Reducing Employment Barriers
In 2017, Wisconsin lawmakers are targeting government regulations that keep people out of work and keep well-connected insiders rolling in the dough.

South Carolina Pension Problem
After years of neglect, South Carolina lawmakers are getting real about the state government’s public pension problems.

New York State Tax Carve-Outs
Merging the titillating with dollars and cents, a New York court case illustrates the problems with sales tax carve-outs.

Putting Pork Out to Pasture
House Speaker Paul Ryan halted a secret plan crafted by a group of congressional lawmakers that would have brought back wasteful pork spending. Ryan promises a public debate on the merits of bringing back legislative earmarks.

Learning from the Pres-Elect
What can people learn about the benefits of free trade from Donald Trump’s personal jet? This essay might surprise both supporters and critics.

Republicans Prepare to Roll Back Obama Legacy

Congressional Republicans are preparing a federal-regulatory-repeal wish list for President-elect Donald Trump.

U.S. Rep. Mark Meadows (R-NC) told reporters in December he is sending Trump a 21-page report detailing federal regulations requiring executive action to be rolled back or reviewed.

The report lists 232 federal regulations. One suggested repeal is of a U.S. Department of Labor regulation known as the “overtime rule,” which requires business owners to pay all salaried employees receiving less than $47,476 annually higher wages for time worked above 40 hours per week.

Prosecuted for Baking Without Government Permission

A Stockton, California woman is being prosecuted by the county government because she sold a traditional food dish without government permission.

In 2015, government investigators conducted a sting operation against an informal Facebook group called 209 Food Spot, in which participants traded favorite homemade food dishes. A government agent contacted Mariza Reulas and offered her money in exchange for a dish of homemade food.

If Reulas is convicted of the charges, San Joaquin County Superior Court Judge Michael Mulvihill could force her to serve up to a year in jail.

In December 2016, a jury was assigned to hear the case.
Let Our Speakers Spark Your Next Event

Heartland features some of the nation’s most knowledgeable and dynamic free-market public policy experts.

When it comes to planning special events, whether you are a seasoned veteran or are organizing your very first program, The Heartland Institute has the experience and the expertise necessary to ensure your success. We can provide you with service that is professional, insightful, experienced, and considerate. We’ll even manage the logistics of getting the speaker to and from your event.

We feature some of the nation’s most knowledgeable and dynamic free-market public policy experts. Heartland’s senior fellows are known nationwide and write hundreds of op-eds in major U.S. newspapers, books, and in-depth policy studies. They appear on CNBC, Fox News, CNN, and PBS, and on the opinion-editorial pages of The Wall Street Journal. They testify before Congress and speak to audiences ranging in size from 10 to 10,000.

We will assist you in finding the perfect speaker for your upcoming event and still stay within your budget. We have solutions for all your speaker needs.

Book a Heartland speaker for your event. Email Nikki Comerford at ncomerford@heartland.org, or call 312/377-4000 and ask for the communications department.

For a complete list of our speakers and topics they address, ask for a copy of our Speakers Bureau brochure, or download it from our Web site, www.heartland.org/about-us/what-we-do/speakers-bureau
Lawmaker Roots Out Wasteful Government Spending

**By Dustin Siggins**

U.S. Sen. James Lankford (R-OK) has released a new report identifying 100 questionable government-funded programs, to raise awareness of how government spending and over-regulation harm taxpayers.

Lankford’s second edition of his “Federal Fumbles” report highlights “ways the federal government dropped the ball” and possibly wasted more than $247 billion in 2016.

**‘Many Egregious Fumbles’**

Lankford says his report exposes questionable federal spending priorities in many different government agencies.

“There are so many egregious fumbles, but the one [in] the National Institutes of Health’s $2 million, multi-year study about kids’ eating emotions is pretty bad,” Lankford told *Budget & Tax News*. “They devoted that much money to determine how kids don’t like to eat food that’s been sneezed on. Are you serious?”

**Calls for Entitlement Reform**

Lankford says Congress and the president should prioritize reining in entitlement spending and cutting the fat from the federal budget.

“Annual deficits are projected to increase above $1 trillion within this decade, due to America’s aging population,” Lankford said. “Between 2010 and 2040, the number of Americans age 65 and older will double, from 41 million to 82 million people. The entitlement issue is indeed a challenge, but we must also address improper payments in entitlement programs, especially Medicaid.

“There is plenty of room for reform and spending cuts in the federal government,” Lankford said. “We must root out inefficiencies, duplication, and wasteful spending wherever they exist.”

**Turning Over Stones**

Gary Galles, an economics professor at Pepperdine University, says studies show government abuse and waste is common.

“Every investigation into government waste, fraud, and abuse finds lots of it,” Galles said. “For example, in 2012, General Services Administration Inspector General Brian Miller inquired into ‘all sorts of improprieties including bribes, and possibly kickbacks’ and testified that ‘every time we turned over a stone, we found 50 more with all kinds of things crawling out.’”

Galles says the true cost of government spending sometimes doesn’t show up on accounting spreadsheets.

“Importantly, however, noting and denouncing such egregious and obvious abuses still misses much of the social burdens government spending imposes on citizens,” Galles said. “A dollar of government spending costs Americans far more than a dollar, so the standard for efficient government spending is not that each dollar provides more than a dollar of benefits, a standard often unmet. Instead, the standard is far higher.”

**Just Say ‘No’**

Galles says the cost of increased government power is always too high to justify the benefits.

“Scandal after scandal has revealed political oversight does not prevent even blindingly obvious waste,” Galles said. “But [even if] all such waste [could] be eliminated, which history reveals as a dim prospect, a great deal of what government does should still not be done. Even eliminating all government spending worth less than its budgetary costs, which would leave little government spending in place, would not come anywhere close to eliminating all spending unjustifiable as advancing Americans’ general welfare, because each dollar spent costs citizens far more than a dollar.”

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

**INTERNET INFO**

A player on a Seattle, Washington professional sports team is partnering with a group of private investors to finance construction of a new sports stadium in the city.

In November 2016, NFL Seattle Seahawks quarterback Russell Wilson announced he was joining a team of investors, led by stock-market investment company president Chris Hansen, that aims to finance construction of a sports stadium to house a National Basketball Association (NBA) team. Seattle does not have an NBA team at present.

Hansen’s proposal, announced in October 2016, would finance the stadium’s construction without any direct taxpayer subsidies if lawmakers reduce the city’s business taxes on revenue generated outside the city and waive the stadium owners’ requirement to remit the city’s entertainment tax.

Hansen is also requesting the city government transfer ownership of a 0.12-mile stretch of road to the stadium owners, upon which the arena is planned to be built.

City lawmakers and representatives of The Port of Seattle, a government authority managing trade and travel in the county, have voiced concerns about the potential effects of vacating rights to the road, saying it would harm accessibility to the taxpayer-owned port.

Ignoring the Evidence
Marc Poitras, a professor of economics at the University of Dayton, says lawmakers ignore the evidence when expecting sports stadium subsidies to pay off.

“Most studies show that sports arenas do not deliver the promised economic benefits,” Poitras said. “The idea is that the sports facility will attract commerce and revitalize the downtown area of the city, but studies show it does not work very well. People commute in from the suburbs to see the game, then go back out. ... Maybe they spend a little money at a nearby bar or restaurant, but it doesn’t amount to much.”

Robbing Suburbs to Pay Downtown
Instead of generating new economic activity, sports stadiums cause people to shift spending from other locations and diversions, Poitras says.

“Even to the extent that the policy might work, economists aren’t too impressed with it, because it is a ‘beggar-thy-neighbor’ effect,” Poitras said. “That is to say, the additional commerce that occurs downtown comes at the expense of the suburbs. People eat more meals downtown, supporting a few more downtown restaurants, but they eat correspondingly fewer meals at suburban restaurants, causing the suburban market to contract. The result is merely a shift in economic activity from one geographic area to another, but there is not more economic activity overall.”

‘Contentious’ Fight Over Road Access
Paul Guppy, vice president for research at the Washington Policy Center, says Hansen’s proposal could benefit government interests, consumers, and taxpayers, in addition to the private investors.

