The Bottom Line

Prevailing Wage Reform
A Wisconsin lawmaker is proposing to reform government regulations that artificially inflate the cost of taxpayer-funded projects in the state. Page 7

Dallas Public Pension Problems
After the Dallas, Texas public pension system teetered on the verge of bankruptcy, a lawmaker is calling for a criminal investigation to root out costly corruption. Page 9

Easy as ‘1, 2, 3’?
A federal lawmaker is working with First Daughter Ivanka Trump to change tax laws to bring down the cost of daycare, but comparable plans have not worked well in the past. Page 11

Infrastructure Policy Potholes
President Donald Trump says he wants to make American roads great again. How much of that effort will require tax increases is a matter of debate. Page 15

Defending American Capitalism
Capitalism is always under attack from government and its cronies; a new book explains how to respond to arguments presented by fans of big government. Page 18

Indiana Lawmaker Proposes Curtailing ‘Policing for Profit’

By Judy Allen
The Indiana General Assembly is considering reforming its laws permitting governments to take ownership of people’s cash and property without first proving they were used in the commission of a crime.

In January, state Sen. Phil Boots (R-Crawfordsville) introduced Senate Bill 8, which would require a criminal conviction before government agencies could use asset forfeiture to take ownership of individuals’ assets or property.

Currently, Indiana law permits the government to take assets or property based on the suspicion the assets were used or gained during a crime. Individuals must then prove the property was not used in a crime, reversing the traditional presumption of innocence.

By Jeff Reynolds
Taking to social media to express his displeasure with an April 2015 siting decision by a multinational automobile manufacturing company, then-President-elect Donald Trump threatened to make the company “pay [a] big border tax” on products manufactured in other countries and sold to American consumers.

In January 2017, Trump wrote in a social-media post, “Toyota Motor said will build a new plant in Baja, Mexico, to build Corolla cars for U.S. NO WAY! Build plant in U.S. or pay big border tax,” referring to the Toyota Motor Corporation’s plans to build a manufacturing plant in Guanajuato, Mexico in 2019.

In a January interview with German newspaper Bild, Trump directed a similar threat at European automobile manufacturers, saying, “If you want to...”

BORDER TAX, p. 4
The Heartland Institute is a 33-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.

Wherever you are, wherever you go, and whatever your policy interests, Heartland’s Daily Podcasts connect you with key players!

Budget & Tax
Jesse Hathaway and other budget and tax policy experts relate news and views from the local, state, and federal arenas.
heartland.org/topics/taxes

Energy
Isaac Orr covers fracking and energy policy like no one else, from the (under)ground up
heartland.org/topics/energy

Environment
H. Sterling Burnett, Ph.D. conducts interviews and breaks news on climate change and other environment issues.
heartland.org/topics/environment

Health Care
Michael Hamilton interviews leading health care policy analysts and relates news and views from the health policy arena.
heartland.org/topics/health-care

In the Tank
DONNY KENDAL  JOHN NOTHDURFT
Hosts Donny Kendal and John Nothdurft explore the world of think tanks in a weekly podcast that features interviews, debates, roundtable discussions, stories, and light-hearted segments on a variety of topics on the latest news.
heartland.org/multimedia/podcast

Subcribe to Heartland’s daily podcasts on iTunes or listen from the audio pages at heartland.org
Texas Considers Resolution for Balanced Budget Amendment

By Elizabeth BeShears

The Texas Legislature is considering a resolution calling for a national convention to draft and enact a balanced budget amendment prohibiting the federal government from running budget deficits.

In December, state Rep. Rick Miller (R-Sugar Land) and state Sen. Brian Birdwell (R-Granbury) proposed House Joint Resolution 34 and Senate Joint Resolution 2 in their respective chambers, calling on Congress to begin an amendments convention.

Miller’s resolution is based on model legislation proposed by Convention of States (CoS), a project of Citizens for Self-Governance, a nonprofit organization advocating restoration of state and local authority.

Under Article V of the U.S. Constitution, after 34 states call for an amendments convention, the gathering, consisting of commissioners selected by state lawmakers, is limited to consideration of amendments requiring the federal government to enact a balanced budget—or whatever other proposal is specified in the call.

Currently, 28 states have passed such balanced budget resolutions, with eight approving the CoS resolution.

‘Ahead of the Game’

Miller says 2017 may be the year the amendment convention movement succeeds in Texas.

“What makes it different this year is we’re ahead of the game,” Miller said. “Sen. Birdwell is carrying it in the Senate, and it’s the same resolution. It has to be the same resolution across the country. He and I have been strategizing and working out a game plan. We’re ready to rock and roll.”

Favorable Outlook

Miller says there is plenty of support for the resolution.

“We’re going to push to get it through the House as soon as possible and flip it over to the Senate,” Miller said. “We won’t have any issues in the House getting it passed, but there might be some issues in the Senate. But Sen. Birdwell is working it really well. The lieutenant governor has come out in favor of it, and, of course, our governor wrote a book about it, so we have all of that support.”

Taking Charge

Miller says state lawmakers have a responsibility to rein in an out-of-control federal government.

“It comes down to the states to put the federal government in its place,” Miller said. “We are closer to the people, and it’s time for the people to take control. With the federal government being so out of control in so many areas, it’s time to right the ship. They haven’t done their job for us, the people, so it’s time for the states to stand up and be reckoned with, and this is a way the Framers saw it. They saw that if the federal government got out of control, the states had the opportunity to do it.

“It’s time for ‘we the people’ to stand up and take charge,” Miller said.

Promoting Citizen Involvement

Tamara Colbert, a co-director for Convention of States’ operations in Texas, says the U.S. Constitution is designed to increase citizens’ power over the government.

“Our Constitution wasn’t designed to just send leaders to a faraway capital and then not be involved. That’s not what our nation was founded on. Self-governance means you are active as a citizen, and you have the right as an American to be involved at every level of the political and policymaking process.”

Tamara Colbert
Co-Director
Convention of States-Texas

Washington, DC.

“The national mood is ready to put the federal government back into its constitutionally intended spot,” Colbert said. “The Convention of States project has [the support of] Republicans and Democrats from statehouses all over this nation. We are nonpartisan because liberty is for everyone. The Constitution is for everyone.”

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

“Our Constitution wasn’t designed to just send leaders to a faraway capital and then not be involved. That’s not what our nation was founded on. Self-governance means you are active as a citizen, and you have the right as an American to be involved at every level of the political and policymaking process.”

Tamara Colbert
Co-Director
Convention of States-Texas

Washington, DC.

“The national mood is ready to put the federal government back into its constitutionally intended spot,” Colbert said. “The Convention of States project has [the support of] Republicans and Democrats from statehouses all over this nation. We are nonpartisan because liberty is for everyone. The Constitution is for everyone.”

Elizabeth BeShears (liz.erob@gmail.com) writes from Trussville, Alabama.
Continued from page 1

build cars in the world, then I wish you all the best. You can build cars for the United States, but for every car that comes to the USA, you will pay a 35 percent tax. I would tell BMW that if you are building a factory in Mexico and plan to sell cars to the USA without a 35 percent tax, then you can forget that.

Some big companies have respond- ed to Trump’s tariff talk by announcing or repeating plans to hire work- ers or expand capital investments in the United States. In December 2016, telecommunications company Sprint announced a plan to relocate 5,000 jobs to the United States as part of a 50,000-job relocation plan already announced by parent company SoftBank.

In January, General Motors, an America-based automobile manufactur- ing company, announced plans to repatriate 7,000 jobs to the United States, a move the company told report- ers had been planned “well in advance.”

Explaining Effects on Consumers

Andy Roth, vice president of govern- ment affairs at the Club for Growth, says tariffs and border taxes increase consumers’ costs and reduce the quality of living.

“It would result in higher prices for consumers,” Roth said. “That may not be forefront on their minds, with the economy struggling, but take-home pay will be cut into, if you have to pay more for the stuff you buy.”

Roth says many U.S. manufactur- ing jobs depend on goods and materials from other countries.

“What people don’t know—and per- haps what Donald Trump doesn’t know—is that over 50 percent of the imports that come from China are raw materials and intermediate goods. It’s American companies that receive those goods and incorporate them into the final product that they then sell in the U.S. and abroad.”

ANDY ROTH
VICE PRESIDENT OF GOVERNMENT AFFAIRS
CLUB FOR GROWTH

“Myth of Manufacturing’s Decline

Roth says American manufacturing is not a declining industry needing gov- ernment intervention, such as tariffs, to survive.

“I think there’s a misconception that American manufacturing is on the decline,” Roth said. “That’s not the case. Manufacturing is very much alive and well and growing in the United States. What people are concerned with is manufacturing jobs are declining. Because of a lot of innovations and advances in technology, we’re making more stuff than we ever have before. It’s just not the sexy things like VCRs and iPhones and TVs.”

