenues. Indiana should study ways to cut highway construction costs, such as by using non-union labor and hacking back at regulatory hurdles and delays.”

Enough, Already!

Justin Stevens, state director of the Indiana chapter of Americans for Prosperity, says the people of Indiana already pay excessively high taxes on gasoline.

“[W]hen the price of gas was $4, we were sixth or seventh in the country as far as taxes,” Stevens said. “Now that it’s down to $1.80, we’re probably about 15th, as far as how much taxes we pay, because it also fluctuates based on sales. We’re one of only seven states that has sales tax on gasoline.”

Stevens says lawmakers do not need to raise taxes to fund road repairs in the state.

“Our overall state revenue increased from fiscal year 2014 to fiscal year 2015 by $750 million, which gets us pretty far when redirecting that gasoline sales tax to roads and then covering the shortfall in the general fund,” Stevens said. “At a time where we have a $2 billion reserve, we’ve increased revenue by $750 million in the last fiscal year. We’re doing really well this fiscal year as a state.”

Alaska Taxi Driver Demands Thaw of City’s Freeze on Uber

By Tony Corvo

Months after Anchorage, Alaska lawmakers forced Uber, a popular transportation network company that directly connects drivers and riders, to halt its operations in the city, a local taxi driver is working to overturn the city’s regulations and allow Uber to resume serving local consumers.

In March 2015, Uber suspended operations in Anchorage after spending several months attempting to negotiate with city lawmakers and regulators to reduce or remove rules requiring drivers to purchase expensive taxi license medallions or luxury chauffeur licenses. Uber also unsuccessfully attempted to remove other costly regulations.

Dave O’Malley, a local taxicab driver, is backing a voter initiative that would overturn the regulations and allow Uber to begin serving local consumers again.

Cold War Against Bad Service

O’Malley says he has been fighting the taxicab status quo for nearly a decade.

“For the past eight years, I and a few others have been battling a corrupt, dysfunctional system in an effort to improve service,” O’Malley said. “The problem has always been a shortage of cabs on the road, especially at high peak times like rush hours, holidays, and especially [during] bar break.”

“We think the people of Anchorage deserve much more than the shoddy taxicab services they’ve become accustomed to. Competition is the answer, and that’s what we’re going for. The overwhelming majority of the public wants Uber to return.”

DAVE O’MALLEY, LOCAL TAXICAB DRIVER, ANCHORAGE, ALASKA

O’Malley says his city deserves better services and more options.

“We think the people of Anchorage deserve much more than the shoddy taxicab services they’ve become accustomed to,” said O’Malley. “Competition is the answer, and that’s what we’re going for. The overwhelming majority of the public wants Uber to return.”

Warming Up to New Ideas

Patrice Lee, outreach director for Generation Opportunity, a national nonprofit organization that promotes economic opportunity and prosperity for the younger generation, says lawmakers should warm up to the idea of using competition to encourage innovation.

“Wherever innovation bumps up against the status quo and entrenched interests, issues will arise,” Lee said. “Technology is disrupting traditional industries and forcing them to compete for our business in ways that they haven’t had to in the past. The successful industries will be those that adapt to change, rather than trying to throw roadblocks in the way of innovation.”

Everyone wins when lawmakers step out of the way and allow businesses to innovate, Lee says. “Jobs in the sharing economy give enormous flexibility for people to earn extra money, either as a supplement to other work or full-time,” Lee said. “As consumers, the added competition spurs innovation. This brings lower prices and higher quality.”

Tony Corvo (tcorvo54@gmail.com) writes from Beavercreek, Ohio.
San Diego, California lawmakers are appealing a ruling by the state’s labor relations board that rolls back pension entitlement reforms approved by voters four years ago.

In December 2015, the California Public Employment Relations Board (PERB) ruled Proposition B, a San Diego ballot question approved by 66 percent of city voters in 2012, violated public employees’ legal rights by shifting the city’s defined-benefit pension entitlement system to a defined-contribution system, similar to the retirement programs enjoyed by private-sector employees.

PERB has ordered the city to pay all public employees “the value of any and all lost compensation, including but not limited to pension benefits.”

Will of the People Denied
Lawrence McQuillan, a senior fellow at the Independent Institute, says voters and taxpayers should have the final say on how city governments use their money.

“The private citizens of California should always have the right to adjust the pay and benefits of the people who work for them in government, the public servants,” McQuillan said. “If the PERB decision is allowed to stand, it will strip citizens of this fundamental right.”

McQuillan says the future of other California cities, not just San Diego, could be at stake.

“If [PERB’s] decision is allowed to stand, it will make it more difficult for the state and other California municipalities to implement the necessary pension reforms,” McQuillan said. “California will be essentially trapped on a path toward fiscal insolvency. I’m hopeful that when courts review PERB’s decision, they will see its absurdity and toss it out, affirming the rights of citizens over the edicts of bureaucracies.”

Clear Democratic Mandate
Wayne Winegarden, a senior fellow at the Pacific Research Institute, a non-profit organization advocating for personal responsibility and individual liberty in national and state issues, says the will of the people should be respected by reinstating the reforms.

“Nearly two-thirds of San Diego voters supported Proposition B,” Winegarden said. “Despite the clear democratic mandate and the economic necessity of the reforms, members of an unelected ‘quasi-judicial administrative agency’ are now trying to nullify the results. If upheld, the ruling by PERB undermines San Diego’s initial reforms to rein in out-of-control pension costs, risking the city’s long-term fiscal solvency.”