“It could be a win-win,” Guppy said. “That’s what they’re trying to get towards, something that would allay the concerns of the nearby Port of Seattle. It’s another government agency. You’re giving a public asset, a street, to private interests.”

‘There is one issue that is really contentious: vacating a public street and giving it to the stadium. That’s the interesting dynamic about this case. It’s less about the subsidy. The owner came out and said he could do without the public subsidy, which might be unprecedented in the world of sports.”

PAUL GUPPY
VICE PRESIDENT FOR RESEARCH
WASHINGTON POLICY CENTER

‘Could Be a Win-Win’
Guppy says Hansen’s proposal could benefit government interests, consumers, and taxpayers, in addition to the private investors.

“It could be a win-win,” Guppy said. “That’s what they’re trying to get towards, something that would allay the concerns of the nearby Port of Seattle. It’s another government agency. You’re giving a public asset, a street, to private interests.”

Jeff Reynolds (jeffreyreynolds@comcast.net) writes from Portland, Oregon.
Ohio lawmakers approved a bill restricting local and state government police agencies’ ability to take ownership of and profit from citizens’ property taken from them without a criminal conviction.

In December 2016, the Ohio Senate approved House Bill 347, which restricts the use of civil asset forfeiture by government law enforcement agencies. Previously, Ohio police could use the civil asset forfeiture process to take private assets and property alleged to have been used in the commission of a crime without obtaining a criminal conviction.

If signed by Gov. John Kasich (R), the law will require local and state police to obtain a criminal conviction before taking ownership of and profit from citizens’ assets and property worth up to $15,000 can be transferred to the government. Property worth more than $15,000 can still be forfeited using the civil asset forfeiture process.

At press time, Kasich had not received the bill. He has 10 days to sign or veto the bill once receiving it. If he does not sign or veto the bill within 10 days, it will automatically become law.

Ohio Lawmakers Approve Civil Asset Forfeiture Reform

By Lindsey Curnutte

WI Lawmakers Include Occupational Licensing Reform on 2017 To-Do List

By Gary Gross

A group of Wisconsin state lawmakers is proposing to reform the state’s laws on occupational licensing when they return to work in 2017.

In November 2016, the Republican caucus of the Wisconsin State Assembly released its “Forward Agenda,” a document laying out the party caucus’ objectives for the 2017 legislative session. Occupational licensing reform was listed as one of the top legislative priorities, among other issues such as tax and education reforms.

GovernmentPermissionSlips

Collin Roth, a research fellow at the Wisconsin Institute for Law & Liberty, says occupational licensing laws make it more difficult for people to find employment.

“Occupational licensing, by its very nature, creates barriers to entry,” Roth said. “For any individual who seeks employment in certain licensed professions, they are obligated by law to jump through government-mandated hoops to earn a permission slip from the state.”

Roth says occupational licensing laws harm low-income earners more than other groups.

“Cosmetologists and barbers, often in poor communities, are fined hundreds of dollars by the Wisconsin Department of Safety and Professional Services for providing haircuts or applying makeup without a license or with an expired license.”

EconomicRippleEffects

Edward Timmons, an associate professor of economics at St. Francis University, says occupational licensing harms consumers by unnecessarily increasing the cost of services.

“Occupational licensing affects approximately 25 percent of the U.S. labor force,” Timmons said. “Research indicates that licensing increases the earnings of professionals by as much as 15 percent, and this leads to consumers paying between 3 percent and 15 percent higher prices for services. By erecting barriers to entry, occupational licensing also makes it harder for individuals to begin working in a licensed profession.”

Timmons says occupational licensing may increase unemployment and underemployment.

“People very well might be dropping out of the labor force entirely and becoming discouraged because they don’t think there are opportunities out there for them,” Timmons said. “Because licensing effectively makes it harder for them to become a barber or a massage therapist or to work in a wide array of occupations, many individuals might be entirely discouraged from entering the job market.”

Gary Gross (gmg425@charter.net) writes from St. Cloud, Minnesota.
**Virginia County Lawmakers Propose Large Taxpayer-Funded Internet Project**

**By Judy Allen**

Lawmakers in a Virginia county are considering spending up to $20 million in taxpayer money to build a government-owned internet network.

In December 2016, lawmakers on the Fauquier County Board of Supervisors proposed allocating $20 million in taxpayer funds over the next five years to build an internet network for rural residents.

If completed, the municipal broadband project would serve about 10,000 households in the county.

**Following Fashions in Fauquier**

Caleb Taylor, director of policy and operations with the Virginia Institute for Public Policy, says providing taxpayer-funded internet would be a big mistake.

“With the amount of high-profile failures of municipal broadband systems, the economics don’t work out.”

**“There have been a number of high-profile failures of municipal broadband systems. The economics don’t work out.”**

**DANIEL LYONS, BOSTON COLLEGE LAW SCHOOL**

**“Collaborating with your neighbors and friends to make and share food is something we’ve done since the beginning of time. I think the government has no business injecting itself into these transactions, and certainly not criminalizing the conduct, penalizing the conduct, and making it into a profit center for the government.”**

**ELIZABETH GAMSKY RICH**

**PRESIDENT**

**FARM-TO-CONSUMER LEGAL DEFENSE FUND**

**No Harm, No Foul**

Greenhut says the government should leave people alone whenever possible.

“Government should leave people alone to conduct their own affairs,” Greenhut said. “If there’s no one being harmed, there’s no reason for government intervention. The marketplace doesn’t need bureaucrats looking over our shoulder on every transaction. It should set some basic ground rules and let the rest of us live our lives.”

Marybeth Glenn (glennmarybeth@yahoo.com) writes from Wausau, Wisconsin.

---

**Woman Prosecuted for Baking Without Government Permission**

Continued from page 1

Here Come the Food Police

Elizabeth Gamsky Rich, acting president of the Farm-to-Consumer Legal Defense Fund, says the Reulas prosecution is an example of unnecessary government restrictions on normal behavior in which the government has no reason to interfere.

“Collaborating with your neighbors and friends to make and share food is something we’ve done since the beginning of time,” Rich said. “I think the government has no business injecting itself into those transactions, and certainly not criminalizing the conduct, penalizing the conduct, and making it into a profit center for the government.”

“We Own Our Bodies’

Rich says people should fight to protect their rights from government busybodies.

“I think the main thing to remember is that we own our bodies; the government does not,” Rich said. “It’s imperative that we protect that right and stand up and object when we see that it’s not being protected.”

Steven Greenhut, a senior fellow with the R Street Institute, says governments have more important things to do than prosecute people for making food.

“Prosecutors and police have better things to do than conduct undercover stings such as these, especially in communities, such as Stockton, that have serious crime problems,” Greenhut said. “A few years ago, police unions in that city featured billboards warning about the dangers of the city and their lack of resources to combat violent crime, yet officials there choose to use their scarce resources this way. That’s foolish.”

**Calls for Public Response**

Greenhut says the government will always push its way into people’s lives, unless people push back.

“We see a constant increase in the number of regulations in most areas of life,” Greenhut said. “Unless the public pushes back against it, we’ll see an ever-increasing number of injustic-es, [and] we’ll see more fear from the citizenry. These are unjust laws. We should resist and overturn them.”
South Carolina Lawmakers Tackle Pension Debt Bomb

By Ben Johnson

Lawmakers in South Carolina are debating how to address a looming problem with the state government’s five public pension programs.

In November 2016, members of the South Carolina General Assembly’s Joint Committee on Pension Systems Review met to work on finding funding solutions for the government’s public pension programs, including the South Carolina Retirement System (SCRS), the largest pension program administered by the state. SCRS distributes benefits to more than 134,000 retired government employees and their beneficiaries.

The total liabilities of the taxpayer-funded program exceed available assets by approximately $16.8 billion, or $7,909 per taxpayer.

Growing Debt Problem

State Sen. Kevin Bryant (R-Ander-son), chairman of the Joint Committee on Pension Systems Review, says the state’s increasing pension debt is squeezing out other agencies’ ability to provide government services.

“The basic and essential problem is that the pension debt is growing by billions of dollars per year, and it is severely hampering agencies’ ability to provide government services,” Bryant said.