Gaming the System

Scott Lincicome, an international trade attorney and adjunct scholar with the Cato Institute, says government eco- nomic meddling, no matter how well-intended, results in consumers losing and big businesses winning.

“Any set of rules like this will inevita- bly lead to system-gaming,” Lincicome said. “Large multinational corporations will look at the rules and immediately attempt to exploit the loopholes. The biggest loser in this system is the little guy.”

Lincicome says Trump’s trade pro- posals will have massive repercussions for consumers and business owners worldwide.

“What people don’t know—and per- haps what Donald Trump doesn’t know—is that over 50 percent of the imports that come from China are raw materials and intermediate goods. It’s American companies that receive those goods and incorporate them into the final product that they then sell in the U.S. and abroad.”

ANDY ROTH
VICE PRESIDENT OF GOVERNMENT AFFAIRS
CLUB FOR GROWTH

“Not only would this be imposing a massive tax on U.S. consumers, it would inevitably cause a pretty signifi- cant market shock,” Lincicome said. “Should Trump start doing stuff like this, I think you would see a rather intense market correction. It would no doubt affect investments. For instance, if you were a multinational corpo- ration deciding where to build a factory, you’re not going to build it in the United States if you think you might have all of your future business and invest- ment decisions scrutinized by some guy in Washington, DC.”

Encouraging Investment in America

Instead of using Twitter to threaten businesses with taxes and tariffs, Linci- come says there’s a more effective way to make America great again.

“The most obvious thing to do is to shift the incentives for multinational corporations,” Lincicome said. “The way you do that is to provide them with a better tax environment, a better regu- latory environment, and a better labor environment. You don’t just implement some sort of Rube Goldbergian tariff system threat.”

Jeff Reynolds (jeffreyreynolds@com- cast.net) writes from Portland, Oregon.

INTERNET INFO


Spending is Out of Control

Crisis: A $20 trillion dollar national debt and a federal budget deficit of close to $500 billion. There is a solution to this crisis and that is Compact for America.

Compact for America is a solution that includes a balanced budget amendment and an interstate compact agreement that simplifies the procedure for calling an Article V convention.

Our process can help get balanced budget amendment in weeks, not years.

Visit compactforamerica.org to learn more about Compact for America.
Right-to-Work Bill Proposed in New Hampshire

By Lindsey Curnutte

New Hampshire legislators are considering a bill that would allow workers to opt out of union membership, freeing them from being forced to join a union as a condition of employment.

In January 2017, state Sen. John Reagan (R-Deerfield) introduced Senate Bill 11, which would prohibit labor contracts requiring workers to join or contribute to a union against their wishes.

If lawmakers approve the bill and Gov. Chris Sununu (R) signs it into law, New Hampshire would become the 28th state to approve right-to-work legislation.

Increasing Worker Freedom

Charles Arlinghaus, president of the Josiah Bartlett Center for Public Policy, says the bill gives workers more power over how their money is spent.

“It allows workers the opportunity to choose for themselves whether the union is earning their support or not,” Arlinghaus said.

‘Striking’ Job Growth Gap

Arlinghaus says workers in right-to-work states enjoy more economic prosperity than those in forced-unionism states.

“The job growth divide between states with and without right to work is striking,” Arlinghaus said. “According to federal statistics, in the decade from 2002 to 2012, employment in right-to-work states increased by 6.6 percent, but in the forced-dues states, [it increased only] by 0.3 percent. Lest you think the quality of jobs was affected, wages in the right-to-work states increased by 12.5 percent in that period, while they were up just 3.1 percent in the forced-dues states.”

Arlinghaus says ending forced unionism is just one step toward making New Hampshire better for consumers and workers.

“No one issue will change New Hampshire’s economy, and sky-high electric rates are still our biggest growth obstacle, but any tool for attracting jobs will make a difference in some areas,” Arlinghaus said. “The impact of being the only right-to-work state in the region suggests modest positive recruitment effects.”

More Jobs Available

Walter Wessel, an economics professor at North Carolina State University, says right-to-work laws can have a sizeable effect on job growth, especially manufacturing jobs.

“States having a business-friendly environment, including having right-to-work laws, have relatively more manufacturing jobs,” Wessel said.

Lawmakers’ Deal Sets Stage for April Budget Bill Battle

By Michael McGrady

Lawmakers’ last-minute approval of a bill appropriating temporary federal government spending will delay federal budget battles until April 2017.

In December 2016, congressional lawmakers approved a short-term continuing resolution (CR) setting aside taxpayer funding for government agencies and programs to last until April 28, 2017, after which a full federal budget bill will be required to fund the federal government.

The continuing resolution authorizes spending $1.07 trillion of taxpayers’ money, reducing spending on national defense by $3 billion to offset increases in domestic government programs’ funding.

New Spending

Jonathan Bydlak, president of the Coalition to Reduce Spending, a nonpartisan organization calling for balanced government budgets and spending reductions, says although continuing resolutions can theoretically help restrain government spending, they typically fail to do so.

“In terms of the latest continuing resolution, on some level, fiscal conservatives kind of like CRs, because they theoretically continue spending at the current rate, rather than agreeing to increases,” Bydlak said. “Unfortunately, all the things that were added to the CR represent increased spending. You had a lot of ‘sweeteners,’ keeping base funding constant but adding all this additional spending on top of it.”

More Leverage in 2017

Justin Bogie, a senior policy analyst with The Heritage Foundation and a member of President Donald Trump’s transition team, says the 2017 budget deadline allows Trump to leave his mark on federal spending policies.

“I think that it’s very probable that the new administration will have conversations with leadership about the funding level for the rest of 2017,” Bogie said. “Assuming that an Obamacare repeal stays on track, then you might see attempts to cut off some of that funding, where possible.”

Bogie says Trump will have influence over deal-sweeteners and other additions to the 2017 federal budget bill.

“The bigger influence will probably be in terms of policy riders and determining what the new administration would like to do from that standpoint,” Bogie said.

INTERNET INFO


ON SALE TODAY

“The indispensable book Crossroads for Liberty advances the notion that our massive federal government is the problem, and that the solution lies in ideas that have lain dormant for over two centuries.”

—Alex Kozinski, Judge, U.S. Court of Appeals for the 9th Circuit

Order Today! 800-927-8733 independent.org
Indiana Lawmaker Proposes Curtailing ‘Policing for Profit’
Continued from page 1

‘They’re Up in Arms’
Boots says many people become upset when they learn about civil asset forfeiture.

“When I tell people about this, they’re up in arms and say, ‘You can’t really do that,’” Boots said. “I say, ‘Well, they do.’ My goal is to protect the rights of the average citizen. I’m just trying to bring a little common sense to the way this whole thing is prosecuted.”

Boots says the current system gives the government a strong incentive to seize and keep individuals’ property.

“There is an incentive to go out and take people’s property, and, unfortunately, they have all the force on their side,” Boots said. “They can do pretty much what they want to do. The low-income individual has to go out and find an attorney to fight them on this issue, and they end up being challenged by the public officials who are funded by the public. Their tax dollars are going to defeat them that way. Plus, they’re having to spend their own dollars to defend themselves. I think there has been a lot of opportunity for abuse in this process.”

Growing Movement
Jenna Moll, a deputy director with the U.S. Justice Action Network, a nonprofit organization working to reform criminal justice systems, says civil asset forfeiture reform is gaining momentum across the nation.

“The more states do this without any sort of repercussions for law enforcement, the more other states are going to feel comfortable about it,” Moll said. “The more people hear that this is a real thing that happens, the more they are going to be calling their legislators and saying, ‘I want this changed, and I want it changed now.’ In 2017, more than half a dozen states are going to be considering this issue, that we know of already. I expect that number to grow, and I expect this issue to gain momentum.”

Moll says civil asset forfeiture reform is about respecting law-abiding citizens’ constitutional rights.

“No one wants to end forfeiture,” Moll said. “They just want to make sure that we’re conducting it against convicted criminals.”

Judy Allen (allen.j.emma@gmail.com) writes from Chicago, Illinois.

Maryland Regulators Reject Proposed Rideshare Driver Security Regulations

Maryland government agency rejected a proposal that would have required about 30,000 drivers for peer-to-peer service companies, such as Uber and Lyft, to undergo government criminal investigations in addition to the companies’ own security measures.

The proposal, rejected by the Maryland Public Service Commission in December 2016, would have required individuals using their private cars to transport consumers seeking a lift to register with the state government and submit to background checks in federal criminal databases and inclusion in a government database containing for-hire drivers’ biometric data.

‘The Natural Technocratic Instinct’
Nick Zaiac, a policy analyst at the Maryland Public Policy Institute, says the proposal was an example of lawmakers’ instinctual urge to make new rules.

“This is the natural technocratic instinct,” Zaiac said. “They think they can prevent whatever bad things might happen if they set the bar higher to be an Uber or Lyft driver or to engage in any aspect of the sharing economy.”

