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## 2011 Third Quarter Report

Dear Friends:

Everywhere I look these days headlines focus on the bad economy, the threat of a double-dip recession and the lack of jobs. Times are especially bad for those who have the least education and the least marketable skills. Unfortunately, most of the solutions being proposed by the Obama Administration — including more regulation, higher taxes and policy uncertainty — will only make things worse.

**Capitalism for Those Who Most Need It.** A new NCPA taskforce report [\*Enterprise Programs: Freeing Entrepreneurs to Provide Essential Services to the Poor\*](#) was funded by the Ewing Marion Kauffman Foundation. It identified ways to provide necessary services to low-income families — transportation, child care, security, health care and housing — at affordable prices, through targeted regulatory relief. For example, through Enterprise Programs:

- Entrepreneurs would be free to create jitney services and carry small groups of passengers to various destinations for whatever price the market will bear.
- Less restrictive housing and zoning laws (where appropriate) would help bring alternative housing solutions such as modular homes to low-income Americans.
- Store-front clinics would be freer to operate and bring the services of nurses, physician assistants and paramedics to low-income patients.

All too often, low-income families are priced out of the market for essential services by unwise regulations. Instead of private transportation, private housing and private medical care, they are forced to turn to public transportation, public housing and public medical care. Targeted regulatory relief would not only free entrepreneurs to provide services to the poor but also allow the poor to become entrepreneurs themselves.

The program was rolled out in Kansas City with subsequent task force presentations in Oakland, California and St. Louis.

**Who Pays the Corporate Income Tax?** An NCPA study by Senior Fellow Laurence Kotlikoff, [\*Is the Corporate Income Tax Regressive?\*](#) shows that it is workers — not consumers or shareholders — who ultimately pay for corporate income taxes, in the form of lower wages and fewer employee benefits. The U.S. has one of the highest corporate tax rates of any country. Kotlikoff shows that if



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the corporate tax rate were cut dramatically, the U.S. would likely experience a huge rise in domestic investment and could potentially increase U.S. workers’ wages by as much as ten percent!

**Is the income tax fair?** I believe the President’s recent critique of the income tax system is way off the mark. Since the days of President Ronald Reagan, President Obama says, Republicans have been protecting the rich at every opportunity and shielding them from the obligation to pay their fair share. But did you know that:

- Over the past quarter century, the tax burden has been shifting from the bottom half to the top half;
- More than half of U.S. households pay no income tax at all and 30 percent of all households actually make money through the Earned Income Tax Credit; and
- More than one-third of all income taxes are now paid by the top one percent and almost three-fourths of all income taxes are paid by the top 10 percent.

Surprised? Go to [my blog](#) to read more.

**Reforming the Entitlement State.** 78 million baby boomers are nearing retirement and they are nearing the age of 65 at a rate of 10,000 people each day. The United States has made promises of retirement income, medical care, disability support and numerous other benefits to this generation and to future generations, yet no money has been set aside to fund these promises. What should be done? Scholars associated with the NCPA believe the solution lies in letting individuals take responsibility for their own needs whenever possible. The NCPA is producing a major, comprehensive study showing how all America’s entitlement programs could be replaced by a new system in which individuals own the resources that meet their needs, and can make their own choices about how to use these resources. More to come on this later.

**NCPA Board Goes to Washington.** In September, the NCPA and the Fraser Institute co-sponsored a Policy Excursion on Capitol Hill. NCPA Board of Directors met with top policy leaders such as Ben Bernanke, Karl Rove, Tony Blankley, Steve Bartlett, Sen. James Risch, and others.

**Developing Future Leaders.** In July, 45 of America’s best and brightest high school students met in Oklahoma City for the fourth annual Four Star Debate: Developing Leaders with General Tommy Franks, a leadership development and debate training program. They debated a topic critical for today’s youth —



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“Resolved: The 50 states should adopt a system of school choice for private and public primary and secondary schools.”

We are also delighted to announce the Young Patriots Essay Contest conducted in honor of SEAL Team Six. This year’s topic is “Should Government Be the Provider?” I’m eager to see what our future leaders think the answer should be. The contest is open to U.S. middle and high school students. The top three winners will receive college scholarships with a top prize of \$3,000. The deadline is November 31, 2011 so be sure to share this great opportunity with students you know. [Find out more here.](#)

Thanks for your continued support. We couldn’t do it without you!