Addressing ‘The Root Cause’

Bryant says lawmakers’ past decisions to take on additional pension obligations are catching up with the state.

“The root cause of the debt was the extension of very costly benefits in the early and mid-2000s, without paying for them at the time,” Bryant said. “The extension of those benefits cost about $10.5 billion, and then the interest on debt has cost about $8.5 billion, of which only about $7.4 billion has been paid through increased contributions, such as employee and taxpayer dollars.”

Symptoms Ignored

Bryant says the state’s pension problems were known, but lawmakers in previous years ignored them.

“The key is understanding that it would have allowed legislators to make informed decisions about the value of those benefits, versus roads, law enforcement, other core government services, or tax cuts,” Bryant said.

Pay Painful Cure

Philip Cease, director of research at the South Carolina Policy Council, says the state’s assumed rate of return needs to be adjusted downward.

“The most immediate thing that is going to hurt us is adjusting the super rate of return [of pension fund investments] to the actual rate of return,” Cease said. “Part of the problem is the legislative branch actually sets the assumed rate of return. Now, it’s at 7.5 percent. We’ve seen it should be about half that, down around 4 percent.”

Cease says taxpayers are the ones who end up being stuck with the bill for pension liabilities and underfunding.

“It’s referred to as the ‘employer contribution,’ but it needs to be referred to as the ‘taxpayer contribution,’” Cease said. “If that goes up, which is something they’ve talked about doing, then that’s something that’s not going to be used for other core government functions.”

Alternative Approach

Cease says a switch to defined-contribution pension systems, like those enjoyed by many private-sector employees, would be best for both taxpayers and pension recipients.

“I think they’re going to have to go with a defined-contribution program, [moving] from the defined-benefit program that we have now,” Cease said. “This should have happened a long time ago.”

IN OTHER WORDS . . .

“Years of ill-timed investments and a refusal to abandon questionable strategies have left South Carolina’s government pension plans on the ropes, with a massive funding gap that threatens promised benefits to future retirees.

“The plans serve roughly one out of nine state residents, and the shortfall—$24.1 billion—is more than triple the Palmetto State’s annual budget. That’s left lawmakers and the state’s investment managers scrambling for a fix, as the burden grows for workers and taxpayers.

“Teachers, firefighters and other government employees have been required to pump ever-rising amounts of money into the pension system, only to see their retirement plans become increasingly uncertain. Costs have soared for state and local governments, school districts and public colleges.”


Six States Away from Making History

Join the Fight for a Balanced Budget Amendment

The Balanced Budget Amendment Task Force is leading the charge for a single subject Article V convention for the purpose of a balanced budget amendment to the Constitution of the United States. 28 states have already enacted applications calling on Congress for a balanced budget amendment.

We need six more states to help make it a reality.

The Balanced Budget Amendment Task Force will target its resources in states like Kentucky, South Carolina, Virginia, Wisconsin, and Wyoming during the 2017 legislative session. Your Support is very crucial in finally helping control our out-of-control national debt.

To learn more about our campaign, read the latest research from our team of experts, and make a financial contribution today visit bba4usa.org.
Target-Rich Environment
Sam Batkins, director of regulatory policy at the American Action Forum, says there are plenty of regulations that should be repealed.

“If you just assume that under President Clinton or President [George W.] Bush we had a normal regulatory environment, that [means there were] roughly 60 major rules [implemented] annually,” Batkins said. “President Obama has already done more than 80 rules this year. He set a record in 2010.”

Batkins says regulations create real costs for everyday people.

“Regulations, much like taxes, have to be paid by someone,” Batkins said. “There’s not just some faceless corporate entity that just writes checks and has no economic consequences. People pay regulatory costs, typically through higher prices, so those costs are borne by consumers. In markets where that’s not always feasible, these costs are borne by employees of those firms, sometimes in the form of layoffs, other times in lower pay. The costs are sometimes borne by investors in lower stock returns.”

‘Shaming Regulations’
Batkins says many regulations passed by President Barack Obama’s administration were intended to score political points.

“There are a lot of regulations by the Obama administration that could fairly be characterized as ‘shaming regulations,’” Batkins said. “There’s a pay ratio disclosure rule that was part of Dodd-Frank that makes all companies give us information on the ratio of CEO pay to [that of] the average worker in the company. That’s just an expensive, $10 billion exercise in shaming corporations over what they’re paying CEOs. There are a lot of regulations out there today that literally cost billions of dollars that are doing nothing to improve the health, safety, and environmental quality of American businesses.”

Ryan Young, a Competitive Enterprise Institute researcher on regulatory and monetary policy and financial regulation, says lawmakers should make it more difficult for government agencies to enact regulations.

“Congress should make it less conducive to passing new rules willy-nilly, as agencies will, and do more to make it easier for agencies to repeal old rules that turn out to be redundant, harmful, or work contrary to their intended purpose.

“The regulatory process itself, I would argue, is far more important of a focus than just repealing this or that unpopular rule,” Young said. “If you want to have substantive, long-lasting reform, that is where you must focus.”

Before You Regulate Visit IronLawofRegulation.com
A database of experimental evidence on the effect of regulations on general welfare.

The SCRUB Act was introduced in January 2016 and passed by the House of Representatives. The bill was introduced in the U.S. Senate, but it did not receive a vote.

Young says approving the SCRUB Act could greatly benefit consumers and business owners.

“The cost savings estimate, as far as compliance costs that consumers and businesses have to pay for, would be $89 million per year,” Young said.

Consumer Benefits
Young says the SCRUB Act would significantly reduce the costs of doing business.

“Every year, it would send to Congress a repeal package,” Young said. “Congress, which seems to have no political will to scrub out the code of federal regulations, could, with just one fell swoop, repeal thousands and thousands of pages of bad regulations, and it could do it again and again, year after year, trimming America’s $1.9 trillion regulatory burden to a much more palatable level. That would do less to impede entrepreneurship and make job creation much easier and make innovation speed up.”

Ben Johnson (therightswriter@gmail.com) writes from Stockport, Ohio.
A federal agency tasked with enforcing financial industry restrictions is fighting a court order demanding it reorganize to comply with the Constitution.

In October 2016, three judges on the U.S. Court of Appeals for the DC Circuit ruled in favor of a mortgage lending company that had filed a lawsuit against the Consumer Financial Protection Bureau (CFPB) alleging the agency is improperly organized because it grants too much power to its director.

CFPB is an independent government agency created by the Dodd-Frank Wall Street Reform and Consumer Protection Act, commonly referred to as “Dodd-Frank,” to enforce government restrictions on financial activity.

CFPB, headed by director Richard Cordray, appealed the ruling in November 2016, asking for an en banc hearing in which the full U.S. Court of Appeals for the District of Columbia would hear the case, instead of just a panel. In December 2016, lawyers representing CFPB filed a motion asking for more time to respond to the plaintiffs’ claims.

Unconstitutional by Nature?
Sam Kazman, general counsel for the Competitive Enterprise Institute, says CFPB’s structure and operation are unconstitutional.

“The constitutional claim was that Cordray could only be removed for cause, and that was an unconstitutional violation of the president’s power in the appointment clause,” Kazman said. “There’s [also] the fact that the CFPB does not get funding through congressional appropriations but rather from the Federal Reserve’s budget.”

Calls for Abolition
Kazman says federal lawmakers should eliminate CFPB.

“Lawmakers would be well-advised to uproot the CFPB, root-and-branch,” Kazman said. “I think the best of all reforms would be for Congress to abolish the agency. The notion of centralizing this huge amount of power over practically every financial instrument and financial transaction into one agency, then making it unaccountable to this degree from the constitutional branches of government, is, frankly, insane.”

Suggests Reform Instead
Thaya Brook Knight, associate director of financial regulation studies at the Cato Institute, says CFPB should restructure itself like another financial regulatory body, the Securities and Exchange Commission (SEC), adding more checks and balances.

“At the SEC, you see an appropriate antagonism against bad actors; you don’t find this antagonism toward the industry as a whole,” Knight said. “I would structure it very similarly to the SEC: a chair appointed by the [U.S.] president, who serves at the president’s pleasure so he can have that ability to have the president setting policy, and then additional commissioners.”