Incentivized for Safety
Matthew Feeney, a policy analyst at the Cato Institute, says the peer-to-peer economy gives businesses incentives to protect consumers’ safety.

“Lyft and Uber have a massive incentive to ensure that their passengers are not murdered or raped or burgled,” Feeney said. “The background check system, along with the app-based system—the fact that the payment is done electronically and there’s GPS—make it safer, not just for the passengers, but also for the drivers.”

For consumers and drivers, taxis are actually more dangerous than Uber or Lyft, Feeney says.

“Taxi drivers are basically picking up hitchhikers for a living. It’s a comparatively dangerous job, being a taxi driver. If you wanted to commit a crime in an Uber as a passenger or a driver, you would have to want to be caught. It’s a system that provides a wide range of safety features.”

Levelling the Playing Field
Feeney says lawmakers should allow taxicabs to compete equally with Uber, by reducing taxicab regulations.

“I have some sympathy when taxi drivers and taxi companies say they played by the rules, they paid the license fees, and [they] operated in this regulated system of medallions,” Feeney said. “Now, Uber is coming along and messing things up. The response to that should not be to regulate ride-sharing like taxis. The regulatory response should be that we should level the regulatory playing field so that taxis can compete more easily. That’s the market-oriented response that I’d like to see.”

Jeff Reynolds (jeffreyreynolds@comcast.net) writes from Portland, Oregon.
Wisconsin Lawmaker Proposes Prevailing-Wage Repeal

By Marybeth Glenn

A Wisconsin lawmaker has announced he plans to introduce a bill that would remove restrictions on how state government agencies may partner with private businesses on capital infrastructure projects.

In 2016, Wisconsin lawmakers repealed prevailing-wage requirements on local government agencies’ projects but retained the restriction on state projects.

In December 2016, state Rep. Rob Hutton (R-Brookfield) announced his plans to introduce a bill that would repeal the state’s prevailing-wage laws, which require the use of artificially inflated pay scales for taxpayer-funded projects.

Instead of allowing government contractors to determine their employee pay rates, prevailing-wage laws require government agencies to mandate the pay and benefits given to workers on projects such as construction or repair, often using inaccurate or skewed surveys from labor unions to determine the wage rates to pay.

 Competing for Construction Jobs

Hutton says his bill will benefit workers by making the market for government contracts more competitive.

“It will allow many workers to participate in labor projects they otherwise wouldn’t be able to, and it will expand the competition to many firms around the state that now can compete for those construction projects,” Hutton said. “This will allow their employees to certainly improve their wage scales, because they’ll now be able to provide their services for those projects.”

Hutton says his bill is about making government more responsive to the laws of economics.

“Supply and demand is really the driver for wage rates, in all capacities, including our skilled workforce,” Hutton said. “So, you have this scenario where there is a shortage of skilled workers, which continues to not only stabilize but increase the hourly wage for those workers, regardless of whether there’s a prevailing-wage law in place.”

Compliance Costs

Chris Rochester, director of communications for the John K. MacIver Institute for Public Policy, says prevailing-wage laws unnecessarily increase the cost of government projects.

“Prevailing wage adds layers of bureaucracy and unnecessary costs to state projects in Wisconsin,” said Rochester. “It also shuts smaller companies out of the opportunity to bid on state projects, protecting the biggest entrenched interests, who can afford to pay the artificially inflated wage rates.”

Fair Fight for Funds

Rochester says taxpayers and business owners win when small businesses can compete on equal footing with bigger companies.

“A full repeal would give contractors who currently can’t compete with the big, established construction companies the opportunity to bid on more state projects, a tremendous opportunity for the people these companies employ,” Rochester said. “Taxpayers would also benefit because the state would be able to do more work with less money.”

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

Arkansas Taxicab Owner Beats City Hall in Anti-Monopoly Case

By Elizabeth BeShears

A Pulaski County, Arkansas judge ruled in favor of a small business owner in December 2016, finding lawmakers in Little Rock violated the state’s constitution by restricting the number of taxicab companies allowed to operate in the city.

Circuit Court Judge David Laser overturned Little Rock’s regulations limiting the number of taxicab permits available for businesses, allowing Ken Leininger, owner of Ken’s Cabs, to apply for permission to operate in the city.

The ordinance Leininger challenged allowed only 125 taxicab drivers to work in Little Rock, a city of approximately 193,500 people.

According to local media reports, government lawyers are planning to demand the case be reheard by another Pulaski County Circuit Court judge. If that request is denied, the lawyers plan to appeal the case to the state’s Court of Appeals.

‘Thank God for the Constitution’

Dan Greenberg, president of the Advance Arkansas Institute, says the state’s constitution prohibits governments from using regulations to pick winners and losers.

“Thank God for the constitution, which is a thought that comes to mind often for me,” Greenberg said. “The Arkansas Constitution says that monopolies are contrary to the genius of a free state and ought not to be allowed.”

Fighting to Keep Power

Greenberg says city lawmakers want to keep their power over the city’s consumers, instead of allowing people to decide for themselves what’s best.

“The city wants to roll the dice again,” Greenberg said. “Their posture is that city governments need to have these fairly expansive powers to create monopolies as a matter of principle. There’s a reason we have this anti-monopoly language in the constitution. It’s almost as if these people who wrote the Arkansas Constitution 150 years ago were sometimes a little smarter than the rest of us.”

Greg Kaza, executive director of the Arkansas Policy Foundation, says Leininger’s court victory is a win for consumers.

“The decision is a victory for consumer sovereignty and the American entrepreneurial spirit. The taxicab episode illustrates that Little Rock has too many rules and regulations that prevent individuals from earning an honest living.”

Win for Consumers

Greg Kaza, executive director of the Arkansas Policy Foundation, says Leininger’s court victory is a win for consumers.

“The decision is a victory for consumer sovereignty and the American entrepreneurial spirit,” Kaza said. “The taxicab episode illustrates that Little Rock has too many rules and regulations that prevent individuals from earning an honest living. The system makes it hard here to earn a living, and as a Little Rock resident, it’s good news to hear that the consumers will have one more choice in that market.”

Elizabeth BeShears (liz.erob@gmail.com) writes from Trussville, Alabama.
Missouri Governor Opposes Stadium Subsidies, Tax Credits

By Ben Johnson

Characterizing a proposed financing deal for a St. Louis soccer stadium as “welfare for millionaires,” Missouri’s new governor in January ruled out the possibility of using taxpayers’ money or tax credits to entice developers to build stadiums in the state.

In December 2016, after Gov. Eric Greitens (R) first announced his opposition to the plan, the Missouri Development Finance Board, a state government agency tasked with “[assisting] infrastructure and economic development projects in Missouri by providing the critical component of the total financing for projects,” delayed plans to give $40 million in tax credits to an investor group attempting to attract a Major League Soccer team to St. Louis.

In April, lawmakers will ask voters to approve increasing sales taxes to pay for a planned $60 million contribution to the private-investor group.

Cites Lack of Economic Benefits

Graham Renz, a policy researcher at the Show-Me Institute, says the promised economic development benefits of sports stadium subsidies almost never materialize.

“We’re told the stadium’s going to boost the economy, it’s going to spur development, and it’s going to be a great deal for taxing jurisdictions, because they’re going to get all this new tax revenue,” Renz said. “When we look at the data, social scientists are telling us, almost flatly and unanimously, that these promises from stadiums never come through.”

‘Taxpayers Always Lose’

Renz says taxpayers lose when sports team owners receive handouts from the government.

“The taxpayers always lose,” Renz said. “Taxpayers never get a return on their investment. There’s opportunity cost, losing out on more meaningful investments that the city could make. There’s also just a continual rise in the cost of living and the cost of doing business in the area, which doesn’t make St. Louis any more attractive to businesses.”

Renz says government should get out of the stadium-construction business.

“We need to ask ourselves, ‘Is it the role of government? Is it the place for taxpayers to shoulder risk for private gain?’” Renz said. “That’s not an appropriate role for the government, and it’s not appropriate for public leaders to burden taxpayers for private gain.”

Previous Stadium Debt Remains

J.C. Bradbury, an economics professor at Kennesaw State University, says St. Louis taxpayers are still paying for a stadium without a sports team.

“They still have a stadium to pay off, and the Rams have left,” Bradbury said. “That’s one of the reasons why these stadium deals are such bad deals. All it is doing is transferring local money from [other entertainment venues] consumers were already spending money on locally.”

‘Bothersome’ Economic Facts

Bradbury says lawmakers consistently refuse to accept the facts about subsidies.

“As an economist, what is so bothersome about these deals is that they continue to happen over and over,” Bradbury said. “The overwhelming consensus among economists is that there does not appear to be any economic benefit from subsidies to sports stadiums, in terms of the return on investment they generate. It’s not even controversial among economists that these stadium deals don’t generate economic benefits.