“If this ill-considered decision is allowed to stand, all future employees would once again become eligible for the current unaffordable pension plans,” Winegarden said. “Thus, in spite of implementing fiscally responsible reforms, this decision forces San Diego back into fiscal peril. Instead of allowing unelected bureaucrats to undermine the will of the voters, San Diego’s political leadership should defend Proposition B in court.”

D. Brady Nelson (d.brady.nelson@me.com) writes from Washington, DC.

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Choice

Living Economics
Lawmakers Pass Bill to ‘SCRUB’ Unneeded Regs

By Darren Nelson

Lawmakers in the U.S. House of Representatives approved a pair of bills to help identify and remove unnecessary federal regulations and increase the difficulty of passing new, extraneous regulations in the future.

The Searching for and Cutting Regulations that are Unnecessarily Burdensome Act (SCRUB Act), introduced by Rep. Jason Smith (R-MO), and the Sunshine for Regulatory Decrees and Settlements Act (SRDSA), introduced by Rep. Doug Collins (R-GA), were both passed by the House on January 12 and sent to the U.S. Senate for consideration.

The SCRUB Act, if signed into law, would create a bipartisan commission for reviewing and identifying outdated federal regulations. SRDSA would help limit lobbyist groups’ ability to affect federal policy through litigation and other forms of “lawfare.”

Addressing Problems with Rulemaking

James Broughel, manager of the Regulatory Studies Program at the Mercatus Center, says the bills address a set of serious problems with the way the federal government operates.

“The House of Representatives is bringing attention to two problems that arise within the current regulatory system,” Broughel said. “First, there is the problem of regulatory accumulation. Federal agencies have lots of incentives to add new rules to the books but very few incentives to eliminate old rules that aren’t working as intended. As the Code of Federal Regulations grows each year, understanding it becomes increasingly difficult, and navigating the complexity of the legal system is harder and harder to do. This problem can be most profound for small businesses that don’t have the high-paid compliance attorneys that big corporations employ.”

‘Sue-and-Settle’

Broughel says limiting the power of outside special-interest groups over the rulemaking process is important.

“Another problem results from so-called ‘sue-and-settle’ lawsuits,” Broughel said. “These are situations where a special-interest group files a friendly lawsuit against an agency, knowing the agency will settle and agree to a court-ordered timeline for a new regulation. Often people within the agency and the special-interest group want the new regulation.

“This is a type of backdoor rulemaking, whereby agencies are able to limit the public’s ability to participate in the rulemaking process,” Broughel said. “This is not only undemocratic, it prevents rules from receiving more attention from economists, scientists, and other experts as rules are rushed out the door to meet a court-imposed deadline.”

‘A Good First Step’

Grover Norquist, president of Americans for Tax Reform, says the SCRUB Act is a clear win for taxpayers.

“The SCRUB Act, creating a bipartisan commission to investigate the costs of various regulations and recommend outdated or counterproductive regulations that could be repealed, is a good first step to pruning back the overregulation that slows economic growth and kills jobs,” Norquist said. “I would hope the next step is to create a regulatory commission, based on the model of the Defense Base Closure and Realignment Commission that has successfully recommended unnecessary military bases to be closed unless Congress [votes] to maintain them.”

D. Brady Nelson (d.brady.nelson@me.com) writes from Washington, DC.

North Carolina Commissioners, Residents Reject Eminent Domain Proposal

By Andrea Dillon

North Carolina lawmakers have rejected a proposal to seize residents’ property and resell it to a company for private development.

The Johnston County Board of Commissioners rejected a proposal to seize and sell more than 400 acres of private property to CSX Corporation, a real estate and railway company proposing to build a $272 million project in the county, which is located about 40 miles southeast of Raleigh, North Carolina.

Public Use or Private Benefit

Jon Guze, director of legal studies at the John Locke Foundation, says state property owners are not sufficiently protected from the misuse of eminent domain—the seizing of private property by government agencies for public use. A 2005 U.S. Supreme Court ruling, Kelo v. City of New London, determined governments could take the private property of one person even for the “private benefit” of another.

“The North Carolina Constitution—doesn’t prohibit the use of the takings power by a common carrier like a railroad,” Guze said. “My instinct is always to side with the little guys and with property owners, and that’s especially true when it comes to eminent domain. Moreover, from what I’ve read in the news, it sounds as though CSX has been needlessly heavy-handed in its initial dealings with the public.”

‘Victory for the Little Guys’

Dean Stansel, a research associate professor at Southern Methodist University, says the county commissioners’ decision to stand with taxpayers against business interests is encouraging.

“I was very pleased to hear that the local politicians sided with the local property owners in a case involving eminent domain. That’s pretty unusual. I do see this as a victory for the little guys, the individual property owners who don’t have the resources to be able to influence local politicians the way big corporations usually can.”

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“I was very pleased to hear that the local politicians sided with the local property owners in a case involving eminent domain,” Stansel said. “That’s pretty unusual. I do see this as a victory for the little guys, the individual property owners who don’t have the resources to be able to influence local politicians the way big corporations usually can.”
San Antonio Stadium Subsidy Could Leave Taxpayers Holding the Ball

By Dustin Siggins

Lawmakers in San Antonio, Texas, and in surrounding Bexar County are giving the owners of the San Antonio Spurs, a privately owned National Basketball Association team, a total of $18 million in taxpayer funds to purchase Toyota Field, a local soccer stadium, in hopes of landing a professional soccer team within the next 10 years.