As currently constituted, CFPB is failing to achieve its stated goals, Knight says.

“Part of CFPB’s mandate is to ‘foster access to financial products,’” Knight said. “That statement recognizes access to financial products is important to the economy, to consumers’ lives, to the way America functions. I think Cordray has been derelict in his duty in not focusing on financial access.”

Ben Johnson (therightwriter@gmail.com) writes from Stockport, Ohio.
Chicago Business Appeals Judge’s Rotten Food Truck Ruling

By Elizabeth BeShears

A Chicago, Illinois business owner is appealing a county judge’s decision that Upholding restrictions on where food trucks can operate.

In December, Cook County Circuit Judge Anna Helen Demacopoulos upheld the city’s restrictions on food trucks operating in Chicago. Business owner Laura Pekarik, represented by lawyers from the Institute for Justice (IJ), a nonprofit public-interest law firm, is appealing Demacopoulos’s decision, asking judges to overturn Chicago’s food truck ordinance.

Currently, food truck operators in the city are required to install global positioning system (GPS) trackers on their vehicles to facilitate the government’s enforcement of restrictions on where they may be located. The city prohibits food trucks from operating within 200 feet of a restaurant.

Challenging Geographic Restrictions

Robert Frommer, an attorney with IJ, says the lawsuit argues the food truck law is excessive and an invasion of privacy. “We are challenging two provisions of the law,” Frommer said. “One is that food trucks can’t operate within 200 feet of any kind of restaurant. That could include a Starbucks or a 7-11. It applies even if the food trucks are on private property, or even on another block entirely.

“The other provision that we’re challenging is a requirement that all the trucks have installed GPS tracking devices that allow the government to follow their every move and that information needs to be made available to anyone who asks for it,” Frommer said. “It’s a pretty gross invasion of privacy.”

Shrinking Industry

Frommer says the food truck restrictions have caused significant harm. “In 2012, when this was passed, Mayor Rahm Emmanuel said this would help encourage the food truck industry and help it grow and thrive in Chicago,” Frommer said. “Back then, there were 127 trucks in Chicago. Now, according to the head of the [Illinois] Food Truck Association, there are between 60 and 70. We did a study, and we found out that because of the 200-foot rule, 97 percent of the North Loop area—the downtown area of Chicago where everyone works—is off-limits for food trucks.”

Preventing Competition

Andrew Moylan, executive director of the R Street Institute, says governments should stop protecting established businesses from competition. “We don’t prevent gas stations from popping up across the street from other gas stations, just to protect them from the horrors of competition,” Moylan said. “It’s a major problem that city governments are making regulations to prevent competition between businesses.”

Moylan says well-connected insiders often use government power to fight their competitors. “We see this fight over and over again, where we have these entrenched interests that utilize the levers of power to help protect them and their business model,” Moylan said. “They do so at the expense of consumers, at the expense of innovation, at the expense of the dynamic spirit that provides new flavor and economic opportunity.”

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

West Virginia Governor Tomblin Orders State Agency Spending Cuts

By Ben Johnson

In an effort to help close a growing budget deficit, West Virginia’s governor has ordered all state agencies to make spending cuts.

In November, Gov. Earl Ray Tomblin (D) announced plans to reduce all government agency spending by approximately 2 percent, or about $60 million. Since July 2016, state tax revenue has been $87.4 million below projections, prompting the spending cuts.

Strung Up in Red Tape

Garrett Ballengee, executive director of the Cardinal Institute, says state and federal regulations are causing West Virginia’s economy to wither away.

“There are several reasons why the economy is so stagnant and the shortfall is so pronounced,” Ballengee said. “The eighth-most highly regulated industry in the country plays an increasingly important role in our economy: oil and gas extraction. It is quite a burden on West Virginia’s natural-resource-intensive economy, in addition to the natural market forces surrounding energy production.”

Warming Up to Entrepreneurs

Ballengee says state tax and regulatory reform is becoming increasingly important for West Virginia’s survival. “The state must be among the most business-friendly tax environments in the country, with a broad base and low rates,” Ballengee said. “When an individual wants to start a business in West Virginia, it must be among the easiest states in the country to do so.”

Ballengee says restricting the size of government is necessary for the state’s economic recovery.

“West Virginia’s population shrinks and the burden of paying for government falls on fewer and fewer people.”

Garrett Ballengee, Executive Director, Cardinal Institute

“The state government must not be allowed to grow in size and scope as West Virginia’s population shrinks and the burden of paying for government falls on fewer and fewer people.”

The state government must not be allowed to grow in size and scope as West Virginia’s population shrinks and the burden of paying for government falls on fewer and fewer people,” Ballengee said.

Addressing the Problem

Bob Williams, a senior fellow with State Budget Solutions, a project of the American Legislative Exchange Council’s Center for State Fiscal Reform, says Tomblin’s plan for cutting spending does not address the source of West Virginia’s problems. “The governor’s 2 percent across-the-board cuts for state agencies hurts agencies that are well-managed and doesn’t really address the budget problem,” Williams said. “West Virginia collects more per capita, $2,910 in taxes, than its neighboring states. It also receives more federal aid per capita and spends more per capita.”

Williams says the state government’s problem is there are too many regulations. “Raising taxes is not a viable option,” Williams said. “The problem is a lack of jobs, or jobs displaced by federal and state regulations.”

Ben Johnson (therightwriter@gmail.com) writes from Stockport, Ohio.
Chicago Homeowners Challenge City’s Airbnb Law

By Gabrielle Cintorino

A group of Chicago, Illinois homeowners is challenging a new law that imposes city taxes on individuals using Airbnb and other peer-to-peer economy companies that match homeowners with people seeking short-term housing.

In July 2016, Chicago lawmakers approved an ordinance applying the city’s 17.4 percent hotel tax to short-term housing transactions, plus an additional 4 percent tax not charged to traditional hotels. The ordinance also requires Airbnb participants to submit consumers’ personal data, such as home addresses and travel plans, to the government for inclusion in databases.

The plaintiffs’ lawyers are scheduled to present motions against the ordinance in January 2017. They are seeking an injunction to suspend the law while the court case is being considered.

Alleges Constitutional Violations

Michaelucci, vice president of policy at the Illinois Policy Institute, says the law violates homeowners’ constitutional rights.

“There’s a very clear violation of Fourth Amendment rights in the Airbnb law they’ve passed,” Lucci said. “The [government] can come into my home to check at any time they want without suspicion of a crime. This is a violation of my rights. I should be in my home and be left alone by the government.”

Lucci says the law is particularly unfair to condominium owners.

“In my case, I live in a three-unit building, and my unit is on the top floor,” Lucci said. “I spoke with folks that live on the bottom floor. They own a condo because they want a place to crash when they are in the city. They mentioned they would be open to hosting guests on Airbnb, but the law forbids that. In two- or three-units, only one owner can be a host.”

Picking Winners and Losers

Jacob Huebert, a senior attorney with the Liberty Justice Center, which is representing plaintiffs challenging the ordinance, Huebert says he hopes judges will strike it down.

“If lawmakers won’t repeal the ordinance, Huebert says he hopes judges will step in.

“The appropriate solution is to repeal this ordinance,” Huebert said. “If the city won’t do that, then we hope the court will strike it down.”

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

Mississippi Lawmakers Consider Tax Reform for 2017

By Dustin Siggins

The Mississippi State Legislature is debating how to deal with declining tax revenues, after meeting with government agency heads and soliciting suggestions for tax reforms.

Throughout November and December, lawmakers on a special committee chaired by state Rep. Phillip Gunn (R-Clinton) called for budget relief recommendations from state government agency heads, such as Mississippi Department of Revenue Commissioner Herb Frierson.

At a November 2016 meeting of the committee, Frierson recommended increasing the state’s taxes on alcohol sold by the government and legalizing and taxing sports betting to boost state government revenues.

In November 2016, state tax revenue was almost 9 percent short of projections and 2.5 percent below the amount collected during the same month in 2015.