“When these stadium deals are announced, they say, ‘We’re not going to listen to the conclusions of the people who have actually studied it,’” Bradbury said. “It’s deliberate ignorance of the subject.”

Ben Johnson (therightswriter@gmail.com) writes from Stockport, Ohio.

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.

INTERNET INFO

Failing Pension Fund Prompts Dallas Mayor’s Call for Criminal Investigation

Dallas, Texas Mayor Mike Rawlings

By Dustin Siggins

Dallas, Texas Mayor Mike Rawlings (D) is requesting a criminal investigation of the city’s government pension fund program after the government employees’ union rejected reforms proposed to rescue the fund from insolvency.

Rawlings announced on December 30 he had asked the state government’s law enforcement agency, the Texas Ranger Division, to investigate the city government’s pension board.

In a press release, Rawlings said the pension board has “committed a grave breach of trust with our first responders with serious ramifications,” alleging past criminal activity led to the pension fund’s current situation. In 2016, federal law enforcement agents obtained search warrants to investigate CDK Realty Advisors, an investment company doing business with the government pension program.

Earlier in December 2016, members of the Dallas Police & Fire Pension System rejected proposed changes to the pension fund, including increasing employee contributions and reduced inflationary benefit adjustments. The pension board is also asking lawmakers to approve a $1.1 billion bailout from city taxpayers to stabilize its funds.

Taxpayer Bailout Wanted

James Quintero, director of the Center for Local Governance at the Texas Public Policy Foundation, says the Dallas city government’s pension system is unsustainable in its current form.

“Dallas’ pension fund wants a billion-dollar bailout to abate a liquidity crisis and give the impression that things are moving in the right direction,” Quintero said. “Not only is its request excessive, but it’s also shortsighted. Even if the pension fund forced Dallas-area home-owners and businesses to accept much higher taxes to pay for the bailout, this move would do little more than kick the can down the road. Real reform demands long-term structural changes to make this fund sustainable and affordable.”

Quintero says Dallas isn’t the only Texas city government with pension problems.

“Texas’ defined-benefit pension plans are underfunded and overpromised, putting taxpayers and retirees at risk of higher taxes, reduced benefits, or some combination of both,” Quintero said.

“To protect Texans’ pocketbooks and retirement plans, officials need to rethink public pensions. Specifically, policymakers should cease offering the defined-benefit model to new public employees and instead shift workers to a more sustainable and affordable alternative, like a defined-contribution system.”

A defined-benefit pension plan promises employees a specific benefit amount upon retirement. A defined-contribution plan, similar to a 401(k) retirement plan, deposits a specific amount in a retirement fund controlled by the employee, who can change jobs without losing the retirement benefit.

‘True Extent’ Unreported

Bill Bergman, director of research at Truth in Accounting, a nonprofit organization dedicated to promoting transparent government financial reporting, says the pension problems in Texas are worse than many people may suspect.

“Most taxpayers and retirees don’t understand the true extent of Texas’ pension problems,” Bergman said. “If they did, they’d be lining up at the state capitol to demand to know how officials intend to address Texas’ $63 billion in unfunded pension liabilities.”

Bergman says lawmakers’ lack of honesty with taxpayers is the root of the problem.

With all due respect to taxpayers, another group of people deserve consideration here: the people the taxpayers, and citizens generally, chose to represent them,” Bergman said.

“Public officials have been responsible for the deterioration in the plan, and taxpayers and citizens were responsible for putting them there. Government financial reporting and accounting standards were a key enabling for kicking the can down the road, and taxpayers and citizens were not as well informed as they should have been.”

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

Who is Violating The Constitution Today?

Our American Constitution
The new website by Robert G. Natelson

Natelson is a nationally known constitutional scholar and Senior Fellow in Constitutional Jurisprudence at The Heartland Institute.

Professor Natelson’s articles and books span many different parts of the Constitution, including groundbreaking studies of the Necessary and Proper Clause, federalism, Founding-Era interpretation, regulation of elections, and the amendment process of Article V.

Keep up with Natelson’s latest projects and commentaries at RobNatelson.com where he explains constitutional law issues, gives updates on the Article V Convention movement, discusses historical events and people, calls out political players on both sides who violate constitutional liberties, breaks down the Constitution’s meaning on controversial subjects, and much more.

Visit RobNatelson.com to Find Out.

INTERNET INFO

California Overregulation Drives Uber Testing to Arizona

By Elizabeth BeShears

After California government regulators stopped Uber, a popular transportation network company connecting drivers and riders, from conducting real-world tests of autonomous navigation technology, the company announced plans to move its test grounds to Arizona and expand its testing operations in 2017.

The peer-to-peer economy transportation company is experimenting with self-driving cars, which use sensors and software to drive an automobile more accurately and safely than human drivers, proponents say.

In December 2016, the California Department of Motor Vehicles revoked Uber's permit for an autonomous truck headed for Tempe, Arizona. Uber representatives told reporters the company planned to expand its testing programs in 2017.

Government vs. Consumers

Evan Swartztrauber, a communications director for TechFreedom, a think tank focusing on digital issues, says consumers are better equipped than government to determine whether businesses' products and services meet their needs.

“Quick growth of the company, and some of its more local battles that it has won, you can attribute to them basically coming in guns blazing, getting as many customers as they possibly can, and making the service really popular,” Swartztrauber said.

Swartztrauber added, “By the time government and regulators have a chance to do something, you’ve got an army of lobbyists called ‘happy customers.’”

Cites Progress-Friendly Environment

Jonathan Riches, national litigation director for the Goldwater Institute, says government regulators are often too eager to restrict new technologies.

“Ever since Henry Ford invented the Model T, you’ve had regulators throughout the country banning the running of horseless carriages,” Riches said. “For whatever reason, there’s this impulse among government regulators to default to ‘no,’ and I think part of it is that they just don’t know what to do with innovation. It doesn’t fit within the square regulatory box or environment that they’re used to operating in.”

JONATHAN RICHES, NATIONAL LITIGATION DIRECTOR, GOLDWATER INSTITUTE

Oakland, California Lawmakers Offer Taxpayer Money to Sports Team Owners

By Ben Johnson

Oakland, California lawmakers are hoping to talk the National Football League’s (NFL) Oakland Raiders out of plans to move to Las Vegas, offering a taxpayer-subsidized financing deal.

In December 2016, lawmakers on the Oakland City Council and Alameda County Board of Supervisors agreed to offer the team’s owners $290 million in taxpayer funds and $150 million in currently held public property for a new stadium. The proposed Oakland deal was prompted by Nevada lawmakers’ offer in October 2016 of a $750 million taxpayer-financed subsidy agreement as part of their bid to persuade the team to move to Las Vegas.

Despite team owners’ announcement in January 2017 of official plans to move to Las Vegas, a Bay Area investment group, led by former NFL player Ronnie Lott, and area lawmakers are still attempting to convince the Raiders to stay in Oakland.

‘Big Drawbacks’

Craig Eyermann, a research fellow at the Independent Institute, says giving taxpayer money to professional sports team owners is a losing deal for cites and states.

“There are big drawbacks to the communities where the government gave into the demands of professional sports team owners to build them stadiums with taxpayer dollars,” Eyermann said. “Building the stadium provides no guarantees that the team won’t still depart for other cities where the owner believes they might make more money as soon as the contracts they have with the city might let them. The taxpayers are then on the hook for finishing paying off a stadium that has no team to play in it. Just look at the story of the St. Louis Rams, who are now the Los Angeles Rams.”

It’s Okay to Say ‘No’

Eyermann says lawmakers should be willing to reject team owners’ demands for corporate welfare.

“There are no meaningful drawbacks to saying ‘no,’” Eyermann said. “Cities that have said ‘no’ to financing stadiums for professional teams tend to be much more financially sound than the cities that have gone along with the team owners, where they put the land that would otherwise have been used for the stadium to other productive uses that provide real benefits to the community, such as new housing developments.”

Letting Go and Moving On

Letting the Raiders move to Las Vegas might be a good move for Oakland taxpayers, says David Surdam, a professor of economics at the University of Northern Iowa.

“If you compared the return on $350 million for other projects in Oakland, it is probably dubious that the stadium is the best use of the funds. The Raiders’ [annual] revenue in Oakland was $301 million, or less than one-third of one-percent of the county’s [gross domestic product].”

DAVID SURDAM

UNIVERSITY OF NORTHERN IOWA

Ben Johnson (therightswriter@gmail.com) writes from Stockport, Ohio.
Work Starts on Trump Childcare Tax Incentive Plan

By Michael McGrady

A federal lawmaker announced plans to collaborate with the president’s daughter to use federal tax policy to encourage parents to return to work and place their children in daycare centers.

In January, U.S. Rep. Marsha Blackburn (R-TN) announced she would be working with Ivanka Trump, a businesswoman and daughter of President Donald Trump, to implement legislative proposals announced in September 2016 to reduce the cost of out-of-home childcare.

