Despite a massive public-relations push for Obamacare, a national poll found that only 38 percent of respondents felt favorably about the program two weeks before open enrollment in the health-insurance exchanges ended on March 31.

What can reformers offer in place of the president’s unpopular healthcare overhaul? In this article, I offer some guiding principles. (For details, please see my Independent Policy Report, “A New Healthcare Contract with America.”)

Choice. People should be able to choose a healthcare plan that fits their individual and family needs, rather than a plan designed by bureaucrats in Washington, D.C. This means no mandate. Men shouldn’t have to buy maternity coverage; women shouldn’t have to buy coverage for prostate-cancer tests; teetotalers shouldn’t have to buy substance-abuse insurance; etc. And no one should have to buy coverage for abortions or preventive procedures that health researchers have known for years are not cost-effective.

Fairness. The government should offer a refundable tax credit for private health insurance. I believe the credit should be the same for everyone. Suppose we offer every adult an annual tax credit worth $2,500 and every child a credit worth $1,500. People would get the credit whether they obtained their coverage through their employer, the marketplace, or an exchange. Signing up for insurance would be easy. Insurance companies and brokers would be able to sign people up without asking privacy-invading questions about their income and assets.

Jobs. A uniform health-insurance tax credit combined with the absence of a mandate would also get rid of the chaos Obamacare is creating in the labor market. Businesses would no longer have an incentive to stay small (avoiding the mandate by hiring fewer than 50 full-time employees). Nor would they have an incentive to shift employees to part-time work (avoiding the mandate with workweeks that are less than 30 hours).

Universality. How can we make sure that the uninsured receive care? There will always be some people who will turn down the offer of a tax credit. But instead of having the U.S. Treasury keep the value of those unclaimed credits, the money should go to safety-net institutions in the communities where the uninsured live. Uninsured patients will probably be asked to pay their medical bills, but if they cannot, the safety-net institutions will have a source of cash to pay healthcare providers for what would otherwise have been “uncompensated care.”

Portability. In most states today, it is illegal for employers to buy their employees what they most want and need—insurance that travels with them from job to job and in and out of the labor market. This policy needs to be reversed. Employers should be allowed to provide health insurance that is portable in the same way as 401(k) plans and
President’s Letter

Awards and Influence

LAST YEAR, THE INDEPENDENT INSTITUTE WAS PROUD TO PRODUCE EIGHT NEW BOOKS; DOZENS OF EBOOKS; OUR QUARTERLY JOURNAL, THE INDEPENDENT REVIEW; OUR WEEKLY EMAIL NEWSLETTER, THE LIVESTEAD; AND NUMEROUS OTHER PUBLICATIONS, EVENTS, AND MEDIA PROJECTS. IN THE PRODUCTION OF THREE HIGHER BOOK AWARDS AND TWO IPPY BEST BOOK AWARDS (INDEPENDENT BOOK PUBLISHERS ASSOCIATION). THIS YEAR, WE HAVE ALREADY BEEN PRIVILEGED TO RECEIVE THE FOLLOWING AMERICAN PUBLISHERS AWARD FOR PROFESSIONAL AND SCHOLARLY EXCELLENCE (PROSE AWARDS) FROM THE ASSOCIATION OF AMERICAN PUBLISHERS FOR TWO OF OUR NEW BOOKS (SEE P. 6): • Best Book Award in Law and Legal Studies for The Power of Habeas Corpus in America: From the King’s Prerogative to the War on Terror, by Research Fellow Anthony Gregory (Cambridge University Press) • Best Book Honorable Mention Award in Economics for Global Crossings: Immigration, Civilization, and America, by Senior Fellow Alvaro Vargas Llosa

In addition, our Research Fellow Donald Downs has just received the Hilldale Award from the University of Wisconsin for defending academic freedom and abolishing the faculty speech code adopted in the 1990s, as he fully documents in his Independent Institute book, Restoring Free Speech and Liberty on Campus (Cambridge University Press).