A new subsidiary of Spurs Sports and Entertainment, an ownership group led by Chairman Peter Holt, will be responsible for convincing Major League Soccer (MLS) to create a new team to play in the stadium. Should the company fail to land an MLS team in the city, Spurs Sports and Entertainment will be allowed to keep up to $13 million in taxpayer funds received.

‘On the Hook for Decades’

Pam Villarreal, a senior fellow with the National Center for Policy Analysis, says area taxpayers will be stuck with a big bill, regardless of the city’s success or failure in luring an MLS team.

“The City of San Antonio approved a $2.5 billion budget for 2016,” Villarreal says area taxpayers will be stuck with a bill, regardless of the city’s success or failure in luring an MLS team.

“The City of San Antonio approved a $2.5 billion budget for 2016,” Villarreal said. “The total cost of the stadium is $18 million, with the city paying half and Bexar County paying the other half. This may seem small, compared to a $2.5 billion budget. However, it is expected that there will be an election in the next few years to decide on upgrades for the stadium. Unfortunately, taxpayers could be on the hook for decades.”

Villarreal says the math just doesn’t add up in taxpayers’ favor.

“Even for those who support public spending on stadiums, via excise or sales tax revenue, the promised economic goods for a shiny new stadium simply do not pan out,” Villarreal said. “Andrew Zimbalist, a leading sports economist at Smith College, and John Siegfried of Vanderbilt University have researched at length the economic effects of sports stadium deals on communities.

“Through much empirical analysis over several decades, they have concluded that sports stadiums do not increase employment or economic activity in an area and that most monetary benefits from the stadium accrue to the owners and the teams,” Villarreal said.

Other People’s Money

Zimbalist says spending taxpayers’ money to build sports stadiums often benefits only wealthy owners of sports teams.

“We’re talking about a stadium by itself, or an arena by itself, and on average, it doesn’t have a positive impact,” Zimbalist said. “Proponents will be team owners, construction company executives, construction unions, and some affiliated companies in the area.”

Zimbalist says sports stadium subsidies often fail to deliver results promised by private owners and lawmakers.

“People do large-scale statistical or econometric studies, and they don’t find introducing a new sports facility by itself will have a positive impact on per-capita income, economic growth, or employment,” Zimbalist said.

New Hampshire Lawmakers Propose Civil Asset Forfeiture Reforms

By Kimberly Morin

Lawmakers in New Hampshire are proposing new legal protections for the state’s residents, requiring local and state law enforcement agencies to obtain a criminal conviction before the government can confiscate an individual’s cash or property.

New Hampshire law enforcement agencies currently can use a legal process called civil asset forfeiture to seize private assets and property believed to have been used in the commission of a crime.

‘The Wrong Incentives’

The bill’s sponsor, state Rep. Dan McGuire (R–Pittsfield), says the state’s current laws on civil asset forfeiture incentivize police to take citizens’ property without first proving the individuals have actually committed any crimes.

“We think they are the wrong incentives,” said McGuire. “We wish police to enforce all our laws, not ones that show a profit. We also want them to seize drugs before they are distributed, rather than cash afterward. A study from Tennessee showed that 80 percent of the time they went for cash over drugs.”

McGuire says the bill is a small step toward improving justice in the state.

“It is one step in that direction,” McGuire said. “Note that it only applies to state-level forfeiture cases, while federal cases are much more common.”

History of Controversy

Charlie Arlinghaus, president of the Josiah Bartlett Center for Public Policy, says the issue has been a hot topic in the state for a long time.

“This issue has always been a little bit controversial, and in New Hampshire it actually goes back pretty close to 30 years,” Arlinghaus said. “Law enforcement obviously regards it as a tool through which it can track a bunch of people, particularly drug dealers and the like. In addition to that, there’s a financial benefit for law enforcement. I think they probably worry that if you make changes, it then becomes easier to stop the program.”

Starting the Debate

Arlinghaus says the bill would make some needed changes to the state’s justice system without impeding valid law enforcement activities.

“This bill also changes the level of evidence required to make [civil asset forfeiture] not impossible, but to make it just a little harder,” Arlinghaus said. “That’s a nice balance of both interests. It’s a balance of law enforcement’s interest in getting the proceeds of criminal activity, with at least some safeguards to make sure that the activities involved are, in fact, criminal.”

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

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Starting the Debate

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INTERNET INFO

By Andy Torbett

Lawmakers in Seattle, Washington rejected a proposal to create a government-owned Internet service provider (ISP) that would have competed with private-sector businesses.

Michael Mattmiller, the city’s chief technical officer, and city budget Director Ben Noble urged the Seattle City Council to reject the proposal in June 2015, after a feasibility study concluded the plan to create an Internet service provider would require the use of general revenues, reducing the amount of funds available for core functions, such as law enforcement and emergency services.

**Shortage of Shortages**

Erin Shannon, director of the Washington Policy Center’s Center for Small Business, says government-owned networks, also referred to as municipal broadband networks, are like hammers searching for nails.

“Municipal broadband is a solution in search of a problem,” Shannon said. “Nationally, 79 percent of American households had some form of Internet access. Entry-level prices in the U.S. broadband market are among the lowest in the world, and consumers enjoy more high-speed Internet technology choices than [people in] most other countries.

“When unfettered by government regulations, private companies respond to the demand for more broadband access the way the free-market predicts they will: They innovate to provide better services at lower prices,” Shannon said. “Private companies spent $69 billion innovating and building broadband networks in 2012 and another $75 billion in 2013.”