On CNN’s State of the Nation news show, Blackburn told host Jake Tapper she was “delighted to see that we’re looking at options for tax credits, tax incentives, ways for moms and dads to be able to write off this child-care cost.”

No specific proposals have been released, but Trump told reporters during the 2016 election campaign he wanted to create new income tax deductions and other tax incentives to ease families’ child-care expenses.

In 2016, Trump also proposed new federal regulations mandating employers provide paid maternity leave for all new mothers, a policy he credited Ivanka Trump for proposing.

Predicts Mixed Results

Andrew Baxter, an M.A. Fellow with the Mercatus Center at George Mason University, says using government tax policy to influence the cost of private services has not worked well in other sectors of the economy.

“Elements of the proposal include above-the-line tax deductions on childcare expenses, cash subsidies for low-income earners, the creation of more generous tax-free dependent-care savings accounts, and the provision of six weeks of paid maternity leave for mothers through unemployment insurance,” Baxter said. “While it’s likely that subsidies and tax breaks will enable caregivers to spend more on dependent care, the aggregate effect is less clear, as these solutions have been implemented in both higher education and health care, to mixed effect.”

‘Promising’ Regulatory Reforms

Baxter said reducing unnecessary regulations lowers costs for consumers.

“The portions of Trump’s plan that commit to reforming regulations that increase the cost of dependent care are promising, because they address the root of the problem,” Baxter said. “If done correctly, research has shown that targeting less-cost-efficient regulations, such as group size limits and child-staff ratios, will lower the cost of dependent care, allowing more mothers to stay in the workforce without lowering the quality of care.”

A Question of Supply

Aparna Mathur, a resident scholar for economic policy at the American Enterprise Institute, says a shortage of childcare centers is driving costs up.

“What [Trump] talks about is essentially a federal tax credit,” Mathur said. “At the state level, the real problem that we will find is usually the lack of availability of good, quality daycare. Even if the families have access to these monies coming in from credits and grants, they really don’t have access to this good quality daycare. Whatever investments states can make should be in terms of improving the availability and the affordability of these daycare centers, but it really comes down to the scarcity of daycares.”

Mont. Bill Would Restrict Gov. E-Surveillance

By Leo Pusateri

The Montana Legislature is considering a bill that would require local and state government law enforcement agencies to obtain search warrants before demanding private companies turn over consumers’ private data.

House Bill 148 was introduced by state Rep. Daniel Zolnikov (R-Billings) in January.

Warrants, Notifications Required

Zolnikov says his bill would require local and state government law enforcement officials and investigators to obtain search warrants before asking companies to hand over consumers’ data.

“My legislation not only requires warrants but also requires that the individual being investigated be notified within a certain period of time. At some point, an individual will be notified that they were under investigation. This allows recourse for any inappropriate investigation that may occur.”

Daniel Zolnikov

STATE REPRESENTATIVE, BILLINGS, MONTANA

“My legislation not only requires warrants but also requires that the individual being investigated be notified within a certain period of time. At some point, an individual will be notified that they were under investigation. This allows recourse for any inappropriate investigation that may occur.”

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

internet info


Aparna Mathur, resident scholar for economic policy at the American Enterprise Institute, shares her views on tax credits and other tax incentive proposals announced in September 2016 to reduce the cost of out-of-home childcare:

“Think of it: Someone could be reading your e-mails today,” Zolnikov said. “Shouldn’t you be notified if this occurs, especially if you have done no wrongdoing? You may have nothing to hide, but that doesn’t mean you should be comfortable being completely exposed without reason and knowledge of the investigation.”

No Benefit to Criminals

Brent Mead, executive director of the Montana Policy Institute, says requiring a search warrant would not allow criminals to evade justice.

“In my mind, this legislation will come into play in one of two scenarios, neither of which has a risk of imminent danger or flight,” Mead said. “One, you have a long-term investigation ongoing involving an individual or criminal network and the investigative team has reason to think there is evidence to build the case for an arrest in their electronic records. There is time to secure a warrant to procure the information. Two, an arrest has already occurred and the prosecuting entity is seeking additional evidence in connection with the alleged crime. Again, there is time to secure a warrant and procure the information.”
Lawsuit Challenging Federal Cigar Regulations Moves Forward

By Jeff Reynolds

Trade organizations representing cigar manufacturers, vendors, and consumers are suing the U.S. Food and Drug Administration (FDA) over a regulatory expansion the agency enacted in 2016.

In July 2017, lawyers for Cigar Rights of America, a nonprofit public advocacy organization representing cigar consumers’ interests, will present their case in the U.S. District Court for the District of Columbia, challenging the agency’s expansion of tobacco regulatory powers in 2016.

In August 2016, FDA declared regulatory powers granted to it in 2009 to extend the application of those regulations to include cigars. What that sets the cigar industry up for is the harmful impact of regulations.

Expanding Power Without Authority

Paul Blair, state government affairs manager for Americans for Tax Reform, says FDA has expanded its power beyond what Congress intended.

“In 2009, Congress passed the Tobacco Control Act,” Blair said. “At the time, it was confined to cigarettes [and] roll-your-own and smokeless tobacco. Cigars were not included. Largely as a result of the growth of e-cigarettes in the industry, the thinking in the FDA was that they had the authority to extend the application of those regulations to include cigars. What that sets the cigar industry up for is the harmful impact of regulations.”

Asking Permission to Exist

Blair says the new rule effectively requires cigar manufacturers to ask FDA for permission to make new products and to continue to sell existing products.

“The worst part is, it’s not just if you are bringing new products to market,” Blair said. “If you already have a product on the market, you might have to get approval to continue to sell it. It’s one thing to pick winners and losers when new products are presented; it’s another thing to set the cigar and vaping industries up for a look-back period to approve their existing products. What cigar makers will have to do is to get permission retroactively for products already on the market. It’s a huge overreach by the FDA.”

Bigger Burden on Consumers

Stroud says the costs of regulation will be passed along to consumers, leaving them with less money in their wallets.

“These fees are determined by the excise taxes paid,” Stroud said. “The FDA is estimating that of the $5.88 billion in excise taxes that were generated by tobacco in 2016, cigars will pay $641.2 million, which will equate to $65.3 million in user fees. Ultimately the cigar industry will have to raise the prices of their products in order to remain financially solvent, as the costs of their products are now going up.”

Jeff Reynolds (jeffreyreynolds@comcast.net) writes from Portland, Oregon.
IRS Demands Private Consumer Data from Bitcoin Exchange

By Joshua Paladino

A n online cryptocurrency exchange company is vowing to fight a federal agency’s efforts to compel the release of millions of consumers’ private data and metadata.

In November 2016, lawyers representing the Internal Revenue Service (IRS) filed a motion in federal court asking Judge Jacqueline Scott Corley of the U.S. District Court for the Northern District of California to force Coinbase, a private company allowing consumers to trade bitcoins and other digital cryptocurrencies for physical dollars, to turn over customers’ personal and financial information.

In January 2017, Coinbase Chief Executive Officer Brian Armstrong wrote a weblog post promising “to contest it in court to protect our customers’ privacy, at great expense.”

Harper says lawmakers should develop a more coherent policy toward alternative currencies.

“Bitcoin has varying uses, so regulators should integrate it into existing law, appropriately for the circumstances,” Harper said. “When it is being treated as an investment, it is properly to which capital gains taxes apply. When it is being used as a functional currency, then it should be treated as a currency.”

Gone Fishin’

Jim Harper, a senior fellow at the Cato Institute, says the government is on a fishing expedition, casting a wide net in hopes of capturing an unknown number of lawbreakers.

“The order is very broad, reaching every Coinbase user, no matter how much they transacted, regardless of whether they sold at a gain or loss,” Harper said. “The order is also based on weak allegations of a relationship between cryptocurrency use and tax evasion.”

“Not Worth Its Time’

Harper says hunting for taxpayers using bitcoins to avoid paying tax obligations is not worth the tax agency’s time.

“If the goal of the IRS is to collect revenue for the United States government, bitcoin is probably not worth its time. The total amount of bitcoins in existence worldwide is worth some $15 billion. That’s roughly equivalent to the amount of credit card payments that occur every day in the United States.”

JIM HARPER, SENIOR FELLOW, CATO INSTITUTE

‘Never Possible Before’

Jerry Brito, executive director of Coin Center, a nonprofit research organization focusing on public policy issues facing cryptocurrency, says Bitcoin allows consumers to trade goods entirely peer-to-peer.

“Bitcoin is cash payment online, which was never possible before,” Brito said. “Before the invention of Bitcoin, for two parties to transact online required a third-party intermediary like PayPal or Visa.”

Brito says the IRS should attempt to convince lawmakers to change monetary policy through laws, instead of using the court system.

