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## 2011 Fourth Quarter Report

Dear Friend:

2011 was a banner year for the National Center for Policy Analysis. NCPA experts and their ideas appeared more than 4,832 times online, in print and on the radio and TV for an advertising equivalent value of more than \$148,403,016. Here is a brief summary of some of our Fourth Quarter accomplishments, thanks to your support:

**Would Entitlement Cuts Hurt Younger Workers?** Almost everyone agrees that entitlement programs must be reformed in order to stem out-of-control federal spending. Yet there is little agreement on how to do so. Critics of proposals to reduce spending claim that younger workers will be short-changed. A study by NCPA Senior Fellow Andy Rettenmaier and Liqun Liu analyzed three of the most commonly discussed Social Security reforms:

- Progressive price indexing: a way of making benefits grow less rapidly for higher-income workers.
- Changing the benefit formula: a way of reducing the size of monthly benefit cuts.
- Raising the retirement age: increasing it to age 70 by 2032 followed by increases of one month every two years.

The authors found that if future Social Security and Medicare benefits are smaller, then the taxes needed to pay for Medicare will also be smaller. And in some cases, workers would actually come out ahead, with the value of the tax reductions exceeding the loss resulting from benefit cuts. This report was conducted under the direction of former Social Security and Medicare Trustee Thomas R. Saving and was funded by Searle Freedom Trust.

**Reforming the Entitlement State.** The NCPA is producing a major, comprehensive study showing how all America’s current entitlement programs could be replaced by institutions that would enable individuals to make their own choices and self-insure through savings and investment to the extent they are able, and through indemnity insurance where they are not able. Each family and each generation would pay for those risks the individual is unable to bear alone. We’ve received great initial interest by policymakers and other think tanks in this groundbreaking study. I’ll keep you posted.

**Rare Metals and National Security.** Nearly 100 Capitol Hill staffers and industry group representatives attended a conference we hosted on November 2 about the link between the supply of rare earths in the United States and the nation’s safety. Many people don’t know that the U.S. environmental policies against mining have created a perilous dependence on foreign sources of rare earths, which are chemical elements used for a variety of industrial purposes, particularly in critical national defense systems and “green” energy sources. In fact, China has achieved a monopoly of the world’s supply of rare earths (about 97% of the global market) and they have shown no hesitation in using it to manipulate foreign policy. The conference featured several industry and policy experts, including Senator Lisa Murkowski (R-AK) who keynoted, Representatives Doug Lamborn (R-CO) and Mike Coffman (R-CO), and NCPA Senior Fellow Sterling Burnett.



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**Presidential Candidates Rely on NCPA Ideas.** If you’re a political junkie, you know the airwaves have been filled with the latest speculations on and antics of all the presidential candidates. Many of them consider the NCPA to be the premier think tank for health policy reform and have turned to us for our ideas. For example, Newt Gingrich told ABC News in December that the NCPA may be the closest to having a solution to the health policy challenge of finding a freedom-oriented but responsibility-oriented answer to the question of health cost. Rick Santorum recently used NCPA’s research to debunk the skewed estimates of the uninsured. We’re happy to provide market-based suggestions to any candidate that asks.

**Bringing Capitalism to Poor People.** Continuing on our success with our Enterprise Programs task force report, we published four additional pieces which focused on ways to provide necessary services to low-income families through targeted regulatory relief:

- *The Doctor’s Out? Where’s the Nurse*, by Virginia Traweek and me, found that the country cannot continue to discriminate against highly-qualified clinicians and instead should reexamine the scope of practice legislation.
- *Increasing the Supply of Affordable Child Care*, by Diana W. Thomas, explained that instead of improving quality and making child care available to more families, regulation has led to higher prices for families and lower wages for child care staff without improving child care quality.
- *The Jitney Potential: Transportation for the Poor*, by Jennifer Dirmeyer, showed that jitneys could be a flexible and affordable alternative for low-income families.
- *Private Policing Options*, by Kai Jaeger and Edward Peter Stringham, found that the need for private security is greatest for low-income families since they are victimized more often than other income groups.