**Browsing History for Past Successes**

Encouraging private-sector innovation by reducing regulatory burdens has been proven to work, Shannon says.

“Seattle is a great example of this,” Shannon said. “When the city sought to encourage broadband providers to provide more households with Internet access, the implementation of policy changes reducing regulatory barriers worked. Private companies have increased broadband infrastructure investment since the red tape was cut, providing Internet access to tens of thousands of homes in Seattle.”

**‘Responding to Consumer Demands’**

Brent Skorup, a research fellow with the Mercatus Center’s Technology Policy Program, says consumers’ digital demands are mostly well-served by the private sector.

“You’d be hard-pressed to make a case that the market is not responding to consumer demands,” Skorup said. “Because of consumer demand for new broadband services and ISP investments, today nearly every American has [access to broadband] from multiple providers, including wireless and wireline. All the available data suggests that for the vast majority of Americans without broadband, it is a choice.”

Skorup says government regulations are the real roadblock to consumers trying to get onto the information superhighway.

“The ironic thing is that many of the competition and affordability problems for Internet access today were created by government,” Skorup said. “We’re still living with some of the ill effects from the days of regulated telephone and cable monopolies.”

**INTERNET INFO**


**Congress Weighs Occupational Licensing for Tax Preparers**

Continued from page 1

a preparer tax identification number (PTIN).

**‘Ghost Preparers’**

Dan Alban, an attorney with the Institute for Justice, a public-interest law firm, says more regulations are not the way to stop black-market activity.

“The real problems in terms of fraudulent tax preparers are largely with so-called ‘ghost preparers,’ who don’t register with the IRS or obtain a PTIN and are thus operating outside the law in a black market,” Alban said.

“They prepare someone’s returns as though that person prepared their own return, which makes it very difficult to track them. Licensing completely fails to address the problem of ghost preparers and would likely decrease the number of tax preparers, because independent preparers are pushed out of operating openly by the costly barriers to entry.

“There is no indication that a licensing scheme would do anything to address the issue of tax fraud,” Alban said. “Unscrupulous preparers can take tests and continuing education just as well as honest preparers. In fact, unscrupulous people are perhaps more likely to be able to get licensed by cheating or fudging the paperwork for their continuing education.”

**Regulatory Capture?**

Diane Katz, a senior research fellow with The Heritage Foundation, says legislation such as TRPCA favors big businesses over small entrepreneurs.

“This does illustrate how some firms benefit from regulation, and thus pursue it,” Katz said. “Licensing would create a barrier to entry for tax preparers. H&R Block could withstand the costs of licensing far easier than new or smaller firms, and it would benefit [the big firms] if there were fewer tax preparers in the market.

“I do not see any benefits,” Katz said. “If Black and Meehan are so concerned about the competency of tax preparers, they ought to advance legislation that forces the IRS to correct its own 20 to 30 percent error rate and reduce the complexity of the tax code.”

Leo Pusateri (psycheistr@fastmail.fm) writes from St. Cloud, Minnesota.
Wisconsin Farmers Fight Tough Bakery Regulations

By Jenni White

Three Wisconsin farmers are fighting their state government over an obscure safety regulation requiring baked goods made for sale to be cooked in a government-approved “food processing plant” or other commercial-grade kitchen that is subject to annual government inspections and licensing fees.

Represented by the Institute for Justice (IJ), a nonprofit public-interest law firm, the farmers filed in the Lafayette County Circuit Court in January, asking the court to overturn the state law. Currently, violations of the “cookie ban” are punishable by up to six months in jail or fines of up to $1,000.

‘Politics and Protectionism’

“Wisconsin’s home-baked-goods ban has nothing to do with safety and everything to do with politics and protectionism,” said Erin Smith, the IJ attorney representing the bakers.

Smith says the Wisconsin Bakers Association and other commercial food producers are lobbying to keep the ban in place in order to protect themselves from competition.

“Assembly Speaker Robin Vos, who owns his own commercial food business, prevented a ‘cookie bill’ from getting a vote in the [Wisconsin State] Assembly [during the 2014–15 session,] despite bipartisan support in both houses and its passage in the Senate,” Smith said.

“If [home-baked] goods have not [caused] a problem in the 48 states in which they are already being sold, there is no reason to think they would be a problem in Wisconsin,” Smith said. “Wisconsin already allows the sale of several other homemade goods without a commercial-grade kitchen or commercial license, such as raw apple cider, popcorn, syrups, jams, jellies, and pickles. Home-baked goods are just as safe as, or safer than, these other goods.”

Protecting ‘Someone’s Bottom Line’

Chris Rochester, communications director for the MacIver Institute for Public Policy, says laws such as the baked-goods ban benefit big businesses at the expense of everyone else.

“By requiring even the smallest of hobby bakers to use a commercial kitchen, which can cost more than $50,000, the State of Wisconsin instantly shuts them down, protecting established businesses,” Rochester said. “The role of government isn’t to protect someone’s bottom line.”

Conflicting Standards

Rochester says he doesn’t know why the law was passed in the first place.

“There’s nothing particularly sacrosanct about a commercial kitchen,” Rochester said. “In fact, you could make the case that small-time bakers who operate out of their homes would take more time and be more cautious than a commercial operation, with its potential to be busy and chaotic.”

Rochester says lawmakers should protect citizens, not cronyism.