“I think what might be missing, from the perspective of the IRS, is third-party reporting,” Brito said. “If they want to require it by law, then they can, and there is a procedure in place to get that. But what they shouldn’t be doing is filing a John Doe summons on three million to four million Americans.”

Joshua Paladino (jpaladino@hillsdale.edu) writes from Hillsdale, Michigan.

Kentucky Becomes 27th State to Adopt Right-to-Work

By Lindsey Curnutte

Kentucky Gov. Matt Bevin (R) signed into law a bill allowing workers to opt out of union membership, removing requirements that workers join a union as a condition of employment.

The bill took effect immediately upon being signed in January 2017, making Kentucky the 27th state with a right-to-work law.

Prior to the bill’s passage, 13 county governments in the state had passed right-to-work ordinances. The new law expands worker freedom laws to all 120 counties.

Warren County Example

Jim Waters, president of the Bluegrass Institute for Public Policy Solutions, says counties with right-to-work laws, such as Warren County, have been growing faster than those without such ordinances.

“Currently, the economic environment in Warren County is such that there are 55,000 job openings within a 50-mile radius of where that right-to-work ordinance was passed, with another 12,000 prospective jobs expected in the new year,” Waters said. “For one county in Kentucky, that’s pretty significant.”

Waters says local lawmakers from both political parties support the new law.

“We had many locally elected Democrats who supported this, because their counties were along the borders of other states that had right-to-work laws, and they were tired of losing out,” Waters said. “For them, it had nothing to do with partisanship; it had to do with their constituents.”

Cites Job and Wage Growth

Stan Greer, a senior research associate at the National Institute for Labor Relations Research, says right-to-work laws boost job growth and workers’ wages.

“There’s no doubt, and the other side really can’t deny, that there’s a strong correlation between right-to-work laws and faster growth in jobs, employee compensation, overall personal income, and the number of people covered by private health insurance,” Greer said.

Lindsey Curnutte (lindseycurnutte@gmail.com) writes from Athens, Ohio.
Federal Judge Dismisses CFPB’s Attempt to Quash ‘Op Choke Point’ Lawsuit

By Michael McGrady

A federal judge is scheduled to hear arguments from lawyers representing a consumer mortgage company who hope to present evidence alleging a federal government agency participated in a controversial program using banking and financial regulations to force business owners out of selling politically disfavored products and services.

Lawyers representing the Consumer Financial Protection Bureau (CFPB) are seeking to prevent Nationwide Biweekly Administration, Inc., a company sued by CFPB in 2015, from presenting evidence of CFPB’s participation in Operation Choke Point (OCP) to Judge Richard Seeborg of the U.S. District Court for the Northern District of California.

In February, CFPB lawyers are scheduled to present arguments seeking dismissal of the company’s evidence and a summary judgement in favor of the government agency.

OCP was a federal government program organized by the U.S. Department of Justice to use banking regulations to shut down companies and industries disfavored by the government, such as firearm dealers and certain types of financial services.

‘Part of a Political Machine’

Brian Wise, president of the U.S. Consumer Coalition, says the Barack Obama administration used government agencies such as CFPB to advance a political agenda.

“Industries have had to face the fact that these regulators are a part of a political machine that is solely focused on their destruction,” Wise said. “The Operation Choke Point initiative was ended in January of 2015. However, components of the program were adopted by the CFPB and, through their examination process, began bullying financial institutions to end relationships with industries they didn’t like.”

Weaponizing the Government

Wise says OCP relied on “intimidation” and other tactics to control industries government officials didn’t like.

“Operation Choke Point represented a turning point in the process of regulating industries, where the government became an arbiter of winners and losers in the marketplace,” Wise said. “The program focused on depriving any certain industry of any due process and used tactics of intimidation to take away basic services from these industries. The impact that OCP had and continues to have is that industries can no longer count on the government to serve the American consumers.”

‘Strong-Arming’ Banks

John Berlau, a senior fellow at the Competitive Enterprise Institute, says lawmakers should not use regulatory agencies to persecute business owners.

“If the government thinks that someone or something committed a crime, they should charge them for committing a crime. They should not go through the back door. They shouldn’t be strong-arming a bank to not do business with an entire industry, be it payday loans or pornography.”

JOHN BERLAU
SENIOR FELLOW
COMPETITIVE ENTERPRISE INSTITUTE

“If the government thinks that someone or something committed a crime, they should charge them for committing a crime. They should not go through the back door. They shouldn’t be strong-arming a bank to not do business with an entire industry, be it payday loans or pornography.”

JOHN BERLAU
SENIOR FELLOW
COMPETITIVE ENTERPRISE INSTITUTE

Congressman Proposes Bill Delaying New Broker Regs

By Michael McGrady

Congress is considering a bill that would delay the federal government’s implementation of an Obama administration rule tightening regulations on how retirement investment advisors may serve consumers.


If approved by lawmakers and signed into law by President Donald Trump, HR 355 would delay implementation of the fiduciary rule, a regulation on consumer investment brokers, by two years.

The U.S. Department of Labor’s “fiduciary rule” increases the cost of complying with federal investment regulations. Before the regulation took effect, investors were held to a “suitability standard,” requiring a “reasonable basis to believe that the recommendation is suitable for a particular customer.” The new rule, which took effect in June 2016 and is scheduled to be implemented in April 2017, effectively requires investment advisors to charge consumers fees for investment transactions, instead of receiving commissions for advice.

More Rules, More Costs

Wilson says the investment regulation is an example of government overreach.

“The Department of Labor is telling financial advisors and financial planners that they are responsible, but they already know that,” Wilson told Budget & Tax News. “It denies people with average incomes the ability to have financial planners and causes the costs to go through the roof for advisors to comply.”

Wilson says the regulation will increase costs and paperwork for financial planners, costing consumers more and reducing access to services.

“You’re denying services and you’re delaying services, because you’re increasing costs,” Wilson said. “It’s classic government overreach. I’m really pleased that immediately we’ve picked out 25 cosponsors from across the country and coast to coast. And this is just the beginning.”

Increases Exposure to Lawsuits

Thaya Knight, an associate director of financial regulation studies at the Cato Institute, says the fiduciary standard exposes financial planners to more lawsuits and more paperwork.

“Fiduciary duty exposes you to liability for lawsuits, if you’re found to have certain conflicts of interest,” Knight said. “The fiduciary standard is that you have to conduct your client’s affairs in a way a prudent person would conduct their own affairs, and there are certain things you have to be able to show, to prove you are doing that.”

‘Breathing Room’

Knight says giving the rule “some breathing room” and delaying implementation would benefit everyone involved.

“I think that the two-year window will give the Labor Department, the new president, and the industry some breathing room,” Knight said. “It is possible that a new Labor Department secretary will come in and say that they want to repeal this rule. If you have a two-year window, it is possible to get the rule repealed before it even becomes effective.”

Michael McGrady (mmcgrady@mccgradypolicyresearch.org) writes from Colorado Springs, Colorado.
By Leo Pusateri

President Donald Trump and federal lawmakers are working on filling in details of a proposed $1 trillion federal initiative to build and repair roads, using a combination of taxpayer-funded debt financing, public-private partnerships, and direct taxpayer funding.

During congressional confirmation hearings in January, Trump nominee Elaine Chao testified her prior dedication to executing the president’s plan for road infrastructure—she established an infrastructure task force to study how to execute the president’s plan for road construction and repairs.

In a final proposal, Chao told lawmakers, “There is little legislative urgency to reexamine surface transportation policy at this early date.”

Robert Poole, director of transportation policy at the Reason Foundation, says the only specific infrastructure proposal so far—submitted by Peter Navarro, director of the White House National Trade Council, and Wilbur Ross, Trump’s nominee to head the U.S. Department of Commerce—uses a mix of taxes and spending policies.

“The only specific proposal on infrastructure is the 10-page piece by Wilbur Ross and Peter Navarro,” Poole said. “It calls for total investment of $1 trillion, but none of that is federal outlays. Instead, the plan is based on long-term public-private partnerships that would be financed with a fairly typical 25 percent equity investment, like the down payment on a home, and 75 percent debt, like the mortgage—in this case, revenue bonds.

“Ross and Navarro have proposed a large tax credit to create an incentive for the equity investment, and like any tax credit, this represents a ‘tax expenditure,’ otherwise known as ‘revenue foregone,’” Poole said.

Stresses Importance of Details
Marc Scribner, a senior fellow at the Competitive Enterprise Institute, says the plan’s details will determine the support it attracts.

“If the plan involves spending hundreds of billions of federal dollars, there would be little difference between it and the [American Recovery and Reinvestment Act] ‘stimulus’ Republicans opposed during the Obama administration,” Scribner said. “However, if the total figure includes privately financed infrastructure, as the Trump team appears to have suggested, it could be quite different and perhaps even something fiscal conservatives could support.”

No Hurry?
Scribner says lawmakers shouldn’t be in a hurry to rearrange the government’s transportation policies.

