

2 February 2010

# Today's Tabbloid

PERSONAL NEWS FOR [lgm@limitedgovernmentnetwork.com](mailto:lgm@limitedgovernmentnetwork.com)

FISCALLY CONSERVATIVE BLOG FEEDS

## Five Decades of Federal Spending [Cato at Liberty]

FEB 01, 2010 05:05P.M.

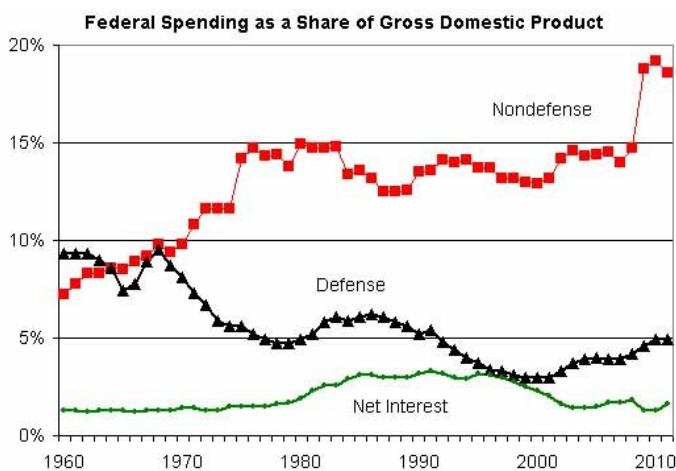
By Chris Edwards

The chart below shows federal spending in three component parts over the last five decades. It includes Obama's proposed spending in 2011. Here are a few thoughts on the recent spending trends:

**Defense:** In the post-9/11 years, defense spending bumped up to a higher plateau of around 4 percent of GDP. But now we have jumped to an even higher level of around 4.9 percent of GDP.

**Interest:** The Federal Reserve's easy money policies reduced federal interest payments in recent years. That is coming to an end. Obama's budget shows that interest payments will start rising rapidly next year and hit 3 percent of GDP by 2015. And that's an optimistic projection.

**Nondefense:** This category includes all other federal spending. After a steady decline during the Clinton years to 12.9 percent of GDP, President Bush pushed up nondefense spending to a higher plateau of around 14.5 percent. Then came the recession and financial crisis, and the Bush-Obama tag team hiked spending to an even higher level of around 19 percent of GDP. That level of nondefense spending is almost double the level in 1970 measured as a share of the economy.

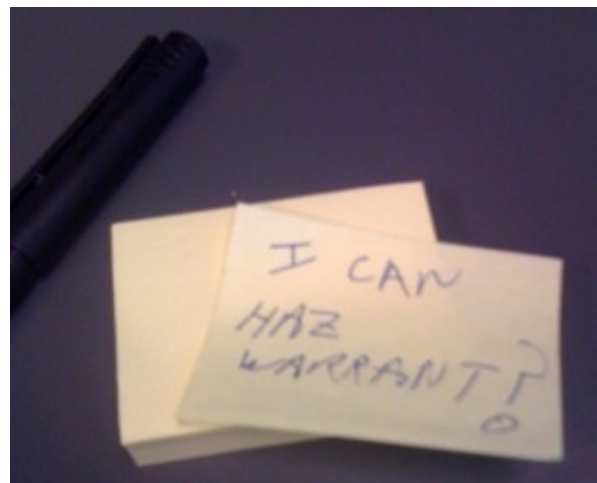


FISCALLY CONSERVATIVE BLOG FEEDS

## Retroactive Surveillance Immunity, Obama Style [Cato at Liberty]

FEB 01, 2010 05:01P.M.

By Julian Sanchez



There's a lot to unpack in the Office of the Inspector General's blistering 300-page report on illegal FBI abuse of surveillance authority issued last month, but I want to highlight one especially worrisome aspect, about which I spoke with *The Atlantic's* Marc Ambinder earlier today.


The very short version of the report's background finding is that, for several years, analysts at the FBI blithely and illegally circumvented even the minimal checks on their power to demand telephone records under the PATRIOT Act. I'll go into this further in a future post, but there are strong indicators that the agents involved knew they were doing something shady. Thousands of records were obtained using a basically made-up process called an "exigent letter" wherein they ask for records with what amounts to an IOU promising legitimate legal process any day now. (In many of those cases, the legitimate legal process would not actually have been available for the records obtained.) Still more disturbing, an unknown number of records were obtained without even this fictitious process: Agents simply made informal requests verbally, by e-mail, or via post-it note. And hey, why bother with subpoenas or National Security Letters when you can just slap a sticky on someone's monitor?