“Government should protect the rights of average Wisconsinites, not protect the market share of established businesses who have leveraged their size and convinced government to put barriers in the way of potential competition,” Rochester said. “Unfortunately, it seems that in Wisconsin, you need to lawyer-up just to do something as benign as having a bake sale.”

Jenni White (jlwplusdnw@gmail.com) writes from Luther, Oklahoma.

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The homemade goods that the state allows to be sold without a license include popcorn, both pasteurized and raw apple cider, maple syrup, sorghum syrup and both pasteurized and raw honey. Wisconsin also allows the limited sale of home-canned goods, such as jams, pickles, salsas and sauces, under what is known as the ‘Pickle Bill.’ The Pickle Bill allows home canners to sell up to $5,000 of such goods at farmers’ markets and community events. It does not make sense that these other homemade goods can be sold but not home-baked goods.

“Wisconsin also provides an additional license exemption for churches, charities and nonprofits to sell food at events, such as bake sales, up to 12 days per year. And these groups can serve virtually any type of good, including baked goods that require refrigeration like Key lime pie or cupcakes with cream cheese. Yet the law prohibits home bakers who are not associated with a nonprofit organization from selling even one batch of cookies.”

—“Wisconsin Baked Good Ban,” Institute for Justice, January 13, 2016
Wisconsin Lawmakers Moo-ve on Raw Milk Sales Bill

By Jenni White

Wisconsin lawmakers are proposing a new bill, Assembly Bill 697, that would remove state restrictions on dairy farmers, allowing local farmers to sell raw milk directly to consumers.

Assembly Bill 697 (AB 697) would also exempt direct-to-consumer dairy farmers from state licensing regulations.

Helping Consumers

Pete Kennedy, an attorney with the Farm to Consumer Legal Defense Fund, says the bill would help farmers and consumers alike.

“This bill is a chance to help a number of businesses and a chance for consumers to get a product they want,” Kennedy said. “This bill also increases the dairy farmers’ bottom line, because they can sell more milk. There are no sales caps. There isn’t a limit to the amount of milk they can sell from their farm straight to consumers.”

State Rep. David Murphy (R-Greenville), the bill’s sponsor, says getting government out of the way of consumers and producers is the key to economic success.

“Running a standard small farm has become very difficult, but if you can make a market niche for yourself there are some possibilities for you to have a different business model going forward that can allow you to succeed on a small farm,” he said.

Removing Economic Herd-les

Murphy says the real issue here is freedom of choice.

“It’s not about what I believe about the benefits of raw milk; it’s about the freedom of people to make that choice,” Murphy said.

Murphy says special-interest groups are working against their best interests by opposing the bill.

“Special interests here are fighting this,” Murphy said. “I personally think Big Dairy is making a mistake trying to fight this. I don’t think that’s really in their best interest. I think it’s protectionism, and I think sometimes protectionism is misguided. It’s not helping you that much or as much as you think, and in some ways it’s hurting you.”

Murphy says criminalizing voluntary exchanges is an example of significant government overreach.

“What kind of penalty would you like me to give a person who sold a person a gallon of raw milk, or who really wanted to buy a gallon of raw milk?” Murphy said. “How harsh do we want to be on these things? Do we really want to stick our nose into those situations?”

‘A Huge Benefit’

Wayne Craig, a Wisconsin dairy farmer and owner of a small business, says the bill would help people like him and would also help consumers.

“AB 697 would be a huge benefit to our operation, because we do direct marketing through a members-only, on-farm store, which has morphed into an organic grocery store,” Craig said.

“We have a customer base of 500 families, even though we are 30 minutes away from many larger cities. The store is the profit center for our farm. The farm, as presently structured, would not survive without the store.

“For small farms or young farmers starting out, raw milk sales could easily make the difference between success and failure,” Craig said.

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IN OTHER WORDS . . .

“A Wisconsin bill would legalize some raw milk sales in the state, taking an important step toward effectively nullifying a federal prohibition scheme in effect.

“A bipartisan coalition of 18 legislators filed Assembly Bill 697 (AB697) on Jan. 13. The legislation would allow dairy farmers to sell unpasteurized milk and raw milk products such as butter and cheese directly to consumers from their farms. Current law generally prohibits the sale of raw milk and raw milk products. The bill would also exempt dairy farmers engaged in [the sale of] raw milk directly to consumer from licensing requirements under current law.

“When the bill would not legalize the retail sale of raw milk, it would take a step toward opening up the market for unpasteurized milk products in the state.”

State Judge Upholds Missouri County’s Ban on Red-Light Cameras

By Matt Hurley

A state circuit court judge in Missouri upheld a voter-approved ban on red-light cameras in St. Charles County, rejecting a legal challenge against the ban filed by local lawmakers in December 2014.

In his decision, 11th Judicial Circuit Court Judge Daniel Pelikan upheld the red-light camera ban, ruling municipalities did not have “exclusive control” over city traffic enforcement ordinances. The lawmakers argued county ordinances, such as the ban, do not superecede city governments’ power to control local policies.

Home Rules
Joseph Miller, a policy analyst with the Show-Me Institute, says Pelikan’s ruling is correct, because he says Missouri cities’ individual traffic laws cannot contradict state or county laws, including laws or ordinances like those in St. Charles County.

“I fail to see how the recent ruling on red-light cameras is a local-control issue,” Miller said. “First, the red-light camera ordinances have been struck down because local enabling ordinances are not congruous with state statutes on moving violations, statutes which no one would dispute the state has a right to create.”