“It is a great political myth that increasing government infrastructure spending raises employment and promotes long-run economic growth,” Scribner said. “A multi-year highway bill was passed in late 2015, meaning there is little legislative urgency to reexamine surface transportation policies at this early date.”

Poole says the Ross-Navarro plan would shift existing workers around instead of creating new jobs.

“The corporation part of this might be plausible, but workers building the projects would mostly be skilled-trades people, not currently unemployed laborers, like in the Great Depression,” Poole said. “The only new personal income tax revenue would come from people who move into skilled construction jobs from somewhat-lower-paying jobs and the overtime hours that they work.”

Questions Need
Poole questions the need for tax credits to encourage businesses to do things they already want to do.

“Many experts, including myself, say that this kind of tax-credit incentive is unneeded,” Poole said. “Investment banks, infrastructure investment funds, and pension funds are eager to invest in long-term [public-private partnership] projects that have a user-fee revenue stream. The problem is that, so far, such projects are few and far between. It is state and local governments that need to be incentivized to offer many more such projects, not the private sector, which is ready, willing, and able.”

Calls Numbers Implausible
Poole says the Ross-Navarro plan’s numbers don’t add up.

“Ross and Navarro do calculations attempting to show that the $1 trillion set of projects will lead to net new corporate income tax revenue and increased personal income tax revenues from the workers employed in all these projects,” Poole said. “I futzed around with the Ross-Navarro calculations and could not come up with a plausible revenue-neutral solution.”

Poole says the Ross-Navarro plan would shift existing workers around instead of creating new jobs.

“The corporation part of this might be plausible, but workers building the projects would mostly be skilled-trades people, not currently unemployed laborers, like in the Great Depression,” Poole said. “The only new personal income tax revenue would come from people who move into skilled construction jobs from somewhat-lower-paying jobs and the overtime hours that they work.”

Leo Pusateri (psychmeistr@fastmail.fm) writes from St. Cloud, Minnesota.
Oklahoma Legislator Proposes Weakening Tax Relief Trigger

By Dustin Siggins

A n Oklahoma Republican is proposing a bill that would revise the state government’s “tax trigger” law, raising the revenue level at which the state government is required to reduce income tax rates.

Currently, when estimated government revenues in a two-year cycle equal or exceed the previous cycle’s actual revenue, the maximum rate at which Oklahomans’ income is taxed is reduced. Oklahoma Gov. Mary Fallin (R) signed that tax trigger law in 2014.

State Sen. Ron Sharp (R-Shawnee) says when the Oklahoma State Legislature convenes in February, he will introduce a bill that would increase the threshold for triggering income tax relief, requiring projected revenue to exceed past revenue by $500 million.

Encouraging Greater Spending?
Trent England, vice president for strategic initiatives at the Oklahoma Council of Public Affairs, says Sharp’s bill is based on a faulty premise.

“The bill to change the trigger for an income tax rate reduction seems based on an assumption that government is too small and taxpayers aren’t paying enough,” England said. “Why else write the bill to encourage state government to spend $500 million more?”

If It Ain’t Broke …
Jonathan Williams, chief economist for the American Legislative Exchange Council, says Oklahoma lawmakers should avoid weakening the tax trigger system.

“The current policy of giving hard-working Oklahoma taxpayers a tax reduction when revenues are higher than expected is sound in its approach,” Williams said. “It helps ensure politicians don’t simply find new ways to spend surplus revenues. The tax triggers also reduce income tax rates and make Oklahoma more competitive. All taxes harm growth, but an overwhelming amount of evidence shows state income taxes—on both personal and corporate income—are the most damaging.”

Cost of Corruption
Williams says government corruption and cronyism have led to decades of financial mismanagement and waste.

“The Oklahoma state government has plenty of money, but the system was set up and run for nearly a century by people who believed in the ‘good ole’ boy style’ of patronage politics,” Williams said. “It was designed to be inefficient, a fact many Republicans have a hard time wrapping their minds around. Ending or reducing subsidies to wind-energy corporations could provide over $100 million [in savings]. Legislators should also shift resources from higher education toward basic education, including teacher pay.”

Cut Now, Cut Later
Williams says lawmakers should cut wasteful spending.

“The short-term answer is to demand efficiency from the most inefficient parts of state government, particularly our higher-education bureaucracies.”

JONATHAN WILLIAMS
CHIEF ECONOMIST
AMERICAN LEGISLATIVE EXCHANGE COUNCIL

Oklahoma Legislator Proposes Weakening Tax Relief Trigger

By Dustin Siggins

A n Oklahoma Republican is proposing a bill that would revise the state government’s “tax trigger” law, raising the revenue level at which the state government is required to reduce income tax rates.

Currently, when estimated government revenues in a two-year cycle equal or exceed the previous cycle’s actual revenue, the maximum rate at which Oklahomans’ income is taxed is reduced. Oklahoma Gov. Mary Fallin (R) signed that tax trigger law in 2014.

State Sen. Ron Sharp (R-Shawnee) says when the Oklahoma State Legislature convenes in February, he will introduce a bill that would increase the threshold for triggering income tax relief, requiring projected revenue to exceed past revenue by $500 million.

Encouraging Greater Spending?
Trent England, vice president for strategic initiatives at the Oklahoma Council of Public Affairs, says Sharp’s bill is based on a faulty premise.

“The bill to change the trigger for an income tax rate reduction seems based on an assumption that government is too small and taxpayers aren’t paying enough,” England said. “Why else write the bill to encourage state government to spend $500 million more?”

If It Ain’t Broke …
Jonathan Williams, chief economist for the American Legislative Exchange Council, says Oklahoma lawmakers should avoid weakening the tax trigger system.

“The current policy of giving hard-working Oklahoma taxpayers a tax reduction when revenues are higher than expected is sound in its approach,” Williams said. “It helps ensure politicians don’t simply find new ways to spend surplus revenues. The tax triggers also reduce income tax rates and make Oklahoma more competitive. All taxes harm growth, but an overwhelming amount of evidence shows state income taxes—on both personal and corporate income—are the most damaging.”

Cost of Corruption
Williams says government corruption and cronyism have led to decades of financial mismanagement and waste.

“The Oklahoma state government has plenty of money, but the system was set up and run for nearly a century by people who believed in the ‘good ole’ boy style’ of patronage politics,” Williams said. “It was designed to be inefficient, a fact many Republicans have a hard time wrapping their minds around. Ending or reducing subsidies to wind-energy corporations could provide over $100 million [in savings]. Legislators should also shift resources from higher education toward basic education, including teacher pay.”

Cut Now, Cut Later
Williams says lawmakers should cut wasteful spending.

“The short-term answer is to demand efficiency from the most inefficient parts of state government, particularly our higher-education bureaucracies.”

JONATHAN WILLIAMS
CHIEF ECONOMIST
AMERICAN LEGISLATIVE EXCHANGE COUNCIL

A FRESH LOOK AT AMERICA’S FUTURE!

CHARLIE KIRK, FOUNDER OF TURNING POINT USA, HAS RECENTLY RELEASED HIS FIRST BOOK!

TIME for a TURNING POINT

This book is a reflection on the movement Turning Point USA has created that has spread to over 1,000 schools across the country with the vision of where we want to take the country in the next 50 years. This is a book of hope and optimism, not pessimism or despair!

NOW AVAILABLE ONLINE!

amazon.com® BARNES&NOBLE

Oklahoma Legislator Proposes Weakening Tax Relief Trigger

By Dustin Siggins

A n Oklahoma Republican is proposing a bill that would revise the state government’s “tax trigger” law, raising the revenue level at which the state government is required to reduce income tax rates.

Currently, when estimated government revenues in a two-year cycle equal or exceed the previous cycle’s actual revenue, the maximum rate at which Oklahomans’ income is taxed is reduced. Oklahoma Gov. Mary Fallin (R) signed that tax trigger law in 2014.

State Sen. Ron Sharp (R-Shawnee) says when the Oklahoma State Legislature convenes in February, he will introduce a bill that would increase the threshold for triggering income tax relief, requiring projected revenue to exceed past revenue by $500 million.

Encouraging Greater Spending?
Trent England, vice president for strategic initiatives at the Oklahoma Council of Public Affairs, says Sharp’s bill is based on a faulty premise.

“The bill to change the trigger for an income tax rate reduction seems based on an assumption that government is too small and taxpayers aren’t paying enough,” England said. “Why else write the bill to encourage state government to spend $500 million more?”

If It Ain’t Broke …
Jonathan Williams, chief economist for the American Legislative Exchange Council, says Oklahoma lawmakers should avoid weakening the tax trigger system.