Based on such award-winning work this past year, the Institute’s reach is at the cutting edge of public debate with the following: • 771 articles published • 246 TV/radio interviews • 2,44 million website visits • 72.83 million Facebook reach • 3.1 billion print/web/broadcast (TV, Radio) reach

To help us leverage the ideas of liberty into networks of influence, please join us with an Independent Associate. With your tax-deductible membership, you can receive a FREE copy of Prices (the pivotal alternative to Obamacare: see p. 1), Gun Control in the Third Reich, Crisis and Leviathan, and other publications, including our journal, The Independent Review (p. 3), plus other benefits (see envelope).

David J. Theroux
Over the past half century, federal spending on social programs has risen like a bubbling cauldron. In 1964, it amounted to less than one quarter of the U.S. budget. Today it accounts for about two-thirds.

What will happen to the nation’s financial health if the government’s social spending continues apace? And what effect, if any, has the federal profligacy had on the American character? Two articles from the Spring 2014 issue of The Independent Review shed light on these vital issues.

The Coming U.S. Government Default?
The ongoing growth of Social Security, Medicare, and the federal component of Medicaid is easily the leading source of the government’s worsening fiscal nightmare. By 2037, it will have pushed up total federal spending to 35.7 percent of GDP, according to a study by the Congressional Budget Office (CBO). This share is about 75 percent larger than the average since the end of the Korean War.

The nation’s fiscal problem is more urgent than CBO’s prediction suggests. The reason? Federal tax revenues can’t keep pace with federal spending. Only during World War II did they get close to reaching 22 percent of GDP. In fact, you can count on one finger the number of years since 1950 that the U.S. government has taken more than 20 percent of GDP.

Sooner or later policymakers will have to deal with runaway spending. One way to do so, of course, is to require means testing for Social Security and Medicare, and to tighten eligibility for Medicaid. But unless such measures are implemented by mid century, the government faces the prospect of defaulting on the national debt.

“The default could range from outright repudiation to partial repudiation,” write economists David R. Henderson (Naval Postgraduate School, Monterey) and Jeffrey Rogers Hummel (San Jose State University).

Henderson and Hummel sketch one possible scenario. Recent trustee reports project that the Medicare Part A trust fund will become insolvent in 2026, with the Social Security (Old Age, Survivors, and Disability Insurance) trust funds following suit in 2033. Were that to occur, the programs would then rely on general revenues. And if this caused investors to worry that the Treasury Department couldn’t meet its debt obligations, the price of treasury securities would plummet and the federal government would find itself in the midst of a severe financial crisis.

Were it to default, the government would have less power to borrow for years. Many fiscal conservatives would then have something they can now only dream about: a de facto balanced-budget amendment with teeth.


Trapped by the State
A good analogy helps us see more clearly. In his recent “Etceteras” column, Independent Institute Senior Fellow Robert Higgs offers a brilliant analogy that helps us better grasp the ordinary citizen’s relationship to the modern state.

“A salmon trap, also called a pound net, is simple but ingenious. The further a fish swims into it, the harder it is to escape. It has long been banned in U.S. waters, but its design lives on, figuratively speaking, in various political schemes that direct people toward dependence on the state.

“As a salmon’s ‘mind’ tells it not to turn back, so the human mind, especially when bewitched by government propaganda and statist ideology, tells a typical person not to turn back,” Higgs writes. “Having lost the capacity for assuming individual responsibility, people are fearful of taking on such responsibilities as their forebears did routinely.”

See “The Salmon Trap,” by Robert Higgs at independent.org/publications/tir/article.asp?a=992 •
The Independent Institute in the News

**Center on Entrepreneurial Innovation**

“If governments ended their war on home construction, builders could buy the land they need to construct the housing that local people want, not housing that politicians and smart-growth activists want. That would increase the stock of affordable housing and help the environment too.”