‘Export the Taxation’
Miller says city governments have a history of using red-light cameras and other traffic enforcement devices to pad local budgets.

“Municipalities, especially small ones in north St. Louis County, prefer to use traffic citations to fund government precisely because it allows them to fine nonresidents simply passing through,” Miller said. “In this way, they can export the taxation to other state residents to fund local governments in which they have no say.”

Profits Over Public Safety
Baruch Feigenbaum, assistant director of transportation policy at the Reason Foundation, says red-light cameras are more about increasing tax revenues than improving traffic safety.

“Most red-light camera operations seem to be more about revenue than safety,” Feigenbaum said. “While red-light cameras can in certain situations improve safety, most are marketed as a way for cities to gather additional revenue.”

Feigenbaum says red-light cameras do not prevent or discourage dangerous driving.

“The most egregious red-light running violations are not stopped typically by cameras,” Feigenbaum said. “Folks that red-light cameras tend to stop are early-signal violators, ... typically a second or less. Since most intersections have a delay between when the light turns red for one direction and when it turns green for the next direction, these type of violators don’t cause [many] accidents. Yet, these early-signal violators tend to make up most of the folks who get tickets.”

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

INTERNET INFO


Americans Say Government Is Nation’s Biggest Problem

By Dustin Siggins

A plurality of American adults surveyed in a Gallup public opinion poll believe government is now the biggest problem facing the nation.

The new Gallup Poll Social Series survey asked approximately 12,000 randomly selected adults over the age of 18 to identify the most important problem in the nation. The survey marks the second consecutive year respondents identified government as the nation’s top problem.

Karlyn Bowman, a senior fellow and research coordinator with the American Enterprise Institute, says Americans have a conflicted relationship with today’s government.

“America is a rich and powerful country, and we want government to do many things,” Bowman said. “At one and the same time, we are persistent critics of a big, lumbering, inefficient, and expensive federal government. We hold these views within ourselves at one and the same time.”

‘Much More to Criticize’
Bowman says as the federal government grabs more power for itself, Americans become increasingly aware of the effect of government on their lives.

“We want government to do many things. At ... the same time, we are persistent critics of a big, lumbering, inefficient, and expensive federal government.”

KARLYN BOWMAN SENIOR FELLOW AND RESEARCH COORDINATOR AMERICAN ENTERPRISE INSTITUTE

“There are obvious things like the government’s budget deficit, and there are less obvious problems like health care and unemployment. So, the fact that more Americans target ‘government’ as the number-one problem is very significant in that more Americans understand that government is the problem, not the solution.

“When they don’t intervene, the crisis turns into depression and post-1980s Japan,” Thornton said. “When they intervene to stop a crisis, the economy remains stagnant for many years, like with the Great Depression. We now know that when government massively intervenes to stop a crisis, the economy remains stagnant for many years, like with the Great Depression and post-1980s Japan,” Thornton said. “When they don’t intervene, the crisis turns into a quick, sharp correction, and the economy soon returns to vigorous economic growth.”

Dustin Siggins (dustinsiggins@yahoo.com) writes from Washington, DC.

INTERNET INFO

Puerto Rico Announces Plans to Partially Default on Its Bond Payments

By Gabrielle Cintorino

Lawmakers in Puerto Rico, a territory of the United States in the Caribbean Sea, announced in January their plans to partially default on $1 billion in monthly bond payments owed to investors in state-owned corporations, such as the territory’s Public Finance Corporation and the Puerto Rico Infrastructure Financing Authority.

The territory, which is currently led by Alejandro García-Padilla (Popular Democratic Party), is self-governed, but it is ultimately subject to legislation passed by the U.S. Congress.

Congressional Meddling

William Freeland, a research analyst with the American Legislative Exchange Council, says the current inability of the territory to fully pay its bills is caused in part by economic policies set by mainland lawmakers.

“They are still subject to U.S. minimum federal wage [requirements],” Freeland said. “The minimum wage in most of the mainland is about 28 percent of the median wage, and for Puerto Rico it is 77 percent. It is far, far above what the minimum wage is here. For example, the minimum wage there is as if we set it in the United States at $40 an hour.”

Freeland says amending federal laws to allow states to declare bankruptcy is an option some in Congress are exploring. Currently, only city governments are covered by Chapter 9, Title 11 of the U.S. Code.

“Puerto Rico is more like a state than a city,” Freeland said. “So there is an issue in Congress of how they are going to deal with this. What’s being discussed are changes to municipal bankruptcy law.”

Bankruptcy proceedings are not a death sentence, Freeland says. “You are forced to get a bankruptcy deal, and you are forced to make a confession to get back on your feet,” Freeland said. “This is the outcome that’s being pushed for, and it’s something that Congress is working on and will have to handle properly.”

Bad Options, Worse Options

Jon Perdue, a strategic advisor with Fundación Libertad, a new free-market think tank based in San Juan, Puerto Rico that is dedicated to “[working] together to protect the economic and personal freedoms” of Puerto Ricans, says there are good reasons to oppose extending bankruptcy protections to territories, but it may be the best option for Puerto Rican taxpayers.

“The main problem is the moral hazard component, which could affect a number of municipalities on the mainland that may be nearing insolvency,” Perdue said. “But in reality, it would be worse for Puerto Rico to declare itself insolvent than to earnestly work out an agreement with creditors, because [working with creditors] would be the fastest way for Puerto Rico to regain the ability to issue debt for needed infrastructure upgrades and maintenance projects.”