John C. Goodman  
President and CEO

**Quarterly Report  
Third Quarter, 2011**



*Ideas Changing the World*

# ACTIVITIES

## THIRD QUARTER HIGHLIGHTS, 2011

### NCPA and Fraser Policy Excursion Covers Capitol Hill

The NCPA and the Fraser Institute of Canada cosponsored a Washington, D.C., policy excursion that included visits with several high-level officials, including Sen. James Risch (*at right*) and Fed Chairman Ben Bernanke.

Bernanke told excursion attendees that financial stress in Europe will severely test both the European and U.S. banking systems, and that the current problems in Greece are only the tip of the iceberg.



*NCPA Board Member Brent Beesley (at left) in one of the policy discussion meetings during the NCPA/Fraser Institute Washington, D.C. policy excursion. Sen. James Risch (above) of Idaho with NCPA Board Member Jerry Mills. Policy excursion attendees (below) also met with officials of the International Monetary Fund, the World Bank, the Departments of Energy and State, and the U.S. Treasury, the Council of Economic Advisers, the Canadian Ambassador to the United States, Karl Rove, former political strategist for President George W. Bush, Tony Blankley, former press secretary for Newt Gingrich and editorial page editor for the Washington Times, and Ben Bernanke, chairman of the Federal Reserve System Board of Governors.*

Sen. Risch (*R-ID*) noted that the United States needed \$4 billion per day before the recent stimulus bills were passed, but now we need \$40 billion per day.

"What is worse," Sen. Risch said, "is that no more than 12 to 15 senators actually think this is a crisis."

Attendees also heard from high-ranking Treasury and State Department officials, among other dignitaries.



## Goodman Headlines Free Market Education Briefing

NCPA President John C. Goodman focused on the problems with the Affordable Care Act, often referred to as ObamaCare, at a Capitol Hill briefing to educate congressional staff and media about free markets.

“I think doctors, patients, employers and employees are trapped in a dysfunctional system in which they have perverse economic incentives to make things worse, not better,” he said.

Goodman also expounded on the fatal flaws of ObamaCare, including an impossible mandate, a bizarre system of subsidies and the phony finances used to pay for the program.



## NCPA Releases Enterprise Programs Report

The NCPA released a taskforce report on enterprise programs showing that poorly designed government regulations are blocking many private sector options that could provide essential services to the poor almost immediately. The taskforce report outlined several ideas where removal of regulatory barriers would allow entrepreneurs to offer essential services to low-income individuals and families at a lower cost.



The NCPA report, sponsored by the Ewing Marion Kauffman Foundation, examined five essential services — transportation, child care, security, housing and health care. In each case, government poverty-fighting programs not only fail the poor, but also do not allow private enterprise services to fill the needed gaps for low-income communities.

The report was released at a meeting of community leaders in Kansas City and St. Louis, MO, and in Oakland, CA, at meetings coordinated with the Show-Me Institute.

## Four Star 2011: Another Year of Success

Noor Masannat of Amman, Jordan, and Amos Chapman of Keller, Texas, won \$2,500 scholarships at this year's Four Star Leadership Program. The annual program is cosponsored by the Gen. Tommy Franks Leadership Institute, Oklahoma Christian University (OC) and the NCPA.

“We teach students to disagree without being disagreeable,” said Gen. Franks. “With the conflicts plaguing our world, we're in good hands with these students leading the way.”

Dr. Mike O'Neal, president of OC, agreed. “Watching these very gifted young people from all over the U.S. and Jordan gather to engage in stimulating yet civil debate was both entertaining and educational.” NCPA President John Goodman added, “I'm optimistic that all the students will go on to be the strong leaders and thinkers we need for the future.”



One of the highlights of this year's conference was a surprise visit from King Abdullah II of Jordan.

## Walker Warns of Fiscal Calamity

At a breakfast meeting for NCPA Board members and guests, David Walker (right), former comptroller general and founder of the Comeback America Initiative, said the congressional “Super Committee” may be doomed from the start, citing the need for radical reconstructive economic surgery rather than nip-and-tuck reforms.

“We’re less than two years away from the type of debt crisis Greece is now suffering from,” he said. “The next five years will determine whether our future is better than our past.”

Walker likened the United State’s financial problems to the tip of an iceberg. “What we cannot see is the ice beneath the water, the large unfunded entitlement liabilities.”



## McTeer: Debt Ceiling Debate Missed the Point

The recent policy debate about raising the debt ceiling did not focus on the issues most critical to the economy, according to NCPA Distinguished Fellow Bob McTeer.

“We shouldn’t have a debt limit, so we really shouldn’t keep having a crisis over whether to raise it,” McTeer told CNBC News. “But since we do have it, it affects public perception so the crisis can be severe. And if we’re going to raise the debt ceiling there should also be significant spending cuts and some agreement about deeper spending cuts in the future.”