Says Tax Hikes Unnecessary

Forest Thigpen, president of the Mississippi Center for Public Policy, says he’s confident the state’s lawmakers will reject calls for tax increases.

“Lawmakers often discuss tax increases to offset spending issues, which Mississippi has faced for a couple of years,” Thigpen said. “I think we are headed in the right direction to get our state budget in order without raising taxes. I’m encouraged that our legislative leaders seem to be intent on continuing in that direction.”

Thigpen says the tax committee is considering spending cuts.

“The legislative budget committee’s proposal calls for a 3 percent cut in the budget for next fiscal year, which will begin next July,” Thigpen said. “If they stick to that proposal, the state’s rainy day fund would get back some of the money that was taken [in 2015 and 2016] to make up for a shortfall in expected revenue. That’s a realistic budget, based on expected revenue for next year and the uncertainty of the economy.”

Cites Consumer, Producer Burdens

David Burton, a senior fellow in economic policy with The Heritage Foundation, says tax hikes, such as Frierson’s proposed alcohol tax increase, are bad for consumers and producers.

“Some of the taxes will be borne by the consumers, and some will be borne by the producer,” Burton said. “The quantity consumed is going to go down, but some of it will be at the expense of consumer surplus, and some of it will be producer surplus.”

Opportunity for Reform

Burton says Mississippi lawmakers should look carefully for opportunities to make tax reforms.

“I have yet to see a government that wasn’t laced with stuff that could be fixed to save money,” Burton said. “They probably have tax preferences in their sales or income taxes that you could use to cut the rate, which would help the climate in the state, and there are probably a lot of things that could be done to improve the tax system.”

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

“T”I think we are headed in the right direction to get our state budget in order without raising taxes.

“I’m encouraged that our legislative leaders seem to be intent on continuing in that direction.”

FOREST THIGPEN
PRESIDENT
MISSISSIPPI CENTER FOR PUBLIC POLICY
Alaska Hikes Occupational Licensing Fees

By Michael McGrady

A state government agency tasked with ensuring “competent, professional and regulated commercial services are available to Alaska consumers” is increasing the cost of obtaining government permission to work in the state.

In 2015, Alaska’s Division of Corporations, Business, and Professional Licensing approved regulations that took effect in January 2017 increasing the cost of government-mandated occupational licenses for professional service providers, such as midwives and morticians. Alaska state law allows the government agency to set occupational licensing rates without oversight from lawmakers.

Since the regulations took effect, the cost of government permission for Alaskans practicing midwifery increased by $2,100 per biennial renewal, the cost of practicing homeopathic therapy rose by $730 per biennial renewal, and the cost of working as a mortician increased by $50 per biennial renewal.

Costing Consumers, Too

David Harrington, an economics professor at Kenyon College, says business owners aren’t the only ones who pay for these price hikes for professional licenses.

“Most legislators seem to go along with whatever is recommended, and they disregard any thought of these board members acting with conflicts of interest. Our elected officials should be more vigilant at protecting business owners from boards and commissions.”

By Gabrielle Cintorino

Texas state Rep. Dan Flynn (R-Canton) is proposing a bill to remove market restrictions governing whether dairy farmers may sell unpasteurized milk, commonly referred to as raw milk.

Currently, Texas law prohibits the sale of raw milk anywhere except the farm on which it was produced.

“It’s a Simple Bill”

Flynn says his bill, House Bill 57, would have a straightforward benefit for consumers and farmers.

“It’s a simple bill,” Flynn said. “It is a pure and simple free-enterprise system. If you have a product that is legal, you should be able to sell it. I think it’s kind of ridiculous, the conversations that have come up, and I’m very unhappy with the state agencies that have put roadblocks in the way of farmers and the consumers wanting the product.”

Flynn says the state government should allow consumers to have the products they want.

“It’s a legal product; we just want consumers to be able to buy it at a farmers’ market,” Flynn said. “The fact is, it’s a legal product, there’s a demand for it, and if we believe Texas believes in free enterprise, it should be a no-brainer to go ahead and allow people to sell it at farmers’ markets.”

Restrictions Benefit Big Companies

Jayson Lusk, an economics professor in Oklahoma State University’s Department of Agricultural Economics, says current Texas laws regulating raw milk effectively benefit large milk producers at the expense of small farmers.

“I think this is an example of the kinds of laws that are often implemented to protect public safety and may be motivated by good intentions, but [they] often will benefit large producers in the market,” Lusk said. “Sometimes, these laws have the effect of keeping out competition from smaller producers and sellers. There are many examples of this kind of thing.”

Lusk says Flynn’s bill would help consumers make educated decisions about their purchases.

“It’s a little bit of a liberalization of the raw milk laws, making raw milk more available to consumers and allowing producers to sell that milk in more locations than they currently are,” Lusk said. “It’s also providing some warning to consumers; it’s coupled with a labeling policy that would highlight some of the risks of consuming raw milk.”

Gabrielle Cintorino (gcintorino4@gmail.com) writes from Nashville, Tennessee.
**Alcohol Regulation Reforms on Tap for Pennsylvania**

*By Michael McGrady*

Pennsylvania Gov. Tom Wolf (D) signed a bill reforming the state government’s restrictions on alcohol sales, allowing consumers to purchase six-packs of beer at privately owned alcohol distributors, such as gas stations.

“Taking effect in January, House Bill 1196 also reduces the state’s “blue law” restrictions, which limit when businesses may sell alcohol to consumers, and allows government-licensed breweries to sell other breweries’ products without obtaining special permission from the government.

Before the law’s enactment, the state government required consumers to purchase beer in packs of 24 cans and prohibited consumers from purchasing beer before 11:00 a.m. on Sundays.

**Removes Packaging Restrictions**

The bill’s sponsor, state Rep. Scott Petri (R-Bucks), says the new law will benefit consumers by getting government out of their way.

“Consumers don’t want to be forced to buy a case of beer when they want to buy a six-pack,” Petri said. “This is the answer to what consumers expect. They want to be able to go to a distributor and not be forced to buy a whole case. They want to be able to buy smaller quantities.”

Petri says the state government’s restrictions made things more costly and difficult for consumers.

“Today’s consumers want to buy a six-pack of light beer or a six-pack of craft beer, because they could have guests coming over or something,” Petri said. “They want to be able to offer different items to guests and for their own consumption, and they don’t want to have to buy four cases and break them up in order to do that.”

**Calls for More Reforms**

Bob Dick, a senior policy analyst for the Commonwealth Foundation, says the new law will make only a small dent in the state government’s economic interference, because the new law does not dissolve the Pennsylvania Liquor Control Board, the state’s government-run monopoly agency.

“It is definitely a step in the right direction, but we believe more needs to be done,” Dick said. “Specifically, I would say that the restrictions that are still in place on sales of wine and liquor need to be eased. That is why we have been pushing for liquor privatization and getting government out of this business.”

Dick says these laws overstep the bounds of government authority and do consumers a disservice.

“This simply is not a core function of government,” Dick said. “The state should have to divest itself from the business and allow for a competitive market, which is one of the only ways to offer consumers a choice and the competitive pricing they are looking for.”

Michael McGrady (mmgrady@mccgradypolicyresearch.org) writes from Colorado Springs, Colorado.

---

**Florida County’s Lawmakers Serve Up Food Truck Deregulation**

*By Gabrielle Cintorino*

A year after debating the issue for almost a year, lawmakers in Sarasota County, Florida agreed to relax government restrictions on mobile food truck businesses.

The Sarasota County Board of Commissioners unanimously approved a new ordinance in November relaxing restrictions on mobile food truck operations.

The old ordinance prohibited food trucks from operating within 800 feet of existing restaurants, and it required businessmen to seek government permission each time the owner wished to operate in a different location within the county.

The new ordinance removes those location restrictions, but it also limits where food trucks may operate in residential neighborhoods.

The ordinance, which took effect immediately after the commissioners’ approval, requires food truck owners to obtain permission from owners of private property on which the truck owner plans to operate. Food vendors must obtain lawmakers’ permission to operate on property owned by the government.

**Keeping Competition at Bay**

Sal Nuzzo, vice president of policy at The James Madison Institute, says government food truck restrictions are often used by well-connected insiders, such as restaurant owners, to keep competitors out of their market.

