Late March marked the third anniversary of Obamacare, otherwise known as the Patient Protection and Affordable Care Act. The legislation has long been heralded as the President’s signature achievement and provides care for an estimated 48.6 million uninsured Americans.

Far from cheering, Republicans have pressed harder for a full repeal of the bill and believe public opinion is on their side. Approximately eight months before Obamacare is fully implemented, a coalition of industry and business groups are preparing a full lobbying assault on the continuing string of new taxes and regulations.

The simple fact is that in practice, Obamacare is costing jobs, health insurance premiums and deductibles are increasing, government spending on health care is expected to skyrocket, and millions of Americans are expected to lose the employer-sponsored health insurance they were promised. Implementation has also become an expensive burden with some 159 new government agencies, boards, and programs tasked with enforcing 20,000 pages of rules and regulations already associated with the law.

Moreover, the federal role in the creation of health insurance exchanges has proven to be more challenging than expected for the Department of Health and Human Services (HHS). States claim lack of flexibility in creating so-called market-oriented exchanges and, as a result, 33 states have refused to build their own health insurance exchanges.

Even more troubling are the promises made regarding the protection of Medicare coverage and benefits. Specifically, $716 billion is taken out of the Medicare program to pay for $1.9 trillion in new health spending over the same period. Included in these cuts are significant reductions in payments to Medicare Advantage plans, which could disrupt coverage for the 14 million Americans enrolled in the program today and affect their ability to access health care.

Although there will be reductions in the Medicare program, seniors will still have coverage. However, the question remains, who will pay for this in the future generations? The MyGovCost Calculator enables individuals to calculate government spending programs according on health care is expected to skyrocket, and millions of Americans are expected to lose the employer-sponsored health insurance they were promised. Implementation has also become an expensive burden with some 159 new government agencies, boards, and programs tasked with enforcing 20,000 pages of rules and regulations already associated with the law.

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Winning Hearts and Minds

In 1986, when I started the Independent Institute, the U.S. national debt was about $2 trillion. Today, it is over $16 trillion. Yet there’s little serious debate about how to bring it under control. Does this mean our work to win hearts and minds is futile, that we’re destined to be driven off a fiscal cliff?

On the contrary! It underscores the importance of addressing the problem now. And it confirms the relevance of Senior Fellow Robert Higgs’s Crisis and Leviathan, which we recently reissued in a 25th Anniversary Edition. Showing that government grows in size and power by exploiting “crises,” this prescient book offers the key to reversing the trend.

Fortunately, the work of our Fellows is reaching a growing audience. In the past year, we achieved a record combined reach of 4 billion across the Internet and news media, including Fox, CNN, CBS, PBS, Wall Street Journal, The Hill, Christian Science Monitor, and USA Today.

And our reach via social networking is growing exponentially. We post articles daily on Facebook, educating more than 355,000 on our growing page. We post articles daily on Science Monitor and USA Today, receive a new visit to our websites.

Stay turned as we release a free smartphone app in the younger generations who will bear most of the burden. To date, it has impacted over 10 million.

The picture of the personal impact that federal spending has on our lives is clear. We’re destined to be driven off a fiscal cliff?

Please help us multiply our success by becoming an Independent Associate Member. With your tax-deductible membership, you can receive a FREE copy of Global Crossings (p. 5), Crisis and Leviathan, Risky Business (p. 4), Beyond Our Politics (p. 3), and other publications, including our quarterly journal, The Independent Review (p. 3), plus other benefits (please see the attached envelope).

David J. Theroux

President’s Letter

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Why Are Cops Acting Like Soldiers?

From the early days of the United States to the post-Reconstruction era and beyond, Americans viewed the separation of the military from law enforcement as essential for the health of the republic. In recent years, however, the line between the police and the military has become increasingly blurred, with police departments across the United States employing "no knock" raids and other military-style tactics once considered off limits. What has caused this alarming trend?