—Senior Fellow Lawrence McQuillan in *Investor’s Business Daily*, 2/26/14

**Center on Educational Excellence**

“Nowhere does the word ‘education’ appear in the Constitution. In fact, ‘powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people,’ according to the 10th Amendment.

“Nowadays the very notion of denying the federal government any unenumerated power is almost unthinkable. Yet, given the federal government’s track record, the Framers of the Constitution were right to make the primacy of states and local citizens over education the supreme law of the land.”

—Research Fellow Vicki Alger in *McClatchy* syndicated newspapers, 2/21/14

**Center on Health and the Environment**

“. . . there will never be enough money to fix things if we do not stop the red-ink hemorrhaging that is about to occur. We must act as quickly as possible to prevent the states, the cities and counties, and the private companies from dumping their high-cost patients into the individual market with impunity.

“There is an urgent need to reform Obama-care. We really can’t wait until 2017, when we will get a new president.”

—Senior Fellow John C. Goodman in *National Review* 3/24/14

**Center on Law and Justice**

“Over the last twenty years, I have watched Stephen P. Halbrook’s scholarly work on gun control become more polished, more nuanced, and more methodical. His latest book, *Gun Control in the Third Reich: Disarming the Jews and ‘Enemies of the State’* is an astonishing piece of scholarship: complete; careful; thoughtful.”

—Review in *PJ Media*, 2/25/14

**Center on Peace and Liberty**

“The abuse is that the entire program is unconstitutional, despite the seeming approval of all three branches of government, because it violates the ban on general search warrants in the Constitution. The government simply cannot have ‘probable cause’ that all Americans are suspected terrorists.”

—Senior Fellow Ivan Eland in *Huffington Post*, 1/24/14

**The Independent Institute**

“The nation needs a comprehensive plan to address future meningitis B outbreaks, which are not limited to university campuses. As part of that plan, the FDA should immediately approve the widely used meningitis B vaccine for general use in the United States while final testing is allowed to go forward.

“If the FDA continues to resist, Congress should intervene, empowering Americans to access the vaccine before outbreaks, when it might be useful in protecting lives, rather than months later when an overcautious health bureaucracy finally says it is OK.”

—Policy Fellow K. Lloyd Billingsley in *USA Today*, 3/3/14

Visit our newsroom at [www.independent.org/newsroom](http://www.independent.org/newsroom) to read these articles and more.
In a career spanning four decades and counting, P. J. O’Rourke has written twenty books on subjects as diverse as the antics of Congress (Parliament of Whores), economic development (Eat the Rich), U.S. foreign policy (Peace Kills), and civil turmoil in the world’s hotspots (Holidays in Hell).

On February 13, the humorist and Founding Member of the Independent Institute’s Board of Advisors delighted an overflow crowd at our Oakland headquarters with insights drawn from his latest book, The Baby Boom: How It Got That Way . . . And It Wasn’t My Fault . . . And I’ll Never Do It Again.

What sets the Baby Boom generation apart? It is true that the 75 million Americans born between 1946 and 1964 reflect the post-war spike in birth rates. It is also true that they became famous for challenging parental authority and other institutions. But a diagnosis of “demographics and defiance” misses the heart of the matter.

The fundamental defining characteristic of Baby Boomers, according to O’Rourke, is their emphasis on personal identity: “We are the generation who created the self, made the firmament of the self, divided the light of the self from darkness of the self, and said: ‘Let there be self.’ . . . [But] this is not to say we’re a selfish generation.”

Indeed, such a huge swath of humanity is bound to have diverse views on ethics, psychology, and politics. Baby Boomer politicians, for example, can hold opposing views and yet still reflect a similar quest for personal discovery.

One source of differences among the Baby Boomers is age cohort. O’Rourke likened them to a school with four class levels.