“Most of these regulations are nothing more than anti-competitive attempts to use the government as a barrier to competition,” Nuzzo said. “Especially with respect to local ordinances, most often those negatively affected are young and new entrants.”

**Positive Economic Disruption**

Nuzzo says lawmakers should not allow themselves to be captured and used to pass anticompetitive restrictions.

“Food trucks are a disruptive force to the existing market, and therefore they are earning the ire of anti-competitive regulations,” Nuzzo said. “This needs to be stymied so entrepreneurs can be encouraged, as opposed to eliminated, from economic progress.”

**Letting Neighborhoods Decide**

Matthew Mitchell, director of the Mercatus Center’s Project for the Study of American Capitalism, says lawmakers should allow groups of people to set their neighborhoods’ norms, including food truck rules, instead of enacting top-down regulations.

“The private homeowners’ associations and private communities can choose to adopt rules to choose to say they do or don’t want food trucks on their property,” Mitchell said. “They can come to their own conclusions about this.”

Mitchell says allowing neighbors to negotiate how their neighborhood should operate is better than central government planning.

“As long as private property is respected, then people will come to the efficient solution of bargaining with one another,” Mitchell said. “The idea is ... that people are allowed to exclude food trucks from their property if they want or permit them if they want.”

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

In an opinion column in The Wall Street Journal in November, former Florida Gov. Jeb Bush (R) encouraged the Republican Party to endorse the constitutional amendment convention movement.

“Republicans should support convening a constitutional convention to pass term limits, a balanced-budget amendment and restraints on the Commerce Clause, which has given the federal government far more regulatory power than the Founders intended,” Bush wrote.

Once 34 states call for an amendments convention, the gathering, consisting of commissioners selected by state lawmakers, would be limited to consideration of amendments requiring the federal government to enact a balanced budget—or whatever other proposal is specified in the call.

Currently, resolutions sponsored by the Balanced Budget Amendment Task Force, a nonprofit organization dedicated to facilitating the proposal and ratification of a balanced budget amendment to the U.S. Constitution, have been approved by lawmakers in 28 states.

Has History of Support
Nick Tomboulides, executive director of U.S. Term Limits, a nonpartisan, nonprofit organization advocating an amendments convention focusing on putting term limits on federal lawmakers, says Bush has long supported constitutional reform.

“Gov. Bush is a longtime supporter of congressional term limits,” Tomboulides said. “As governor, he helped U.S. Term Limits defend Florida’s term limits from attacks by well-heeled special interests. He is a respected voice across the political spectrum who adds tremendous credibility to this campaign.

Bipartisan Support for Term Limits
Tomboulides says term limits are popular with lawmakers from both political parties.

“President-elect Donald Trump and President Obama have also come out for term limits,” Tomboulides said. “Trump has made ‘draining the swamp’ one of his top priorities, headlined by a constitutional amendment for term limits. Obama recently said, ‘Term limits are a really useful thing.’”

Tomboulides says term limits are compatible with the spirit of the nation’s founding.

“Term limits honor the founders’ vision of a citizen legislature by creating regular rotation in office,” Tomboulides said. “When lawmakers are churned on a regular basis, that provides for a check on individual members gaining too much power. Term limits are also the only reliable way to guarantee fresh perspectives and ideas in Congress on a regular basis. This produces a legislature much closer to the people and more willing to listen.”

Abdicating Fiscal Responsibility
Loren Enns, director of state campaigns for the Balanced Budget Amendment Task Force, says Congress has failed to accept fiscal responsibility.

“Congress has had 40 years since the Balanced Budget Amendment was made popular by Milton Friedman and Ronald Reagan,” Enns said. “After 40 years, Congress hasn’t been able to do it, and there’s no expectation that they ever will. It has to do with the two-thirds threshold [for Congress to propose an amendment]. Because of the threshold, you simply can’t get enough Democrats to go along with it.”

Enns says many state lawmakers support using an amendments convention to require a federal balanced budget out of a sense of duty to future generations.

“That’s what motivates a lot of state legislators,” Enns said. “They’re now more concerned about the fact that, for the first time in American history, we have a generation that is leaving the next generation—their own children and grandchildren—with a bleaker future. There’s definitely a moral component to this.”

Bipartisan Problem
Enns says federal lawmakers of both political parties share the blame for out-of-control spending.

“The scary thing is that Republicans have controlled the House since 2010,” Enns said. “We were at $13 or $14 trillion in debt when they took over.”

According to the federal government’s budget for fiscal year 2018, the gross national debt is over $19.5 trillion, excluding entitlement spending and debt issued by federal agencies.

“You can’t just blame Obama for that,” Enns said. “Republicans have gone right along with that for six years.”

Do-or-Die Situation
Enns says the need for reform is urgent.

“We’re between a rock and a hard place,” Enns said. “Congress has proven that it simply won’t cut the budget. They have a built-in trillion-dollar deficit going forward. They’ve averaged over $1.2 trillion per year that they’ve borrowed since 2008. It’s systemic. They don’t have the institutional will or ability to overcome what they’ve dug themselves into.”

Jeff Reynolds (jefferyreynolds@comcast.net) writes from Portland, Oregon.
Philadelphia Business Owners Challenge New Soda Tax

In November 2016, city government lawyers filed documents challenging the plaintiffs' request for a preliminary injunction blocking implementation of the tax.

Singling Out Soda
Elizabeth Stelle, director of policy analysis for the Commonwealth Foundation, says the soda tax will hurt the city’s low-income earners more than it helps them.

“Philadelphia is raising taxes on some of the poorest and [most] highly taxed families in the nation to fund a mediocre program that won’t help the next generation,” Stelle said. “If this tax was truly about health, why does it stop at sugary drinks? What about other forms of junk food like ice cream, cookies, and chips? Targeting one industry has little to do with healthy living and everything to do with targeting Philadelphians’ pocketbooks. There are many less-punitive ways to discourage the consumption of unhealthy foods.”

Widespread Negative Effects
Stelle says the soda tax will be bad for the city, including those who don’t drink soda.

“In addition to raising the cost of beverages, the tax hurts Philadelphians by destroying jobs,” Stelle said. “Philadelphians Teamsters railed against the tax, arguing it would destroy thousands of family-sustaining jobs. The mayor insists this tax will only hit corporations, otherwise known as employers, but experience shows otherwise. In Berkeley, California—the lone American city to enact a sugary drink tax—a study found that 50 to 70 percent of the tax is passed on to consumers.”

By Ben Johnson

Philadelphia business owners are suing to block a new tax on soda and other sugar-sweetened beverages.

Starting in January 2017, the new law adds a tax of 1.5 cents per ounce to the price of soda and other sweetened beverages purchased by consumers in the city. Lawmakers say the revenue from the tax will be used to fund expanded preschool education programs.

The lawsuit was filed in the First Judicial District of Pennsylvania’s Court of Common Pleas in September 2016.

Judge Gary Glazer has not set a court date.

“Targeting one industry has little to do with healthy living and everything to do with targeting Philadelphians’ pocketbooks. There are many less-punitive ways to discourage the consumption of unhealthy foods.”

ELIZABETH STELLE
DIRECTOR OF POLICY ANALYSIS
COMMONWEALTH FOUNDATION

NY Court Denies Tax Carve-Outs for Gentlemen’s Club

By Michael McGrady

New York State judges disagreed with the interpretation of state tax exemptions asserted by owners of an adult entertainment club, ordering the business to remit more than $2 million in overdue sales taxes.

New York state law requires businesses to pay the government 4 percent of their revenue from admission to and purchases at “places of amusement,” such as amusement parks, professional sporting events, and museums.

The owners of CSMG Restaurant Group, a business operating adult entertainment establishments in New York, sued the state government over its entertainment tax. CSMG argued consumers’ purchases of in-house currency, known as “Beaver Bucks,” should qualify for an exemption issued by the state for other kinds of performance art exhibitions, such as ballet recitals.

In November, the New York Supreme Court Appellate Division ruled against the business owners.