Treated to a preview of the OIG's damning conclusions, the FBI was eager to find some way to cover its massive lawbreaking. So they apparently crafted a novel legal theory after the fact, in hopes of finding some way to shoehorn their actions into federal privacy statutes. On January 8—as in four weeks ago, years after the conduct occurred—the Office of Legal Counsel seems to have blessed the FBI's theory, which unfortunately remains secret. Democratic Sens. Russ Feingold, Dick Durbin, and Ron Wyden have asked the Justice Department for details, but at present we just don't know what kind of loopholes DOJ believes exist in the law meant to protect our sensitive calling records.

Communications records are generally protected by Chapter 121 of Title 18, known to its buddies as the Stored Communications Act. The few snippets of unredacted material in the OIG report suggest that the FBI's argument is that the statute does not apply to certain classes of call records. Presumably, the place to look for the loophole is in §2702, which governs voluntary disclosures by telecom firms. There is, of course, an exemption for *genuine* emergencies—imminent threats to life and limb—but these, we know, are not at issue here because most of the records were not sought in emergency situations. But there are a number of other loopholes. The statute governs companies providing electronic communications services “to the public”—which encompasses your cell company and your ISP, but probably not the internal networks of your university or employer. The activity at issue here, however, involved the major telecom carriers, so that's probably not it. There's another carve-out for records obtained with the consent of the subscriber, which might cover certain government employees who've signed off on surveillance as a condition of employment. We do know that in some cases, the records obtained had to do with leak investigations, but that doesn't seem especially likely either, since the FBI claims (though the OIG expresses its doubts about the veracity of the claim) that the justification would apply to the “majority” of records obtained.

My current best guess, based on what little we know, is this. The SCA refers to, and protects from disclosure to any “government entity,” the records of “customers” and “subscribers.” But telecommunications firms may often have records about the calling activity of people who are *not* the customers or subscribers of that company. For example, reciprocal agreements between carriers will often permit a phone that's signed up with one cell provider to make use of another company's network while roaming. When these outside phones register on a network, that information goes to a database called the Visitor Location Register. You could imagine a clever John Yoo type arguing that the SCA does not cover information in the VLR, since it does not constitute a “subscriber” or “customer” record. Of course, it beggars belief to think that Congress intended to allow such a loophole—or, indeed, had even considered such technical details of cell network architecture.

My guess, to be sure, could be wrong. But that just points to the larger problem: The Justice Department believes that some very clever lawyerly reading of the privacy statutes—so very clever that despite the rampant “creativity” of the Bush years, they only just came up with it a few weeks ago—permits the FBI to entirely circumvent all the elaborate systems of checks and balances in place (or so we thought) to protect our calling records. If investigators can write themselves secret exemptions from the

clear intent of the law, then all the ongoing discussion about reform and reauthorization of the PATRIOT Act amounts to a farcical debate about where to place the fortifications along the Maginot Line. 

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FISCALLY CONSERVATIVE BLOG FEEDS

## QDR: The Pentagon Hedges [Cato at Liberty]

FEB 01, 2010 04:33P.M.

By Christopher Preble

As usual, Ben Friedman beat me to the punch regarding the Quadrennial Defense Review (QDR) (.pdf), and, as usual again, he nails it.


I do see some value in the exercise, however. So let's not “forget it” just yet.

By constructing a rationale to justify our existing defense posture, and providing a blueprint for force planning into the future, the QDR can be particularly useful for taking on some sacred cows. For example, the proposals to cancel the CG(X) cruiser, shut down production of the C-17 and the F-22, restructuring the DDG-1000 destroyer and the Future Combat Systems program, are sure to rile up members of Congress who continue to treat the defense budget as just another vehicle for dispensing pork barrel goodies to a handful of constituents. By singling these programs out as inconsistent with our strategic objectives, the QDR forces the advocates of these programs to come up with different rationales, beyond the inevitable “jobs, jobs, jobs” mantra.

But the QDR can only do so much. The real culprit driving an enormous defense posture is a national security strategy which presumes that the United States is, and always will be, the world's indispensable nation. We need a different grand strategy, one that would shift some of the burdens on our friends and allies around the world who have grown too comfortable under the U.S. security umbrella.

There is vague language in the QDR about evolving our strategic posture in different regions, and emphasis on building capacity, but the bottom line is the same as it has been for decades: a de facto permanent presence for U.S. forces in Europe and Asia, and continued attention to security in “key regions” (a phrase that appears seven times), which could be construed as everywhere in the world.