- **Seniors.** Those born in the late 1940s often rebelled the most against their parents’ values and societal norms. This class level includes Hillary Clinton as well as Cheech and Chong, but a typical member is sort of an average of them, O’Rourke said.

- **Juniors.** By the time those born in the early to middle 1950s came of age, their parents had thrown in the towel, having been worn down by shouting matches with the older siblings. Consequently, the Juniors often indulged their whims and vices with fewer hindrances—although some eventually cleaned up their act and became Silicon Valley’s early innovators.

- **Sophomores.** The Baby Boom ethos had permeated society by the time those born in the late 1950s reached adolescence. Although the Sophomores “gladly accepted” the spirit of their predecessors, they were often more cautious, having witnessed casualties of libertine hedonism. “Some even sneaked off and got MBAs,” O’Rourke added.

- **Freshmen.** Those born in the early 1960s especially interest O’Rourke because they were too young to have visceral feelings about the Vietnam War and other events that shaped the Baby Boom. “Feminism had gone from a pressing social issue to Maude, a TV comedy show that their parents liked,” he said. “And Martin Luther King was a day off from work.”
The Independent Institute was honored with the prestigious 2013 PROSE Best Book Awards from the American Association of Publishers for two new books. *The Power of Habeas Corpus in America: From the King’s Prerogative to the War on Terror*, by Anthony Gregory, has won the top Law and Legal Studies Award. *Global Crossings: Immigration, Civilization, and America*, by Alvaro Vargas Llosa, received Honorable Mention in Economics.

The American Publishers Awards for Professional and Scholarly Excellence (PROSE) recognize the very best in professional and scholarly publishing in books, journals, and electronic content. This year’s competition was fierce, with a record-breaking number of entries—more than ever before in its 38-year history—from more than 60 publishers around the world.

*The Power of Habeas Corpus in America*, by Research Fellow Anthony Gregory, traces the story of habeas corpus from medieval England to modern America. The right not to be arrested and jailed arbitrarily is widely viewed as central to the Anglo-American legal tradition, a pillar on which our constitutional rights rest. Leading jurists have called the protection of this right “the most effectual protector of the liberty of the subject that any legal system has ever devised.” Yet as Anthony Gregory shows, the Great Writ, as habeas corpus is also known, did not originate as a safeguard against unjust detention but came to play that role after centuries of struggle among English governing bodies over who possessed the authority to detain a particular individual. He further illustrates how today, in post-9/11 America, habeas corpus proceedings reflect the prominence of government power over the principles of liberty.

The highly acclaimed book, *Global Crossings*, by Senior Fellow Alvaro Vargas Llosa, is the compelling analysis of the current immigration debate, cutting through the tangle of myth, falsehood, and misrepresentation to clearly explain the causes and results of human migration. Contrary to the claims of immigration critics, the patterns of contemporary migration do not differ fundamentally from those of other times.

Every year, friends of liberty from all over the world descend on Washington, D.C., for the annual International Students for Liberty Conference (ISFLC), a weekend packed full of educational talks, socials, and exhibits from leaders in the policy world, all organized around the principles of peace, individual liberty, and free markets.

The 2014 conference fell over Valentine’s Day, but there was no love shown for the predations of government. Needless to say, the Independent Institute was honored to have participated as a sponsor.

Our fellows Peter Boettke, Stephen Halbrook, Robert Higgs, and Ivan Eland were featured speakers at the conference. Their respective talks on the history of economic thought, gun control, and ranking presidents on their advancement of peace, prosperity, and liberty were big hits! Also, Institute staffers Kyle Palermo and Aaron Tao made the trip from California to raffle books and hand out goodies—including our famous *Priceless* Pill Bottles!

The thirst for freedom is spreading across campuses like wildfire. This conference was filled to capacity with more than 1,300 attendees—most talks were standing-room only. And the level of commitment is also exploding—students are devoting more time, energy, and resources to the intellectual fight for a free society than ever before.
employer-paid life insurance. NFL football players and United Mine Workers members already have portable insurance, with premiums paid by their employers, because of special federal legislation. It’s time to extend this opportunity to everyone else.