Jon Perdue, Strategic Advisor
Fundación Libertad

“But in reality, it would be worse for Puerto Rico to declare itself insolvent than to earnestly work out an agreement with creditors, because [working with creditors] would be the fastest way for Puerto Rico to regain the ability to issue debt for needed infrastructure upgrades and maintenance projects.”

JON PERDUE, STRATEGIC ADVISOR
FUNDACIÓN LIBERTAD

Puerto Ricans ‘Hit Hardest’

“Moreover, while some of the commonwealth’s politicians claim that the U.S. Congress is treating it like a colony by not granting it bankruptcy protection, a significant portion of the island’s debt is actually owned by Puerto Ricans themselves, who could be hit hardest by a default,” Perdue said.

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

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By Andy Torbett

A new study released by an independent government watchdog agency says a financial regulatory bill intended to help consumers is actually reducing choices and services and lowering the quality of service provided by smaller banks and financial institutions.

As part of the package of regulations included in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, commonly referred to as Dodd-Frank, the Government Accountability Office (GAO), the supreme auditing institution of the federal government, is required to review Dodd-Frank on an annual basis, releasing its empirical analyses of the law’s regulatory burdens and their effects on taxpayers.

GAO found the costs of complying with Dodd-Frank have increased, saying it has led to “increases in staff, training, and time allocation for regulatory compliance and updates to compliance systems.”

The researchers also found in some cases banks are making fewer loans because of Dodd-Frank regulations.

‘Smothering Impact’

Mark Thornton, a senior fellow with the Mises Institute, says Dodd-Frank has all but ended the days of the friendly, small-town neighborhood bank.

“Dodd-Frank has had a smothering impact on Main Street banking,” Thornton said. “You have to fill out large stacks of red-tape paperwork for a simple loan, and the banker’s liability does not end until the loan is paid off. It must be difficult for an independent bank without a full-time lawyer to compete under these conditions.”

Thornton says Dodd-Frank benefits large, powerful banking companies, instead of achieving its stated goal of protecting financial institutions of all sizes against rough economic times.

“The global goal of Dodd-Frank is to provide the illusion of regulation, stability, and confidence,” said Thornton. “Did it solve the ‘too big to fail’ problem? No. Those ‘too big to fail’ banks are even bigger and more powerful. It also provides politicians, regulators, and banksters the opportunity to manipulate the bank system for political or economic gain.”

Thornton says Dodd-Frank is about suppressing the finance and banking industries, not ensuring economic stability.

“They do not want an honest, stable system,” Thornton said. “What they are working towards is an oligopoly or oligarchy of banking, where you have a small number of very large government-privileged banks, where competition from small banks is effectively suppressed by bank regulations.”

Small Banking Gets Smaller

John Berlau, a senior fellow at the Competitive Enterprise Institute, says consumers are objectively worse off because of Dodd-Frank.

“Small banks and credit unions are much harder hit by Dodd-Frank,” Berlau said. “Since Dodd-Frank passed, the number of banks with assets of less than $1 billion has declined by 20 percent, and many of those that have managed to stay in business have stopped making new mortgages or issuing money transfer remittances because of the stringent new rules.”

Market principles would be a better solution to the problems Dodd-Frank supposedly attempts to solve, Berlau says.

“The law didn’t even touch the crisis’s major culprits: the government-sponsored enterprises of Fannie Mae and Freddie Mac,” Berlau said. “The way to achieve these shared goals of stopping bailouts and stopping firms from being ‘too big to fail’ would be to repeal 95 percent of Dodd-Frank, phase out Fannie Mae and Freddie Mac, and make a firm rule that, except for existing deposit insurance on bank accounts, no firm will ever be bailed out. Once firms see ‘no bailouts’ as a rule, most will take their own measures to curb unnecessary risk, knowing there is no safety net.”

By Luke Karnick

Pfizer, one of the largest multinational pharmaceutical companies in the world, recently announced plans to merge with Allergan, Plc, a pharmaceutical company based in Ireland.

The new merged corporation, worth a total of $160 billion, will move its headquarters to Dublin, Ireland to avoid the U.S. government’s “double taxation” of profits earned by overseas subsidiaries going to a domestic company.

Once finalized, the merger will be the third-largest corporate inversion since 1982, when the first inversion, involving a New Orleans-based construction company and a Panama subsidiary, was completed.

Strictly Business

Adam Michel, program coordinator for the Mercatus Center’s Spending and Budget Initiative, says corporate inversions are rational reactions to a broken U.S. tax system.

“There’s nothing illegal about a corporate inversion,” Michel said. “It is the process by which a corporation merges with a partner, another corporation, and moves their headquarters to the partner’s country.

“So in the context of the United States: A corporation with its headquarters in the United States merges with a corporation in Ireland, as is the case in the Pfizer-Allergan merger, and will reopen its headquarters … in order to lower its corporate tax rate,” Michel said.

Resisting Reforms

Richard Ebeling, a professor of economics at The Citadel, says resistance to reforming the U.S. tax code and removing businesses’ incentives to leave the country is based on stubbornness and greed.

“What is irksome to those in Washington, DC is here’s a company that is attempting to legally, under the international code, merely change its headquarters’ domicile to be under a different tax jurisdiction,” Ebeling said. “The people in Washington, DC do not like the idea that someone is attempting to avoid giving them wealth to spend the way they want, instead of the private citizens, and that includes the private corporate businessmen as well.”