For nearly two decades, the United States has been the policeman for the world. If the senior civilian leadership in the White House had decided to push other countries to take responsibility for their own security, and for security in their respective regions, the QDR might have become a vehicle for responsibly shaping a smaller military that is explicitly oriented toward defending U.S. security. Instead, because the military is convinced that they will be expected to answer all of the world's 911 calls for the foreseeable future, the Pentagon hedged its bets.

I can't say that I blame them. 

FISCALLY CONSERVATIVE BLOG FEEDS

## Deficit Prognostications [Cato at Liberty]

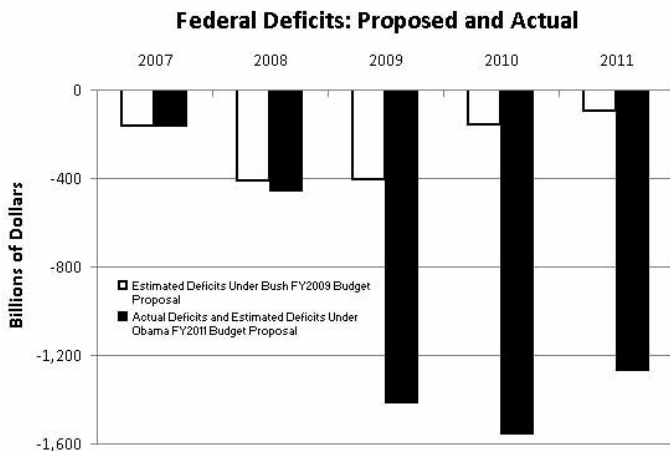
FEB 01, 2010 04:05P.M.

By Tad DeHaven


Exactly two years ago, George W. Bush released his final budget. Here's what the *Washington Post* had to say:

[T]he president's budget envisions a big jump in the budget deficit, from \$163 billion in 2007 to about \$400 billion in 2008 and 2009. Much of that increase will be the result of a slowing economy and a stimulus package expected to cost about \$150 billion.

Today's release of President Obama's FY 2011 budget shows that those deficit prognostications were way off:




Instead of a “big jump” to \$400 billion in 2009, the actual deficit turned about to be a *trillion dollars higher*. Bush deserves most of the blame for that deficit, but the 2010 and 2011 deficits will be on Obama.

The frightening prospect is that, like Bush, Obama's future budget projections will also turn out to be low-balled. Whether it has been war, natural disasters, or a recession, Bush and Obama have both responded to any “crisis” by spending gobs of money. Given that even Obama is projecting annual deficits still in the trillion dollar range by 2020, taxpayers had better hope the Taliban, Mother Nature, and the economy start cooperating. 

FISCALLY CONSERVATIVE BLOG FEEDS

## US Attorney Reviews Call for Probe into SEIU President Andy Stern's Lobbying Activities [Americans for Tax Reform]

FEB 01, 2010 03:44P.M.

Today, new reports confirm that the United States Attorney, Channing Phillips, is reviewing our Nov. 13 request for an investigation into the potential violation of the Lobbying Disclosure Act (LDA) b... 

FISCALLY CONSERVATIVE BLOG FEEDS

## The Unrelenting Battle over Campaign Finance [Cato at Liberty]

FEB 01, 2010 03:42P.M.

By Roger Pilon

Following on the heels of November's gubernatorial elections in Virginia and New Jersey, the loss of Ted Kennedy's Senate seat in Massachusetts two weeks ago was a devastating blow to Democratic Party hopes. But it must have been especially devastating to President Obama, who promised an adoring University of Missouri crowd, just before he was elected, that “We are five days away from fundamentally transforming the United States of America.” Yet it would appear, judging from the unrelenting commentary and from the president's own behavior last week, that those losses pale in comparison to the government's loss before the Supreme Court two days after the polls closed in Massachusetts. For 11 days now the wailing over the Court's *Citizens United* decision has not ceased. Indeed, campaign finance regulation, intimately connected to incumbency protection, is a bedrock principle of modern liberalism.

Exhibit A is E.J. Dionne's column today in the *Washington Post* — his second in a week on the subject. Last week, railing against the “reckless decision by Chief Justice John Roberts's Supreme Court and the greed of the nation's financial barons,” he charged the Court with “an astonishing display of judicial arrogance, overreach and unjustified activism” and urged “a new populist-progressive alliance” to demand “legislation to turn back the Supreme Court's effort to undermine American democracy” — including a bill prohibiting political spending by corporations who hire lobbyists, no less.