According to economists Abigail R. Hall and Christopher J. Coyne (George Mason University), the militarization of U.S. domestic policing is driven primarily by two developments: the "war on drugs" and the "war on terror." In 1981, for example, President Reagan signed the Military Cooperation with Law Enforcement Act, a law that granted the Pentagon permission to assist domestic police departments engaged in enforcing the nation’s drug laws. Similar legislation has accompanied the war on terrorism. A 1997 federal law known as Program 1033 made it easier for state and local law enforcement agencies to obtain surplus military hardware—including body armor, armored vehicles, and surveillance equipment—for use in counterdrug and counterterrorism activities. In 2011, the program transferred $500 million worth of equipment to state and local law enforcement agencies. Their lobbying efforts are one reason why the “wars” on drugs and terror are very likely to continue.

“These crises have created a set of conditions in which the blurring of police and military activities is self-enforcing and self-extending,” Hall and Coyne write. “Even if one assumes that citizens generally agree that the separation of police and military functions must be reestablished (a huge assumption in itself), working against the present policies implies tearing apart the massive drug–terror complex, an institution that benefits from a permanent state of war domestically and internationally.”

“What Makes “Crony Capitalism” Possible?”

The term crony capitalism has appeared frequently in the popular press of late, but rarely has it been used—let alone defined—in the academic literature. Randall G. Holcombe (Florida State University) offers a definition that is notable for its conciseness and objectivity. “Crony capitalism,” he writes, “is an economic system in which the profitability of business depends on political connections.” This formulation makes no claim about the causes, effects, or moral status of “crony capitalism.” But by cutting to the heart of the matter—by identifying the phenomenon’s fundamental difference from other economic systems—Holcombe’s definition opens new vistas. It does this by suggesting that we can learn much about the concept by studying lesser examples of political connections shaping the profitability of business. Examples include rent-seeking, regulatory capture, political entrepreneurship, and interest-group politics.

The academic literature is rife with studies of these components of “crony capitalism,” but no comprehensive theory of the phenomenon has been offered yet—though Holcombe’s article makes important inroads. What would a valid theory reveal? One finding, he argues, would be that “crony capitalism” grows as the profitability of businesses comes to depend on how well businesses can secure subsidies, tax breaks, and regulations that work in their favor. “Crony capitalism,” in other words, is a by-product of big government. 

The Independent Institute in the News

Center on Law and Justice
Research Fellow Stephen Halbrook on Fox News with Judge Jeanine Pirro, 2/26/13
On requiring gun owners’ liability insurance: “Well, talk about being prejudiced against poor people and minority groups. Who can afford this kind of insurance? First of all, it won’t be available. The insurance industry does not insure against criminal violence. But the black codes that he [Chicago Police Chief Garry McCarthy] referenced, disarmed African American citizens. It was only when the 14th Amendment was adopted after the civil war that these black codes were done away with and now he wants to impose restrictions that are far more onerous than poll taxes ever were. The kind of insurance you’re talking about, besides not being available, it’s incredible to think about what it would cost.” http://www.independent.org/multimedia/detail.asp?id=341

Center on Entrepreneurial Innovation
Senior Fellow Benjamin Powell in The Huffington Post, 2/20/13
“Basic economic theory, advanced empirical research, and common sense all lead to the same conclusion: minimum wage mandates hurt the very people they are intended to help. Unfortunately, good economics doesn’t always coincide with good politics. So economists are doomed to fight this same battle over and over again, each time a politician finds it politically expedient to peddle some minimum wage economic illiteracy.” http://www.independent.org/newsroom/article.asp?id=3559

Research Fellow Stephen P. Halbrook on FOX News

Research Fellow Alex Tabarrok on Seattle’s KIRO-TV discussing the folly of gun buyback programs, 2/26/13
“I think Mayors and other people in the city want to convey the idea that they are doing something. But it would be a lot better if they were doing something which actually works. Unfortunately the empirical evidence indicates that gun buybacks are completely ineffective. They may look good for the media, but it’s not a wise way of spending our crime fighting resources.” http://www.independent.org/multimedia/detail.asp?id=339

Center on Global Prosperity
Senior Fellow Alvaro Vargas Llosa: on Bloomberg.com 2/19/13
“Immigrants’ values align closely with those of most U.S. households. The overwhelming majority of Latinos who have arrived since 1990 are Christian, mostly Catholic. Half of all undocumented immigrants live with a spouse and a child. While the proportion of single-parent households among citizens is one-third, among undocumented immigrants it’s 13 percent. Nearly 12 percent of immigrants are self-employed, similar to the percentage among citizens. Lawmakers should heed these realities when they put together the new immigration law, creating a system that makes it easy for immigrants of various skill levels to enter according to the needs of the economy.” http://www.independent.org/newsroom/article.asp?id=3558