Clamoring for Carve-Outs
Ken Girardin, a policy analyst for the Empire Center for Public Policy, says carve-outs create an unhealthy competition for government favors.

“The problem with all the exclusions, like in our sales taxes, is that once you open up one for one group, you have other people trying to squeeze their way into them or pushing lawmakers to add more exemptions for them,” Girardin said. “It creates a slippery slope, and it compromises the equitability of the system. I wouldn’t say a sales tax on amusement services is a bad idea, per se, but if you’re going to have a sales tax, you have to do it equitably.

“The simpler the definition of a tax, the less likely you are to be showing favoritism toward one or another,” Girardin said.

Adam Millsap, a research fellow for the State and Local Policy Project at the Mercatus Center at George Mason University, says the New York exemption is arbitrary and unfair.

“What I find somewhat annoying with this particular scenario is that some places are exempt from this tax,” Millsap said. “Choreographed plays and musicals are exempt from the tax, and it creates a distortion between the two types of entertainment. They seem to be arbitrary. The idea is that they’re exempt and others aren’t.”

Correlated with Carve-Outs

Millsap says sales-tax rates tend to rise when there are a greater number of exemptions to the tax.

“I think that sales taxes on the final consumption of goods and services are fine, in the sense you have to have them on everything, to keep the rates lower,” Millsap said. “When you start exempting certain things, then that leads to the rates being higher.”

Michael McGrady (mmcgrady@mccgradypolycyresearch.org) writes from Colorado Springs, Colorado.

INTERNET INFO

House Speaker Halts Lawmakers’ Pork Plan

Speaker of the House Paul Ryan (R-WI) stopped a recent effort by a group of Republican lawmakers to encourage spending taxpayers’ money on representatives’ pet projects.

In November 2016, Reps. John Boehner (R-OH), Mike Kelly (R-PA), Mike Rogers (R-AL), and Tom Rooney (R-FL) proposed restoring federal lawmakers’ ability to propose earmarks, language added to legislation providing money for specific projects, programs, or organizations.


‘Deserves a Lot of Credit’
Curtis Kalin, a spokesman for Citizens Against Government Waste, says Ryan is fighting for taxpayers and against wasteful government spending.

“He showed strong leadership in forcing transparency and accountability on this critical issue. He says he wants the debate on earmarks to be public, which is laudable. Taxpayers deserve to know where each member of Congress stands on bringing back pork-barrel politics from a bygone era.”

“Essentially Bribe’ One Another
Kalin says it should be more difficult for lawmakers to pass huge spending bills, not easier.

“If Congress cannot function without using taxpayer dollars to bribe each other, then Congress has much bigger problems. It’s both a bad way to budget and a bad way to spend the taxpayers’ money. It’s essentially bribing other members of Congress with our money. By making it easier to pass large, controversial spending bills, earmarks aid in the overspending that created the nearly $20 trillion debt.”

Horse-Trading for Huge Bills
Thomas Binion, director of policy outreach for The Heritage Foundation, says earmarks were often used by lawmakers to push bad ideas.

“If you take an already huge, bloated spending bill that doesn’t have majority support, and you add a few earmarks, and members are then willing to vote for a bill that has their chosen earmark in the bill, you’ve now passed a massive spending bill that wouldn’t have had the votes otherwise. It’s a tool used to get bills across the finish line that otherwise, on their merits, wouldn’t. When it’s said that earmarks are, in part, responsible for the out-of-control spending, not only is it the actual spending in the actual earmark, it’s also all of the spending that earmarks were used to leverage.”

Binion says Ryan’s move provides time for a debate on the issue.

“One of the things the delay does is to create time for the debate, which makes space for the public and the various stakeholders to make their opinions known,” Binion said. “We know how that went the first time. The first time the earmark regime was exposed to the public, there was an outcry, and the ban was put in place. I think we’re going to see a similar response from stakeholders, specifically in the grassroots around the country.”

Binion says the debate is itself a transparency measure.

“I think there’s an advantage for those who want to extend the earmark ban: The longer the debate goes, the greater advantage they have,” Binion said. “Of course, the way bad things are done in Washington, DC is in the dark of night, behind closed doors. When you bring them out into the light, it becomes much less likely that they will happen.”

“Speaker Ryan deserves a lot of credit for halting the plan before it was set to pass in a secret meeting. He showed strong leadership in forcing transparency and accountability on this critical issue. He says he wants the debate on earmarks to be public, which is laudable. Taxpayers deserve to know where each member of Congress stands on bringing back pork-barrel politics from a bygone era.”

By Jeff Reynolds

“The Heritage Institute, explains why Common Core is a bad choice for America.

Buy Common Core A Bad Choice for America online at store.heartland.org or call 312/377-4000.

INTERNET INFO


Jeff Reynolds (jefferyreynolds@comcast.net) writes from Portland, Oregon.
California Cigarette Tax Hike to Take Effect in April

By Gabrielle Cintorino

A new cigarette tax approved by California voters in November 2016 will take effect on April 1, 2017, increasing the state’s excise tax on tobacco cigarettes from 87 cents to $2.87 and adding new tobacco-related taxes to non-tobacco products, such as e-cigarettes.

Up to 82 percent of the new tax’s revenue will be diverted to payouts for health insurance companies participating in the state’s Medi-Cal entitlement program. Only about 13 percent of the estimated $1.4 billion to $1.6 billion in tax money is expected go to tobacco cessation and prevention programs offsetting the negative effects of smoking on public health.

‘Easy Revenue Grab’

Lindsey Stroud, government relations coordinator for The Heartland Institute, which publishes Budget & Tax News, says the new tax is more about increasing revenue than promoting public health.

“Essentially, it’s an easy revenue grab, and it is estimated to generate $1.4 billion in revenue in one year,” Stroud said. “California just recently passed legislation to move the legal age of smoking from 18 to 21 years, following Hawaii. That legislation also extended to vaping products and e-cigarettes.”

Stroud says cigarette taxes have major flaws.

“Tobacco taxes are bad fiscal policy,” Stroud said. “They are excise taxes, which, more often than not, are unfair, unreliable, and regressive. Excise taxes disproportionately affect lower-income individuals and tend to lead to black markets. Thus, states lose even more revenue while adding more to the costs of prevention.”

Border Hopping

William Shughart II, an economics professor at Utah State University and senior fellow with the Independent Institute, says the new tax will encourage California smokers to buy cigarettes in other states.

“Adding $2 to the tax, most of which is going to be passed on to smokers, is an incentive for them to search across the border for cigarettes that are taxed at a lower rate,” Shughart said. “People who are located near the border will go across the border and shop for their cigarettes somewhere else, and it will be a stronger incentive for people who smuggle cigarettes from lower-tax jurisdictions to California.”

Burden on Low-Income Households

Shughart says cigarette taxes have a disparate impact on low-income individuals.

“The main thing about tobacco taxes is that they’re regressive taxes,” Shughart said. “The burden of those taxes falls most heavily on low-income households. The $2.87 tax per pack is going to be much more of a burden on low-income people than it would be on high-income people, and that’s another reason these taxes are much more popular with high-income people.

“It’s a way for high-income people to shift the burden of taxes onto low-income people. Whatever revenue they raise will be raised on the backs of the poor people, who are, by far, the people who still smoke.”

Gabrielle Cintorino (gcintorino4@gmail.com) writes from Nashville, Tennessee.
A Book Haunted by the ‘Curse’ of Bad Monetary Ideas

By Jay Lehr

Physical currency, in one form or another, has existed for innumerable years, but some people, convinced by their own hubris that they know something the collective minds of humanity have not devised, believe government can replace physical money with something better.

Kenneth Rogoff is one of those people. The best and the brightest, a category in which Rogoff likely self-identifies as an economics professor at Harvard University, continue to busy themselves pushing long-discredited Keynesian ideas, including the central premise that governments and their central banks can create heaven on Earth, if only given a chance.

Describing a Fantasy World
For all its faults, The Curse of Cash is an excellent illustration of the liberal’s quest to “immanitize the eschaton” through bigger government and better technocratic coercion. Failing to make the case for a future without physical currency, The Curse of Cash seems intended more to convince believers of the accuracy of their beliefs than to persuade others. Instead of addressing the realities of the world as it is, Rogoff describes the world as he thinks it should be.