Dr. McTeer, a CNBC contributor, also noted that the U.S. economy is in dire need of better policy outcomes than just raising the limit against which the United States can borrow to finance its credit obligations.



## Villarreal: Deficit Reduction Act Won’t Cure Nation’s Economic Ills



The recently passed Deficit Reduction Act won’t cure what is ailing the national economy, said NCPA Senior Fellow Pam Villarreal, who added that the 12-member “Super Committee,” whose mandate is to cut federal spending by \$1.5 trillion over the next 10 years, isn’t likely to succeed in reaching a lasting solution.

“Congress and the Committee can trim discretionary spending, but that’s not going to solve the long-term debt problem,” she said in addressing the Rotary Club of Houston. Villarreal pointed out that 60 percent of federal spending is mandatory expenditures for Social Security, Medicare, Medicaid and interest on the federal debt.

“Even simple changes can be made today,” Villarreal said. “Medicare should dispense with its 7,500-item price list and allow more innovation by providing coverage for at least a portion of 21st century medical services such as telephone consultations and concierge physician services.”

# IN THE NEWS

## THIRD QUARTER HIGHLIGHTS, 2011

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- On September 28 in *Forbes*, Avik Roy discussed Paul Ryan's proposal for universal health coverage via tax credits, which Ryan explained was a variation of a plan that Mark Pauly and NCPA President John C. Goodman proposed in 1995.
- On September 12, Mark Korba of CNBC mentioned NCPA Senior Fellow Devon Herrick's research on nationalized health systems in other countries.
- On September 19, Senior Fellow Pamela Villarreal responded to the President's "tax the wealthy" in *The Christian Science Monitor*.
- Senior Fellow H. Sterling Burnett was quoted in a September 27 *Forbes* column on the economic impact of EPA regulations.
- In an article for the *Washington Post* on September 1, Burnett explained that "everyone wins" from the new revenues that offshore drilling would bring in.
- In testimony before the House Energy and Commerce Subcommittee on Health on August 23, NCPA President John C. Goodman recommended revisions to the Affordable Care Act that would put health care on a sustainable spending path.
- NCPA Distinguished Fellow Bob McTeer appeared on CNBC on August 26, stating that even though the Fed is not pursuing the QE3 option at this point, it does not mean that the Fed will do nothing.
- One of Goodman's Health Alerts was featured in a August 26 *Reason* magazine article on the new health care law and high-risk insurance pools.
- In an op-ed for *The Wall Street Journal* on August 19, NCPA Chairman Pete du Pont said that President Obama has fundamentally transformed America with big-government policies and out-of-control spending.
- In a video update for *The Washington Post's* ThinkTanked Blog, NCPA experts, including Goodman, McTeer and Villarreal, recapped and analyzed the debt ceiling debate, the S&P downgrade and the impact on 401(k) accounts.
- Writing in *The Wall Street Journal* on August 11, Goodman explains that free market Medicare reforms are the most effective way to control costs.
- In an interview with NBC DFW Channel 5's Jane McGarry, Villarreal discussed the current market turmoil and what it means for consumers.
- On August 9, McTeer appeared on CNBC to discuss what moves the Federal Reserve needs to make in response to the market turmoil.
- In the August 4 issue of *U.S. News and World Report*, Goodman applauded the fact that Medicare prescription premiums have gone down in the past year, but warned against the government providing benefits it cannot afford.
- In an interview with Fox Business on August 3, McTeer explained how a weak dollar can be good for GDP but bad for standard of living.



*NCPA Chairman Pete du Pont expressed grave concern about the direction America is heading, in three commentaries for The Wall Street Journal.*



*NCPA President and CEO John C. Goodman testified before the House Energy and Commerce Subcommittee on Health on August 23, detailing the flaws in the new health care reform law and offering sensible solutions.*