“By almost any analysis, the National Flood Insurance Program (NFIP)—the recipient of a $9.7 billion bailout in the wake of Hurricane Sandy—doesn’t work. It is poorly conceived, it’s terribly mismanaged, and it encourages harmful behavior. . . . the NFIP offers a stern warning to anybody who wants government to solve every problem.” http://www.independent.org/newsroom/article.asp?id=3539

Research Fellow Alex Tabarrok on Seattle's KIRO-TV discussing the folly of gun buyback programs, 2/26/13

Powell addressing students at Institute summer seminar
The word “immigration” once conjured up images of intrepid travelers arriving at Ellis Island, possessing barely a suitcase to hold their meager belongings but warmly embraced by a country that welcomed the world’s “huddled masses yearning to breathe free.” Times have changed. Many Americans today are hostile toward this ideal. Critics charge, for example, that current levels immigrants are lowering the wages of native-born workers, placing severe stress on public services, and presenting long-term challenges to American cultural institutions.

These claims don’t hold water, according to Independent Institute Senior Fellow Alvaro Vargas Llosa, author of Global Crossings: Immigration, Civilization, and America, a timely new book that offers thoughtful insights into the emotional issue of immigration.

One example is Vargas Llosa’s explanation of the role that immigrants—legal and illegal—play in preventing or alleviating labor shortages. Before the financial debacle of 2007–2008, when Arizona’s unemployment rate was 4 percent, the state’s workforce included two and a half times as many illegal workers as legal unemployed job-seekers. That statistic should give pause to those who hold that illegal immigrants reduce the jobs available to native workers.

Regarding the notion that immigrants rely on the U.S. welfare state and therefore represent a net drain on the economy, Vargas Llosa notes that statistics about the utilization of public services show only part of the equation. What must also be factored in are rates of participation in the labor force: illegal immigrant men have higher rates of participation in the U.S. workforce than do U.S. citizens or legal foreigners—over 90 percent in 2003.

As for fears that current levels of immigration into the United States are incompatible with assimilation, Vargas Llosa shares facts that suggest otherwise. At other times in U.S. history the population of foreign origin constituted a larger proportion of the total population than today. From 1901 to 1913, an average of one million foreigners—about 2.5 percent of the domestic population—came into the country every single year, whereas recent annual immigration has not exceeded more than 0.5 percent of the national population. Latin Americans who immigrated recently to the United States show similar patterns of linguistic assimilation as immigrants from Europe many decades ago.

Much of Global Crossings discusses immigration in countries other than the United States, and Vargas Llosa employs his extensive experience and contacts abroad to offer further insights. From Spain, a country where he has spent much time, he recounts the travails of immigrants from Mauritania, the Ivory Coast, and Algeria. These memorable stories repeat a common theme: whether they are fleeing political violence or economic stagnation, most immigrants are ordinary people reacting in ways that citizens of richer nations would in similar circumstances.

Having cleared away misconceptions about the cultural and economic effects of immigration, Vargas Llosa draws his sights on a dubious assumption often shared by both sides of the immigration debate: the notion that the nation-state is eternal. History teaches that the nation-state and nationalism, its ideological offshoot, are recent inventions—ones subject to profound changes as people leave their ancestral lands and intermarry.

One harbinger of such change may be the increase of dual citizenships. This trend is one that Americans may be better able to adapt to than most, given our tradition of championing individual rights and the entrepreneurial spirit. Moreover, with greater freedom of immigration comes another possibility—that those ideals will spread faster beyond our borders and across the seas.

To order Global Crossings, by Alvaro Vargas Llosa, visit: http://www.independent.org/store/book.asp?id=103 •
In response to this common complaint of college graduates, the Independent Institute hosts internships throughout the year. Allowing students to work on important projects in their field of interest, students gain real-world skills and experience. Students from Yale, Princeton, UCLA, Berkeley, and other great schools joined us last summer for this unique opportunity to jump into the world of public policy.