**NCPA Brings Policy Ideas to College Youth.** A Sumners Distinguished Lecture featuring Bob Beckel and Cal Thomas kicked off the Sumners Scholar Public Policy Seminar weekend. The two called on politicians in both parties to seek common ground in solving our most pressing national problems. The 2011 seminar was attended by 65 Sumners scholarship students from 12 universities. The students heard from high-profile speakers on current topics ranging from the U.S. debt crisis to the implications of the shortage of rare earth elements for national defense to the role of government in health care.

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

John C. Goodman  
President and CEO

**Quarterly Report  
Fourth Quarter, 2011**



*Ideas Changing the World*

# ACTIVITIES

## FOURTH QUARTER HIGHLIGHTS, 2011

### NCPA Briefing: Scarcity of Rare Metals Poses National Security Questions

The scarcity of rare minerals used to produce high technology components for national defense is becoming a serious issue on Capitol Hill.

"A stable supply of these rare minerals is absolutely critical to our nation's ability to compete," said Sen. Lisa Murkowski (*R-AK, right*). "We are wholly dependent on foreign countries, especially China. But the biggest problem to overcome is a federal regulatory system that has slowed down U.S. exploration."



Congressmen Doug Lamborn (*R-CO, left*) and Mike Coffman (*R-CO, center*), also warned of supply restrictions at the briefing, with Coffman calling on all countries to build up strategic reserves.

"It takes eight to 10 years to open a mine in the U.S.; less than two years anywhere else," he said.



## NCPA Provides Reform Recommendations for "Super Committee"

In October, the NCPA formally recommended deficit-cutting ideas to the Joint Committee on Deficit Reduction. Members and their staffs received packets containing a four-page reform summary and related NCPA research.

"Our recommendations include ideas to reform health care, Medicare, Social Security and taxation," said NCPA Legislative Director Brian Williams (*at right*).

"We also proposed ways to control the insatiable spending appetite of Congress," Williams added.

The NCPA reform packets included ideas that should be adopted even if the economy wasn't suffering, such as cutting corporate tax rates to 25 percent or lower, extending the immediate expensing of investment, repealing the destructive taxes and unworkable mandates in ObamaCare, and allowing workers to save for future health care needs, among others.



## Sumners Lecture: Beckel, Thomas Seek Common Ground

Bob Beckel and Cal Thomas, both long-time political observers, called on politicians in both political parties to seek common ground in solving our most pressing national problems at a recent NCPA/Sumners Foundation Distinguished Lecture Series.



*Democrat strategist Bob Beckel (above) and conservative columnist Cal Thomas (left) addressed political gridlock on Capitol Hill at a recent Hatton W. Sumners Distinguished Lecture Series.*

"The public believes in common ground," Beckel said. "They believe people of good faith can sit at a table and work out virtually every problem we have. But we must be willing to do it in a reasonable way."

Both Thomas and Beckel lamented the failure of the Super Committee to reach agreement on the nation's deficit. "There is no major piece of legislation that works in the long run that does not have bipartisan support," Beckel added. But the biggest problem, said Thomas, is that "we have people in both parties who can print money, take your money, and then spend it primarily in ways to get themselves reelected. That's like expecting a drunk to sober up by buying him a bottle of Scotch."

## Sumners Scholars Seminar Attracts More Students from More Schools

More than 65 Sumners scholarship students from 12 universities attended this year's Sumners Scholars Public Policy Seminar. The students discussed current topics in public policy ranging from public education to the U.S. debt crisis, the implications of the shortage of rare earth elements for national defense and the role of government in health care.



The keynote address was provided by NCPA Senior Economist Barry Asmus (*bottom, left*), and the students also attended the Sumners Distinguished Lecture featuring Bob Beckel and Cal Thomas.



NCPA Senior Economist Barry Asmus's keynote address, "A Tribute to America," focused on the roles free markets, personal responsibility and accountability, and private enterprise have played in building and sustaining the American economy.



Students from Austin College, Howard Payne University, Huston-Tillotson University, Schreiner University, Southwestern University, Texas Wesleyan University, the University of North Texas, the University of Dallas and Southern Methodist University attended this year's conference.

Former undersecretary of education in the Reagan Administration and former superintendent of Dallas ISD, Linus Wright (*center*), also spoke about the need for education reform in public schools at both the elementary school and high school levels.