Today, however, Dionne has last Wednesday's unseemly episode of Obama rebuking a silent Supreme Court to work with. And, like the

immortal Daniel Schorr on yesterday's NPR Sunday Morning, he puts all the blame on Justice Samuel Alito for seeming to mouth, silently, "Not true" when Obama, before all assembled and a watching nation, tendentiously misstated the holding in *Citizens United*. But Dionne doesn't stop there, of course. No, he thanks Alito. You see, "Alito's inability to restrain himself" brought a long-ignored truth to the nation: "The Supreme Court is now dominated by a highly politicized conservative majority intent on working its will, even if that means ignoring precedents and the wishes of the elected branches of government." Likening Obama's behavior to President Reagan's writing a 1983 article criticizing *Roe v. Wade* — I didn't make that up — Dionne chastises conservatives for their double standard: "Reagan had every right to say what he did. But why do conservatives deny the same right to Obama?" Where does one begin?

Turning finally to "the specifics of Obama's indictment," Dionne tries to defend the president's misstatements, but unfortunately the precision ordinarily expected of such a wordsmith seems to have deserted him. Citing Obama's claim that the Court had reversed "a century of law" and also opened "the floodgates for special interests — including foreign corporations," Dionne writes that "Obama was not simply referring to court precedents but also to the 1907 Tillman Act, which banned corporate money in electoral campaigns." That's not what the Tillman Act did: It banned *direct* corporate contributions to campaigns. Only in 1947 were independent campaign expenditures by corporations (and unions) banned — and more clearly so only in 1990, which is the ban the Court overturned. Moreover, pace Obama, foreign corporations are still specifically banned from contributing anything of value "in connection with a Federal, State or local election." Thus, in claiming, without more, "that the ruling opens a loophole for domestic corporations under foreign control to make unlimited campaign expenditures," Dionne seems simply to be passing along what he's read or heard from others. Nothing in the Court's opinion warrants that conclusion.

But it's Dionne's larger claim that most demands an answer — that an "activist" Roberts Court, exercising "raw judicial power," is "ignoring precedents and the wishes of the elected branches of government." That's hardly the definition of "activism." That's what the Court *should* be doing, where it's warranted by the Constitution, whether the Court is defending the rights of blacks to attend unsegregated schools or of gays to sexual freedom or of corporate owners, the shareholders, to engage in political speech through their corporation consistent with their articles of incorporation and by-laws. The claim that corporations aren't people is a red herring. Corporate *owners* are people, and their right to speak can take many forms. Fortunately, we have a First Amendment, which protects not only corporate owners but E.J. himself from all but the error of his ways.

[Cross-posted at Politico Arena] 

FISCALLY CONSERVATIVE BLOG FEEDS

## Financial Fiasco: 'Best Books of 2009' [Cato at Liberty 'Best Books of 2009']

FEB 01, 2010 03:38P.M.

By David Boaz

Johan Norberg's *Financial Fiasco: How America's Infatuation with Homeownership and Easy Money Created the Economic Crisis* has been named one of the best books of 2009 by the *Spectator*, Britain's most important political affairs magazine. Excerpt:

Ever since the crash, I have been waiting for Johan Norberg to write about it — and finally, this year, he has obliged. I have three copies of his first book, *In Defence of Globalisation*, with varying degrees of annotation. I have already started to deface *Financial Fiasco*, his book showing how governments created this mess. The American government pumped up the housing bubble — and then there was a collective delusion that the market was rational. As Norberg says, the market is no more than a collection of humans who fall prey to hubris. And their hubris was imagining that computer models had eliminated risk: that the boom would not be followed by a bust.

It previously got an excellent review in the *Financial Times*. It's enough to make you think that the elite British press are smarter than the elite American press. 

FISCALLY CONSERVATIVE BLOG FEEDS

## Manhattan Says No to Terror Trials [Cato at Liberty]

FEB 01, 2010 03:37P.M.

By Roger Pilon


Today, Politico Arena asks:

Terror trials: Is it time for the administration to retreat and rethink? Is it generally mishandling the terrorism issue?