- In an article on bedbugs published in *Environment and Climate News* August 1, Burnett blamed the government ban on DDT for the infestation surge.
- On July 29 at Politico.com, Burnett warned about the unintended consequences of President Obama's agreement on new vehicle fuel efficiency requirements.
- Chairman du Pont wrote in a July 27 op-ed for *The Wall Street Journal* that over the past three years, our nation's economy has become more like some of the fragile and overextended statist European economies.
- In a July 22 article for *The Wall Street Journal*, NCPA Senior Fellow and former Medicare Trustee Thomas R. Saving said it's not accurate for the administration to say that the Social Security "coffers" will be empty by August 3 if Congress fails to act by then on the debt ceiling.
- In a July 20 article at *Reason* magazine (online), Peter Suderman gave Goodman the final word in a piece on raising the debt ceiling.
- In an op-ed for the *Energy Tribune* on July 19, Burnett said that the savings from federally mandated energy efficiency standards for household appliances, such as washing machines, are often overstated.
- On July 18, McTeer appeared on CNBC and commented on the interview with Secretary Geithner about the debt limit conflict.
- In an interview with KXAS/NBC on July 18, McTeer helped clarify national debt limit questions, and offered his opinion on solutions.
- Herrick was quoted in a July 14 *American Spectator* article about the costs of Massachusetts' health care legislation and similar flaws found the new national health care law.
- In the July issue of *Environment and Climate News*, Burnett said fraud uncovered in a recent audit of the government's weatherization program is unsurprising.
- On July 11, *National Review* Online featured Goodman's commentary on the surprising number of health reform steps that are agreed upon by just about everyone.
- On July 7, Goodman was quoted in NPR's coverage of a new study on the consequences of Medicare enrollment.
- In the wake of the Texas Legislature's passage of an interstate compact, Goodman questioned the legislature's priorities on health care and education spending in a commentary for *The Dallas Morning News* on July 7.
- McTeer commented on the need for constructive compromise in the debt ceiling debate in a commentary for *Forbes* on July 6.



*NCPA Distinguished Fellow and CNBC Contributor Bob McTeer gave insight into the Fed's next moves in responding to the current economic turmoil.*

# PUBLICATIONS

## THIRD QUARTER, 2011

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- There is good reason to believe that it is workers, not the owners of corporations, who ultimately pay much, if not all, of the corporate income tax. And not just workers employed by corporations — all workers throughout the country, says Laurence Kotlikoff, a senior fellow at the NCPA, in his study, “Is the Corporate Income Tax Regressive?”
- Total Medicaid spending is expected to rise to \$930 billion by 2020 and will account for 20 percent of all U.S. health expenditures, says NCPA Senior Fellow Linda Gorman, in a recent Issue Brief entitled, “Medicaid Block Grants and Consumer-Directed Health Care.”
- Restrictions on who can and cannot practice a certain profession have increased significantly in recent years. Occupational licensing — the most onerous restriction — requires people to pass tests and meet other criteria before they can practice a trade. It is a barrier to employment, disproportionately affecting low-income and immigrant workers, and frequently benefitting established practitioners by limiting competition from new entrants, says Courtney O’Sullivan, an editor with the NCPA, in her Brief Analysis, “Is Occupational Licensing Necessary?”
- The U.S. fiscal gap is \$211 trillion — 15 times larger than the official debt, says NCPA Senior Fellow Laurence Kotlikoff, in a recent Issue Brief, “America’s True Debt — The Fiscal Gap.”
- Higher fuel prices and plant closures due to the Cross-State Air Pollution Rule and the Mercury and Air Toxics Standards could result in a net loss of 1.4 million jobs by 2020, say H. Sterling Burnett, a senior fellow, and Kennedy Meier, a policy intern, with the NCPA, in the Brief Analysis, “The EPA’s New Air Quality Regulations: All Pain, No Gain (Part One).”
- The cost to comply with the Environmental Protection Agency’s more restrictive primary ozone standard could be up to \$90 billion by 2020, says Kennedy Meier, a policy intern with the NCPA, in his Brief Analysis, “The EPA’s New Air Quality Regulations: All Pain, No Gain (Part Two).”
- Compact florescent lights must be left on for at least 15 minutes at a time and used continuously for several hours a day to achieve their full energy savings, say H. Sterling Burnett, a senior fellow, and Wesley Dwyer, a policy intern, with the NCPA, in the Brief Analysis, “Green Technology Mandates Are Bad for Consumers and the Environment.”
- In the United States, solar power costs two to three times as much as the average cost of electric power in many states, say Olufemi Olarewaju, a junior fellow, and H. Sterling Burnett, a senior fellow, with the NCPA, in their Brief Analysis, “Distributed Solar Power.”
- In a series of 10 easy-to-read, 2-page briefs, the NCPA summarized today’s most topical public policy issues — from health care to climate change to taxes and spending — and distributed them to new Members of Congress in August.
- On August 8, the NCPA released a taskforce report entitled, “Enterprise Programs: Freeing Entrepreneurs to Provide Essential Services for the Poor.” Enterprise Programs would combat cost-increasing regulations that have priced low-income families out of the market for many services that are essential to their quality of life, including transportation, child care, security, housing and health care.



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