# IN THE NEWS

## FOURTH QUARTER HIGHLIGHTS, 2011

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- In a December op-ed for *The Wall Street Journal*, NCPA Chairman Pete du Pont explained what President Obama's slip in the polls means for the GOP hopefuls.
- On December 23, Kaiser Health News reported how NCPA President John C. Goodman shaped presidential candidate Newt Gingrich's views on health care policy. Gingrich had told ABC News and *The Washington Post* on December 12 that it was Goodman's health reform ideas that changed his mind about health care mandates. And in a televised interview with ABC News on December 2, Gingrich commended Goodman's policy proposals as the solution to the health cost challenge.
- In a December 19 op-ed for *The Wall Street Journal*, Goodman discussed the unfairness of President Obama's health care "individual mandate."
- On December 14, *Reason Magazine* (online) quoted Goodman on Medicare financing; specifically that, after Medicare, the country "began to have health inflation that has never quit."
- In a December 14 article, *Forbes* contributor Merrill Matthews discussed Goodman's key role in the origins of consumer-driven health care.
- NCPA Senior Fellow Bill Conerly discussed the economic benefits of businesses owning their own real estate in a December *Forbes* commentary.
- NCPA Distinguished Fellow Bob McTeer was quoted in a December 12 *BusinessWeek* story on bank credit growth and argued that the bank credit statistics show that more stimulus isn't needed.
- An NCPA study on Social Security reform options by NCPA Senior Fellow Andrew Rettenmaier and Texas A&M Research Scientist Liqun Liu was featured in *The Dallas Morning News* on December 3.
- In his November op-ed for *The Wall Street Journal*, du Pont weighed in on the President's reelection bid if he bumped up Joe Biden for Secretary of State Hillary Clinton on the ballot.
- In a November 24 commentary for *Forbes* (online), McTeer discussed the impact of regulation on job creation.
- In a November 23 story on the fate of "ObamaCare" in the Supreme Court, *The American Spectator* mentioned Goodman's work on Health Savings Accounts.
- On November 23, NCPA Senior Fellow H. Sterling Burnett was featured in a *Heartlander* article regarding the EPA's banning of rat and mouse poison.
- As part of Forbes.com's Human Ingenuity series on November 21, Goodman addressed cost-saving solutions for reforming health care.



*NCPA Chairman Pete du Pont weighed in on Obama's chances of reelection and GOP chances in the upcoming 2012 election, in three separate commentaries for The Wall Street Journal.*



*In a televised interview with ABC News on December 2, presidential candidate Newt Gingrich commended NCPA President John C. Goodman's policy proposals as the solution to the health cost challenge. (The above picture was taken at an NCPA event during the 1990's.)*

- During an interview on November 4 with Cal Thomas, Mark Davis of WBAP Newsradio promoted the Hatton W. Sumners Distinguished Lecture Series featuring Thomas and Bob Beckel.
- On November 3, the *Pittsburgh Tribune-Review* and *Human Events* (online), among other media outlets, highlighted an NCPA-sponsored, Washington, D.C., conference on the dangers of relying on limited supplies of rare earth elements from China.
- McTeer provided a candid view into the Fed's economic forecasts in a November 3 *Forbes* commentary.

- On November 1, FoxNews.com quoted Goodman on how health reform will incentivize private companies to drop employee health insurance coverage.
- NCPA Senior Fellow Devon Herrick was quoted in a November 1 *Wall Street Journal* Smart Money article on the increasing drug shortage crisis.
- Washington, D.C., reporter Jim Landers included NCPA Senior Fellow Pam Villarreal's views on wealth and income disparities in a November 1 article for *The Dallas Morning News*.
- On October 21, *National Review* (online) profiled a flat tax idea from Goodman and Senior Fellow Laurence Kotlikoff.
- In his October op-ed for *The Wall Street Journal*, du Pont assessed President Obama's reelection chances in this year's presidential election.
- Herrick was featured in an October 18 *Heartlander* article describing the flaws of the long-term care program in the Affordable Care Act.
- In advance of the October 11 GOP debate, *The Washington Post* collected 10 questions from influential think tank executives, including one from Goodman.
- Villarreal and NCPA Hatton W. Sumners Scholar Peter Swanson spotlighted how health care reform could spur small firms to rely more on temps, in an October 11 article in *Small Business Executive*, and in *The Washington Post* on October 13.
- On October 2 in a piece for *Forbes*, McTeer commented on bank fees and profits.