My response:

On no issue is President Obama getting acquainted with reality more clearly than terrorism, or so it seems. He blazed into office, guns holstered, as the anti-Bush, putting Eric Holder's Justice Department in charge, not of the War on Terror, a phrase he banished from his

administration's lexicon, but of "bringing those who planned and plotted the [9/11] attacks to justice," as Holder put it in November when he announced that Khalid Sheikh Mohammed and four others would be given civilian trials in downtown Manhattan. But as the manifold costs of such a trial became increasingly apparent, and as even New York Democrats have grown increasingly restive, the White House, it seems, has backed down. We await the line of congressmen saying "Bring the trial to my district."

How could it be otherwise? The administration's law-enforcement approach to terrorism has been unserious and folly from the start. In an understated yet devastating piece in yesterday's *Washington Post*, former CIA director Michael V. Hayden cataloged that folly, nowhere more evident than in the FBI's handling of the would-be Christmas Day bomber, who was Mirandized and lawyered up long before he could be seriously interrogated by agents with the background to elicit the intelligence we need — not to *prosecute* terrorists, but to *prevent* future terrorist attacks. The most telling revelation in Hayden's piece came at the end, however. In August, the government unveiled its High Value Detainee Interrogation Group (HIG) designed to interrogate people like the Christmas Day bomber, and it announced also that the FBI would begin questioning CIA officers about alleged abuses in the 2004 inspector general's report. Was the HIG called in to interrogate the Christmas Day bomber? No — it has yet to be formed. But the interrogations of CIA officers are proceeding apace. So much for the administration's priorities. Is it any wonder that Scott Brown's pollsters report that terrorism, and the administration's mishandling of the issue, polled better even than Brown's opposition to ObamaCare? 

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#### FISCALLY CONSERVATIVE BLOG FEEDS

## An Issue Campaign Passing as Intellectual Inquiry [Cato at Liberty]

FEB 01, 2010 03:18P.M.

By Jim Harper

I was pleased when I learned that Harvard professor Lawrence Lessig had asked to come speak to us at Cato. Julian Sanchez has done a terrific job of capturing some of the subjects highlighted by his visit last week. Lessig is very keen on public financing of elections. In the end, however, Lessig's visit reminded me of a birthday party I attended many years ago—something had been wrong with the cream sauce on the tortellini.

The day after Professor Lessig spoke to a small group of us at lunch, a friend forwarded me an email he had sent to his followers describing his visit to our "prominent conservative think tank." His email, PowerPoint presentation, and talk were all framed as if we are on "the right," which doesn't sit well with many of us given the profound errors of modern

conservatism.

I don't mind when politicians, reporters, and cab drivers call the Cato Institute "conservative." I don't expect them to know better. I'll even use the "conservative" moniker to advantage as an advocate if it can communicate that our support of civil liberties spans ideologies. But Lessig knows the difference between conservative and libertarian, and he wasn't trying to show that there's pan-ideological agreement on certain ideas. Or maybe he was...

His email talked about how, "nearly universally, [we] saw the same problems [he] did," about our "shared" views, and "agreement that 20 years of conservative Presidents in the last 29 did not produce less government or simpler taxes." Conspicuously absent was any reference to the polite but persistent challenges we addressed to Professor Lessig's thesis, framing, and assumptions in the discussion that followed his presentation.

I think most of us believe that money ineluctably follows power. Accordingly, smaller government—not "better" campaign finance laws, and definitely not speech controls—will reduce the need for, and power of, money in politics.

But as I thought about it, I continued to grow doubtful that Professor Lessig was interested in an actual discussion of such issues. Why, for example, did he deliver a 20-minute, canned PowerPoint presentation—decent fare for college students—to ten or so Ph.D.s in economics and political science, top think-tank executives, and deeply experienced Washington hands? (And, ugh, the corny appeal to Ronald Reagan.) It wasn't to bring the conference staff up to speed. My conclusion is that Lessig came to produce a video he could tout to his fan-base. *Lessig tames the conservative lions.*

Reviewing the tape with this thesis in mind, I had reason to second-guess Lessig's assertion that he had convinced Richard Epstein to support public funding of elections in a recent debate. What Lessig said, exactly, was this:


Richard Epstein ... at the end of this debate was willing to concede that in his view the only solution he saw—or one solution, he also wants term limits—but one solution to this economy of influence, this economy of corruption, was, as he described it, public funding.



I'd characterize it as a recorded conversation, but Lessig spins it as a full-fledged debate, taking Epstein's cordiality as concessions on key points.

The image I've reproduced here, from Lessig's PowerPoint, reaffirms to lay audiences that Epstein is a supporter of public funding. Imagery like this is fair in political campaigns. But it's unfair in intellectual discussions—especially when communicated to thousands of people who don't know Epstein's thinking well.