Luke Karnick (lkarnick@yahoo.com) writes from Indianapolis, Indiana.
Durham County, NC Lawmakers Add E-Cigs to Smoking Ban

By Andrea Dillon

Lawmakers on the Durham County, North Carolina Board of Commissioners range in the New Year by adding e-cigarettes to the city’s list of “tobacco” products banned from use or possession on city or county government property, including sidewalks, parks, trails, athletic fields, and public transportation stops.

Individuals caught using or carrying e-cigarettes on outdoor government-owned property will be fined at least $50 per instance. The new ban will be enforced by city and county law enforcement officers and other local government agents.

‘Somewhat-Shaky Basis’ for Ban

Mitch Kokai, communications director for the John Locke Foundation, says e-cigarettes should not be included in bans on tobacco use.

“The [purported] justification for Durham’s e-cigarette ban shows just how far the action strays from a true public-health purpose,” Kokai said. “Evidence that secondhand cigarette smoke leads to health problems is debatable, but that is the one somewhat-shaky basis for supporting a smoking ban on public property.”

Kokai says e-cigarettes do not involve the combustion of tobacco and are therefore not nearly as hazardous as tobacco.

Scientists’ Opposition Cited

Defending the ban, Durham County Department of Public Health Director Gayle Harris told local reporters the ban was inspired by “expert due diligence” to protect public health.

Michael Marlow, a professor of economics at California Polytechnic State University-San Luis Obispo, says the expanded ban ignores scientific research.

“Expert due diligence’ by the public health officials would have uncovered that in 2014, [the Journal of the American Medical Association] published a ‘JAMA Patient Page’ that clearly stated tobacco is what makes regular cigarettes so harmful to health, but e-cigarettes do not contain tobacco,” Marlow said. “The article also acknowledged that e-cigarette vapor is much less toxic than secondhand tobacco smoke.”

E-Cigarettes Help Smokers Quit

Marlow says most smokers want to quit, and public health officials should encourage anything that helps them adopt healthier behaviors, such as nicotine replacement treatments (NRTs) and e-cigarettes.

“About 75 percent of all smokers want to quit, according to a recent Gallup poll,” Marlow said. “This amounts to 32 million of the 43 million smokers. Again, ‘expert due diligence’ would have uncovered a 2013 study in the journal Tobacco Control that casts considerable doubt on the efficacy of [Food and Drug Administration]-approved NRT treatments, such as patches, gum, and drugs. FDA-approved NRT treatments were found to be no more effective than going ‘cold turkey.’”

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

House Oversight Committee Investigates Collapses of Obamacare Exchanges

By Leo Pusateri

Members of Congress are demanding more accountability and oversight of how taxpayer funds are disbursed to state governments’ Obamacare exchange programs.

The calls for reform are in response to a number of state implementation agencies’ financial troubles. Since their establishment in 2014, eight of the 14 Obamacare state exchange programs have failed because of various critical financial problems.

Federal investigators are also auditing state-administered Obamacare exchanges in Massachusetts, Maryland, and Oregon to determine whether there has been any illegal financial activity.

Lawmakers on the House Energy and Commerce Committee’s Subcommittee on Oversight and Investigations are pres-sure Andy Slavitt, the acting administrator of the Centers for Medicare and Medicaid Services (CMS), to increase supervision of how taxpayer funds are used to administer the program.

Alexander Hendrie, a federal affairs manager with Americans for Tax Reform, says taxpayers are being taken advantage of by some of these state programs.

“Oregon spent $20 million on an advertising campaign that told people nothing about health insurance or the exchange,” Hendrie said. “At the time, people in the state knew their exchange was not going to work, but [it] went ahead anyway.”

No Consequences for Collapse

Hendrie says state administrators wasted resources because they were playing with other people’s money.

“It seems to me that many states went in with the attitude that they would try to create an exchange,” Hendrie said. “They then took in hundreds of millions in federal dollars and executed a poorly planned strategy to build an exchange. Then, when it didn’t work, they shrugged and either asked for more money or went back to the federal system consequence-free.”

‘Extra Layer of Bureaucracy’

C. Steven Tucker, a principal broker for Health Insurance Matters, an insurance brokerage firm, says the state exchange systems bring little benefit to consumers and lots of extra costs to taxpayers.

“Under the ACA, there was no need for state exchanges anyway, since Healthcare.gov is a federal exchange and was built to facilitate granting subsidies, whether a state agreed to open a state exchange or not.”

C. STEVEN TUCKER, PRINCIPAL BROKER, HEALTH INSURANCE MATTERS

Tucker says consumers are poorly served by the state health insurance exchange system.

“If you ask anyone who has had to deal with anyone at Healthcare.gov, they will tell you that they are incompetent, and if you ask them a question that veers from their prepared ‘caller questions sheet,’ they shut down like a robot,” Tucker said. “They have absolutely no idea what they are doing. Brokers cost the consumer nothing, so who in their right mind would put legislation in place to wipe out most brokers and replace them with unlicensed, inexperienced, and unaccountable taxpayer-funded government workers?”

Leo Pusateri (psycmeistr@fastmail.fm) writes from St. Cloud, Minnesota.
The Heartland Institute is a 32-year-old national nonprofit organization based in Arlington Heights, Illinois. Its mission is to discover, develop, and promote free-market solutions to social and economic problems. For more information, visit our Web site at heartland.org or call 312/377-4000.

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