*NCPA Distinguished Fellow and CNBC Contributor Bob McTeer discussed the impact of regulation on job creation, FOMC forecasts, and bank fees and profits in three separate commentaries for Forbes (online).*

# PUBLICATIONS

## FOURTH QUARTER, 2011

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- Progressive price indexing for Social Security would substantially reduce the long-run funding gap to \$3.2 trillion from the current law funding gap of \$16.1 trillion, say NCPA Senior Fellow Andrew J. Rettenmaier, and Texas A&M Research Scientist Liqun Liu, in their recent NCPA study, “How Reforms Would Affect Social Security’s Funding Shortfalls, Total Spending, and Distribution of Benefits and Taxes.”
- A 2006 report from the Colorado Department of Regulatory Agencies found no evidence that private security guards abuse their power, even in the absence of statewide regulation, say NCPA Enterprise Programs Task Force members Kai Jaeger and Edward Peter Stringham, in their Brief Analysis, “Private Policing Options for the Poor.”
- There were 74 newly reported drug shortages in 2005; in mid-2011 there were about 246 shortages, says NCPA Senior Fellow Devon Herrick, in his Issue Brief, “What to Do about Drug Shortages.”
- Transportation costs account for about 17 percent of the total household expenditures of the average American family -- second only to housing, says NCPA Enterprise Programs Task Force member Jennifer Dirmeyer, in her Brief Analysis, “The Jitney Potential: Transportation for the Poor.”
- Sixty percent of federal gas tax revenue goes to highways and bridges, and the remainder is earmarked for specific programs, such as repairing lighthouses, paving bike paths and building museums, say NCPA Graduate Student Fellow Brian Bodine and NCPA Senior Fellow Pamela Villarreal, in their Brief Analysis, “Paying for Pet Projects at the Pump.”
- Federal spending represented only 23 percent of total public spending on infrastructure in 2007, says Hatton W. Sumners Scholar Peter Swanson, in his Brief Analysis, “Infrastructure Funding: Taking the Wrong Path.”
- Production of solar panels in countries other than China fell from 85 percent of the world market in 2003 to 58 percent in 2009, says NCPA Senior Fellow H. Sterling Burnett, in his Issue Brief, “Will Green Energy Make the United States Less Secure?”
- Families with less than \$1,500 in monthly family income spend on average 30 percent of their income on child care, says NCPA Enterprise Programs Task Force member Diana W. Thomas, in her Brief Analysis, “Increasing the Supply of Affordable Child Care.”
- In Sydney and Melbourne, Australia, a median priced house, including additional mortgage interest, now costs a household at least \$750,000 more than an affordable home in the past, says NCPA Adjunct Scholar Wendell Cox, in his Brief Analysis, “International Housing Affordability.”
- The structure of the health exchange subsidies will encourage low-income workers to congregate in companies that do not provide insurance and high-income employees to work for firms that do provide it, says NCPA Senior Fellow Devon Herrick, in his Brief Analysis, “Health Exchange Subsidies Will Reduce Employer Health Plans.”
- Nurse practitioner regulations have the greatest impact on the poor, especially the rural poor, say NCPA Graduate Student Fellow Virginia Traweek and NCPA President John C. Goodman, in their Brief Analysis, “The Doctor’s Out. Where’s the Nurse?”
- Before the banking crisis, the top 10 banks in the United States held 55 percent of total assets in the banking sector; today, they hold 77 percent, says NCPA Research Assistant Karlyn Gorski, in her Brief Analysis, “Dodd-Frank Creates Obstacles, Restricts Growth.”
- In 2000, 2.7 million temporary employees accounted for two percent of U.S. workers, say NCPA Senior Fellow Pamela Villarreal and Hatton W. Sumners Scholar Peter Swanson, in their Brief Analysis, “Temporary Employment: The New Permanent?”
- The Patient Protection and Affordable Care Act will leave an estimated 23 million people without coverage and millions more will have difficulty accessing a doctor, says NCPA Senior Fellow Devon Herrick, in his Brief Analysis, “Crisis of the Uninsured: 2010 and Beyond.”



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