Wondering where an internship at the Independent Institute could take you? 2012 summer intern, W. Colby Pines of Princeton University, was recently co-published in the Washington Times following his work with the Institute. To see where your potential and passion for the ideas of liberty can take you, please contact Student Programs Director Anthony Gregory at AGregory@independent.org for more information.

AN ALARMING new poll shows that young Americans have more faith in government than older generations. Having no firsthand memory of the collapse of Soviet socialism, today’s youth often buy into far too many statist assumptions. They are the future of the world, and so we must teach as many of them as possible about the other approach—the vision of liberty.

Providing students with the intellectual and ethical ammunition to cut through leviathan’s propaganda, our Challenge of Liberty seminars teach college and high school students about the economic and philosophical principles of a free society. This summer, for the first time, the Independent Institute presents three week-long seminars, including a new, additional location for college students in Colorado Springs!

Faculty on board include Senior Fellow Robert Higgs (author of Crisis and Leviathan) speaking on the economic follies of the welfare-warfare state; Ivan Pongracic (professor at Hillsdale College) on the failures of regulation and socialism; Research Fellow Anthony Gregory (author of the forthcoming book The Power of Habeas Corpus in America) on law and the historic struggle to constrain political power; and Senior Fellow Benjamin Powell (associate professor of economics at Texas Tech University) on globalization.

Enrollment online is open, and thanks to generous donors, scholarships are available. Sign up today at www.independent.org/students!
to their age and salary. An estimated calculation for the years 2013–2049 with the current spending for the average American 45-year-old with a bachelor’s degree making $75 thousand, includes a share of spending on Medicare of $148,464. The future federal taxes this individual will pay in order to fund Medicare will be $87,127. More importantly, the taxes this individual pays could have been worth: $301,005.

In 2010, the Congressional Budget Office calculated that the ten-year cost of Obamacare, in terms of its spending increases, was $940 billion. In 2013, CBO’s ten-year spending estimate was $1.88 trillion. By 2015, the CBO’s ten-year spending projections are likely to exceed $2.5 trillion. Our federal debt exceeds $16 trillion today. A recent report by the GAO suggests that Obamacare will end up adding $6.2 trillion to the deficit over the next 75 years.

Even the strongest advocates of Obamacare agree that the path forward is complicated and that original cost projections were sorely underestimated. The estimated costs of Obamacare coupled with the rising debt will create a tremendous burden on future generations. And these burdens will become increasingly clear when the law is fully implemented in just eighteen short months. •

The Independent Watch
The Independent Institute’s
New Video Series, Independent Watch!

Following a generous film grant from the Atlas Network and in-house consultation by L.A. film professionals of Taliesin Nexus, we’re amping up our online presence. Boasting over 3,000 views on our second episode “Anthony Gregory on Rand Paul’s Senate Filibuster” we’ll continue to release our scholars’ short—and to the point—responses on timely events. Head to YouTube and subscribe to Independentinstitute today and follow along as we continue to shape and improve our new channel. •
A Fresh Start for Liberty!

Unlike the state, we don’t believe in taking money that isn’t given. Instead, we rely solely on the generosity of supporters like you who understand the true value of a free society. In contrast to big government, which continues to mismanage your tax dollars, we work to leverage every penny of your support, boasting a record 86 cents of every dollar going directly towards program services.

Highlighted by our reach of 4 billion across internet and news media in just the last year alone, the Independent institute is hard at work to have tremendous impact with your hard earned support!

As our fiscal year comes to a close, we again begin the feat of raising the $3 million that it takes to fund our work. We look forward to working with you in the year ahead as we press forward with:

- The release of a MyGovCost iPhone app,
- The launch of our new YouTube show Independent Watch;
- An expanded number and location of student seminars;
- New and upcoming book releases including Global Crossings: Immigration, Civilization, and America by Alvaro Vargas Llosa, The Power of Habeas Corpus in America by Anthony Gregory, and The Terrible 10: Lessons From A Century of Economic Folly by Burton A. Abrams; and
- Countless other books and projects in development on topics including: history of gun control in Germany, mutual aid in Africa, and even ways markets can help protect endangered species.

We hope that you, too, are motivated by the continued growth of the Independent Institute and the sharp minds stepping up to spread the ideas of liberty. To support our work by credit card or check, you can use the enclosed reply envelope or visit us at www.independent.org/donate/.

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