**Patient Power.** Health savings accounts (HSAs) and health reimbursement arrangements (HRAs) are encouraging consumers to control costs. They have also helped create a market for walk-in clinics, mail-order pharmacies, and Walmart’s $4 generic drugs. HSAs could be made even more effective by allowing them to partner with third-party insurance in innovative ways.

**Real Insurance.** With community rating and guaranteed issue, insurers are not permitted to charge actuarially fair premiums that reflect each enrollee’s expected healthcare costs. This has created perverse incentives, with insurers going to great lengths to attract the healthy and avoid the sick.

Real insurance requires a market in which insurers find it in their self-interest to solve the problems of the sick. Cases of insurers unfairly dumping their costliest enrollees on other insurers would greatly diminish if the law allowed insurers to develop policies that cover a change in health status. Under such policies, if an expensive-to-treat patient moves from Plan A to Plan B, the former would compensate the latter for any above-average expected costs.

How much would it cost to implement healthcare reform based on these principles? Starting from where we are now, it’s almost a free lunch. If we take the current tax perks for employer-provided insurance and add the subsidies provided by Obamacare, we will have more than enough money for reasonable reform.

We could also afford to buy off resistance to reform by giving large companies and labor unions a choice: continue with the current system of tax subsidies or switch to the tax-credit system. I bet very few would choose the current system.

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The Freshmen treated many upheavals as background noise to tune out. This explains why Barack Obama’s membership in Rev. Jeremiah Wright’s church had no media traction: The media realized that Obama just wasn’t paying attention when his pastor spouted outrageous opinions and conspiracy theories.

O’Rourke concluded his prepared remarks with several predictions: The entire world will eventually succumb to the Baby Boom Zeitgeist. Political gridlock will prevent a revival of totalitarianism. Religious fanaticism will wither away. And although wars will continue to be fought, massive conventional wars that rely on conscripts will become a thing of the past. Why? Because, said O’Rourke, “everyone will have a letter from his doctor about how he’s allergic to camouflage.”

For a video and transcript of this event, visit www.independent.org/multimedia/detail.asp?m=2505

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**What is Washington’s spending costing YOU?**

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An app from The Independent Institute
You Can Make the World a Better and Freer Place!

If you could invent one thing, to make the world a better place, what would it be?

Google recently held a contest for children, grades K-12, asking them to answer this question in the form of a doodle or drawing, since so many inventions have started out as doodles.

But what if that one thing wasn’t really a thing at all? What if making the world a better place was dependent upon all humans having the knowledge of something . . . a set of ideals or principles . . . that would enable everyone to live freer, more peaceful, and more prosperous lives, no matter who they were or what circumstances they were born into?

We think those ideals are the principles of liberty and, believe it or not, you are making the world a better place by educating yourself and then sharing those principles with others. Education is essential to freedom.

This is the goal of our Challenge of Liberty Summer Seminars for students. Unlike other summer programs, our seminars highlight and confront popular political and economic misconceptions, teaching sound principles of market-based, voluntary, private approaches to social and economic issues. The future of American liberty rests with our youth, and the Challenge of Liberty seminars provide both an ethical and practical framework; students leave with the knowledge and moral conviction that only free markets, individual rights, private property, personal responsibility, and the rule of law can make the world a better place.

We hope you’ll join us in the intellectual battle for a free society, by joining the growing group of members who support our Challenge of Liberty students and other programs—with whatever amount you can. You’ll receive insider access to events, policy reports, books, and more. Use the enclosed form to join, and we’ll send you a bonus gift as a special thank you for taking the next step in the battle to advance the ideas of liberty.

You can make the world a better place. Share the principles of freedom. Support the Challenge of Liberty Summer Seminars and become a member today!