Money as a Criminal Tool
Rogoff’s arguments for all-digital currency are based on faulty assumptions, leading to faulty conclusions and policy prescriptions.

For example, throughout the book, Rogoff appears to assume money is the root of all evil. He argues halting the use of physical currency will relieve the nation of all sorts of ills and evils, ranging from tax evasion and political corruption to drugs and sex trafficking.

“A culture of corruption can be extremely difficult to change, even when a country’s leaders are determined to do so,” Rogoff wrote. “Nevertheless, there is little question that the ability to make anonymous, real-time, untraceable payments in cash facilitates it.”

Less Money, Less Crime?
Criminals can use currency to conceal activity, Rogoff notes, and from there he leaps to the conclusion eliminating that tool will get rid of much of the crime. He does acknowledge the obvious point that criminals could use alternative means of doing transactions if physical money were unavailable.

Money and Power
Rogoff spends nearly half the book trying to convince the reader cash is getting in the way of the government’s power over the people, but a simple look around should make it apparent to everyone the government has plenty of power—too much power, in fact. Getting rid of cash would only accelerate the nation’s descent into a socialist dystopia.

Whereas some would view a government held in check by libertarian ideals as a good thing, Rogoff views limited government as hamstringing the quest for human perfectibility.

“Where does one draw the line between the government’s right to enforce tax laws and the public’s right to privacy?” Rogoff wrote. “The answer is simple: The government does not have any rights at all. Only individuals have rights. If individual rights make it more difficult for the government to enforce its edicts, the government must give way.”


Money and Power
Rogoff spends nearly half the book trying to convince the reader cash is getting in the way of the government’s power over the people, but a simple look around should make it apparent to everyone the government has plenty of power—too much power, in fact. Getting rid of cash would only accelerate the nation’s descent into a socialist dystopia.

Whereas some would view a government held in check by libertarian ideals as a good thing, Rogoff views limited government as hamstringing the quest for human perfectibility.

“Where does one draw the line between the government’s right to enforce tax laws and the public’s right to privacy?” Rogoff wrote. “The answer is simple: The government does not have any rights at all. Only individuals have rights. If individual rights make it more difficult for the government to enforce its edicts, the government must give way.”

Even before readers have started digging into the main course of his pro-government pabulum, Rogoff prefaces the book with a declaration of intellectual victory, closing the exchange of ideas before readers have even settled into their seats.

“Regardless of readers’ initial prejudices, I suspect many will find the facts presented in this book sobering, and many of the arguments for preserving currency in its current form more superficial and less compelling than they might believe,” Rogoff wrote.

Love Letters to Bernanke
The book is not entirely without merit, if a reader approaches it with a healthy sense of humor. One particularly amusing motif recurring throughout the book is Rogoff’s over-the-top praise for former Federal Reserve Chairman Ben Bernanke, whom the Harvard economist praises with epithets such as “academic,” “important,” and “perfectly reasonable.”

Whatever ironic humor I found in this book was fully offset by the author’s tedious and intellectually dishonest argumentation. The Curse of Cash would be more accurately titled “The Curse of Lazy Liberalism.” Potential readers would do well to steer clear of this accursed book, unless they have a powerful desire to slog through a manifesto promoting more central monetary control.

Jay Lehr, Ph.D. (jlehr@heartland.org) is science director at The Heartland Institute.
Trump’s Shopping Strategy Demonstrates Free-Trade Benefits

By C. Edward Wright

According to interviews and media profiles of President-elect Donald Trump, when he goes shopping for large aircraft, there is one item at the top of his “nonnegotiable” list: Rolls-Royce engines.

He doesn’t need to worry much about the interior or even the cockpit windshield when jet shopping, as those refinements can be redone after he buys, but Trump always insists the engines be from Rolls-Royce.

New 757s are offered to airlines and other buyers with either Pratt and Whitney turbo fans, produced by highly paid union members in Connecticut, or Rolls-Royce engines, produced by highly paid British union members. One would assume those American workers would want Trump to “buy American.”

Investing in America

Contrary to the assumptions of many, this and many other so-called trade deficits are not bad for the United States or its workers. Every component imported in a Boeing 757’s construction adds to the trade deficit with another country, but those components are only one part of a U.S. jetliner project, which is assembled by American workers and sold by an American company.

In 2011, Rolls-Royce invested heavily in a jet-engine-component manufacturing facility in Prince George County, Virginia, adding a subsidiary to support the project in 2014. Trump’s decision to buy a few imported Rolls-Royce turbo fans helped to finance the company’s manufacturing operations on American soil. A Trump-style tariff placed on Rolls-Royce in the 1990s might have been cheered by many, but it would have prevented the company from employing the 7,000 or so U.S. employees it does now. Government tampering always has unforeseen consequences.

Trump’s American-made jet roars around the country, buying American jet fuel, paying American landing fees, and employing American captains and crew. Trump’s private airplane staff lives in America and spends their paychecks in America. Even with foreign-made parts, Trump’s plane generates U.S. economic activity. And, as is often the case with international purchases, the Rolls-Royce transaction was not “America trading with Britain”; it was Boeing, at the request of its customer, trading with Rolls-Royce. Everyone was happy with the deal’s outcome, and no one lost.

Trade deficits are mathematical and economic facts, but facts can be misleading or meaningless if they include only a snapshot of the larger economic picture.

Imports Creating U.S. Jobs

Since most of us don’t buy jets, another analogy might be useful.

When $100 million in Chinese steel hits a U.S. port, the trade deficit with China increases by $100 million. When $50 million in American goods enter a Chinese port the same day, the trade deficit records that day as “America, minus $50 million.” But does the score really mean anything to you? No, it doesn’t.

The ship carrying Chinese steel into the U.S. port is captained by a highly paid American harbor pilot, who guides the foreign ship into its berth. Once the ship is in the port, highly paid American longshoremen offload the steel. The ship purchases U.S. fuel from the port, in America, for its return trip. The crew spends money in American bars, restaurants, stores, and entertainment venues.

The Chinese steel is then shipped by an American trucking firm to an American destination, and the American longshoremen go home in a car they bought in America to a house built in America, and they drink beer bought from an American grocery store. They may also use their paycheck to take their American kids out to an American yogurt shop or an American little league game.

The steel’s value has barely changed, but many Americans are making money off this evil “trade deficit” event, and all this economic activity was created and is counted toward Americans’ gross domestic product, but none of these transactions is weighed against the $50 million trade deficit.

The steel’s journey is just the beginning. When it arrives at an American plant, it might be turned into American cars, trucks, lawn mowers, motor graders, cookware, or even guns. These items must be shipped by truck or rail to either a wholesale or retail destination. The steel might be turned into a skyscraper built in America. Americans are getting paid at every step along the way, and the manufacturer has made a profit.

The manufacturer may invest that profit in hiring more American workers or building a bigger American home with the labor of other workers in America.

Damn all this winning.

Taking Off the Shackles

Instead of carrying out threats to tax and impose tariffs on international trade, Trump should stop obsessing over China, Japan, and Mexico and should instead focus on making the Rust Belt areas in the Midwest more like the booming South. Or, better yet, he should work to make all 50 states a low-tax, low-regulation haven and make union membership optional.

Instead of talking about this proven recipe for success on the campaign trail, Trump’s campaign focused more on threats and tariffs. If the Trump administration can do the former, then in time no one will care about China or Mexico, and America will be great again, indeed.

C. Edmund Wright (think@heartland.org) is a national columnist for Breitbart and American Thinker. This article was originally published by American Thinker and is available at http://www.americanthinker.com/articles/2016/12/trumps_757_and_trade_deficit_realities_.html. Reprinted with permission.
The cause of liberty has not looked so bright in a long time. To keep up with ever-changing current events from a free-market perspective, pull up a stool at the Freedom Pub, The Heartland Institute’s newly redesigned blog.

This is where Heartland scholars and staff post incisive pieces pushing back at climate alarmism, arguing for market-based health care, championing school choice, fighting for a smaller government, and urging more reforms that serve the cause of liberty.