“The current policy of giving hard-working Oklahoma taxpayers a tax reduction when revenues are higher than expected is sound in its approach,” Williams said. “It helps ensure politicians don’t simply find new ways to spend surplus revenues. The tax triggers also reduce income tax rates and make Oklahoma more competitive. All taxes harm growth, but an overwhelming amount of evidence shows state income taxes—on both personal and corporate income—are the most damaging.”

Cost of Corruption
Williams says government corruption and cronyism have led to decades of financial mismanagement and waste.

“The Oklahoma state government has plenty of money, but the system was set up and run for nearly a century by people who believed in the ‘good ole’ boy style’ of patronage politics,” Williams said. “It was designed to be inefficient, a fact many Republicans have a hard time wrapping their minds around. Ending or reducing subsidies to wind-energy corporations could provide over $100 million [in savings]. Legislators should also shift resources from higher education toward basic education, including teacher pay.”

Cut Now, Cut Later
Williams says lawmakers should cut wasteful spending.

“The short-term answer is to demand efficiency from the most inefficient parts of state government, particularly our higher-education bureaucracies.”

JONATHAN WILLIAMS
CHIEF ECONOMIST
AMERICAN LEGISLATIVE EXCHANGE COUNCIL

A FRESH LOOK AT AMERICA’S FUTURE!

CHARLIE KIRK, FOUNDER OF TURNING POINT USA, HAS RECENTLY RELEASED HIS FIRST BOOK!

TIME for a TURNING POINT

This book is a reflection on the movement Turning Point USA has created that has spread to over 1,000 schools across the country with the vision of where we want to take the country in the next 50 years. This is a book of hope and optimism, not pessimism or despair!

NOW AVAILABLE ONLINE!

amazon.com® BARNES&NOBLE
An Informative Handbook for Encouraging Downtown Growth and Revitalization

By Arianna Wilkerson

Attracting consumers to spend time and money in downtown areas is a struggle many business owners and lawmakers face, and a new manual by an urban planning expert explains how to accomplish that goal.

In The Downtown Message: What Your Business District Says Can Make It More Successful, author and urban development expert John Gann explains how businesses and governments can work together to attract consumers to downtown areas, by reforming the “messages” those areas give people.

Unconventional Conclusion

This manual is targeted at business owners and city lawmakers, who are busy and may have little interest in abstract theories and hypotheticals. Instead of wasting time pontificating, Gann fills his book with real-world experiences and case studies based on real data and research, reaching what he calls an “unconventional conclusion.”

“This manual is based on an unconventional conclusion,” Gann wrote. “It is that the most important factor in the commercial success of a downtown business area is the message it delivers. ... This manual is concerned with the commercial success of downtown, which significantly happens to be the support for downtown’s other roles. There are similarly diverse ideas about what kind of place downtown is. This manual endorses its original function as a place of business and recognizes that business is still its sine qua non.”

Explaining Urban Research

The manual is divided into three main parts, with numerous, easily digested subsections that include numerous citations and real-world examples.

Citing research by scholars such as William Whyte and Paco Underhill, Gann explains why most centralized urban planning fails to revitalize downtown areas. Instead of attempting to create prescriptive spaces for people, planning should create spaces defined by what people do there, Gann says.

“Whyte and Underhill watched people respond to the message the physical environment sent,” Gann wrote. “As practitioners with backgrounds in urban planning, Whyte and Underhill were contrarians. Planners typically try to prescribe behavior for the public rather than observe and accommodate what people do. These two researchers were content to go where the people led them. Downtown business areas can do better if they follow their example.”

Competing for People’s Time

Many people are already visiting downtown, Gann writes, so business owners must convince people to shop downtown instead of doing other things during those visits.

“Unlike nearly all shopping malls and highway commercial strips, downtowns are multifunctional places,” Gann wrote. “They are not just stores. People who have no interest in shopping come downtown every day. Their doctor is there; the post office is there; the bus terminal or train station is there; city hall and the county courthouse are there; and the museum and public library are there, as is the theatre or performing arts center. Most important, jobs are there. More people come downtown to make money than to spend it, but a concentration of people in an area where there are stores is still what every retailer wants. In downtown, there are lots of people who came without any marketing expenditure by the store to bring them in, but they’re not there to shop.”

“That’s an opportunity for retailers,” Gann notes. “And, because shoppers are busy these days and have less time to spend shopping, those non-shoppers are especially valuable,” Gann wrote. “So, it is important to be able to sell downtown and its stores to people who are not shopping.”

Unintentional Messaging

Downtown areas face challenges, and one of those challenges is the messages people receive from the environment.

For example, a sign marked “Parking Limit 30 Minutes” tells people they shouldn’t stay for long periods downtown, and parking meters give the impression to people “parking downtown is a privilege, for which you shoppers have to pay.”

Advantages Over Other Spaces

Gann concludes it’s possible to fix downtowns, because these areas have many advantages not enjoyed by other spaces, such as shopping malls and suburbs.

“The best shopping—indeed, the best anything—is never rushed,” Gann wrote. “Shopping streets downtown are low speed affairs compared with the suburban highways that host the malls, big boxes, and strip centers. Downtown lower speed limits and more traffic slow cars down. That gives prospects a better chance to see a store or its sign for a few more seconds, and an impromptu stop generated by that sight is easier and safer to do on a low-speed road. People walk in a Downtown. They never walk along the highway where the newer competing stores are. You see more when you’re walking because of your slow speed, and it’s always easy and safe to slow down if a store catches your eye.”

Gann’s The Downtown Message: What Your Business District Says Can Make It More Successful is a clear-eyed explanation of the challenges downtown business owners and lawmakers face, offering great insights into how consumer-driven psychology and marketing can help revive struggling economic districts.

Arianna Wilkerson (awilkerson@heartland.org) is marketing project coordinator at The Heartland Institute.

Real capitalism, Donway argues, is what emerges when government consistently recognizes and protects the rights to property, free enterprise, free trade, and voluntary economic relationships.

Cronyism vs. Capitalism
The author lays the blame for creeping statism and stifled economic prosperity on crony capitalism, which he defines as “an economy in which success in business depends on a close relationship between business and government.”

Regulatory Perversion
According to Donway, regulations are a favored tool in a crony-capitalistic scheme. They squash economic liberty and pervert otherwise honest entrepreneurs into joining the morass, by incentivizing them to resort to politics as a survival tactic.

Using the example of copper mining, the author explains how governments effectively force makers and innovators to become tools of bureaucrats.

“Consider just one example: the world today is hungry for copper to build the infrastructure of new industrial civilizations in China and India, but to open a new copper mine in the United States or Canada, say, you need permission from environmental agencies on the federal, state, and local levels,” Donway wrote. “Obtaining these permissions can require years of costly studies to satisfy hundreds of regulatory conditions. The judges are bureaucrats at all levels, usually under pressure from dozens of conflicting lobbies. Hundreds of millions of dollars ride on their decision. They may be ideologically opposed to ‘exploiting’ natural resources. To surmount their dogged opposition, you may need a politician who applauds your goal and can run interference for you. The goal is to clear the path to the production of copper—and making money.”

Arbitrary Enforcement of Laws
Donway frequently criticizes the U.S. Department of Justice in the book, saying the agency stifles any business seen as too successful with consumers. The government has capriciously targeted popular, innovative companies such as IBM and Apple for prosecution under subjective and flexible antitrust laws, with little discernible reason other than to keep achievers afraid of the government’s “ghastly circus,” writes Donway.

“What sustains the antitrust laws decade after decade? Plainly, they are an egregious example of non-objective law,” wrote Donway. “And historically not only have they accomplished nothing, but have wasted a huge amount of taxpayer money and business resources and discouraged untold numbers of new ventures we will never know that were stillborn—by corporations afraid of stumbling into the ghastly circus called ‘antitrust.’”

Natural Resources and Advantages
Readers may find fault with Donway’s rose-colored overestimate of China’s economic power and future. China has run into increasingly serious economic troubles in recent years, and Donway seems to forget arguments he makes elsewhere in the book about the economic advantages the United States enjoys.

“In an era when economic growth is driven as never before by innovation, when knowledge and invention are the great ‘natural resource,’ the freedom to create, invest, produce, and trade no longer is merely an ‘advantage’—it is the life or death of the wealth of nations,” Donway wrote, a claim readers may find contradicts his predictions of an ascendant China.

Despite that imperfection, Not Half Free: The Myth That America Is Capitalist is a highly entertaining and educational collection of essays demonstrating increased government meddling is the main cause of many of today’s problems and offering solutions based on a principled free-market philosophy.

As Donway explains, “America’s greatness is inseparable from its commitment to capitalism,” a lesson every reader should take to heart in the coming years of change and reform.”

Jay Lehr, Ph.D. (jlehr@heartland.org) is science director at The Heartland Institute.
Somewhat Reasonable Thoughts on Life and Liberty from The Heartland Institute

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.

Read us daily at blog.heartland.org
WE OPEN THE BOOKS
AND AUDIT THEM.

WWW.OPENTHEBOOKS.COM