I also went ahead and asked Professor Epstein what he thinks of Professor Lessig's characterizations—something Lessig might have done before splashing "public funding" across Epstein's face. Professor Epstein's thoughts appear in a companion to this post.

Professor Lessig is an important public intellectual, and the issues he has focused on are important. But my sense is that his visit to Cato used the pretext of intellectual inquiry to make the Cato Institute a prop in his campaign to promote public funding of elections. I don't think he should have associated our organization with that campaign. 

FISCALLY CONSERVATIVE BLOG FEEDS

## Lawrence Lessig, Libertarian [Cato at Liberty]

FEB 01, 2010 03:15P.M.

By Richard A. Epstein

This past week Professor Lawrence Lessig of the Harvard Law School dropped into the Cato Institute to give his stump speech on his new passion: the corruption in government. There is no question that he has picked a subject large enough to test his own ambitions, for the ever expanding size of government opens up new avenues for political intrigue that leave the defenders of small government like myself in tears, no matter which party is in power.

Lessig and I, it seems, share a common bond on the identification of the disease. But his presentation to the Cato Institute did not reflect the chasm on the question of remedy. Lessig is a one-dimensional man. Once he thinks that public funding of elections is the cure for the political disease, he mounts his crusade. I am an academic, not a public crusader. And I don't much appreciate being enlisted without my knowledge in a campaign not entirely to my liking.

So by way of penance, I think that Lessig should enlist himself in my academic cause. I hope that in the spirit of internet openness he will post on his web site my take on his venture. He could start by adding a third caption to the (unauthorized) use of my picture: After putting the words, Public Funding, he should make the new slide "Public Funding Skeptic"—which best captures the flow of our discussion. In the course of that exchange, I identified what I thought was the cause of the current malaise.



At various times, I extolled the virtues of *Lochner v. New York*, and championed a narrow reading of the commerce power. I passionately defended the use of term limits—10 in the house and four in the senate—that were short enough to have some bite, but long enough to allow for continuity in government. I attacked the built-in incumbent


bias to modern elections. I went out of my way to denounce the limitations on campaign funding contained in the McCain/Feingold Act, which just got beat up in the Supreme Court's recent decision in *Citizens United v. Federal Election Commission*, just as I hoped it would do in my prior Forbes.com column. I insisted that limitations on campaign finance could intensify the lobbying on particular issues. Truth be known, he was doing all the back-pedaling, not me.

You can be the judge: just listen to our discussion to see if it lines up with the mock-heroic account of his own intellectual derring-do he gave to his Cato audience, two of whom emailed me to ask, what gives:

Richard Epstein ... at the end of this debate was willing to concede that in his view the only solution he saw—or one solution, he also wants term limits—but one solution to this economy of influence, this economy of corruption, was, as he described it, public funding.



Note how much error Lessig can pack into a single sentence. It wasn't a debate. I didn't "concede" a thing, least of all to him. I didn't "also want" term limits. I was gung ho for them. I didn't particularly support public funding initiatives. I didn't oppose them in small elections, even though I thought they were likely to fail.

Next note the omissions. Lessig never mentions that most of my remarks were devoted to explaining why efforts to stop political action won't do much good unless and until the rules of the game are so altered so that politicians have little to sell or little to threaten. So in a spirit of generous reciprocation, I hereby announce that Lessig has "conceded" the soundness of all my attacks on the New Deal and thus count him as a principled ally in the fight for structural reform that returns us to the original constitutional design. Then think just how much harder that task has become. If the self-appointed champion in the war against corruption can't be counted on to give an accurate account of a recorded dialogue in which he took part, what chance do the rest of us mere mortals have to put an end to political corruption? 

#### FISCALLY CONSERVATIVE BLOG FEEDS

## How to Reform Health Care? 'Let Them Have Choice' [Cato at Liberty]'Let Them Have Choice']

FEB 01, 2010 03:14P.M.

By Michael F. Cannon

This is big.

The federal tax code creates a large tax preference for employer-sponsored health insurance. As a result, 61 percent of non-elderly Americans obtain health insurance through an employer. That tax preference creates all sorts of problems. It encourages more comprehensive health insurance and wasteful health care spending. It deprives many workers of their health coverage at the moment they need it most: when they get sick and can no longer work. And it denies workers the benefits of being able to choose their health plan. Eighty percent of those who work for an employer that offers health benefits have at most two health-plan choices, which are typically both run by the same insurer.

To date, no one had really quantified the damage done by denying workers the ability to choose their own health insurance. The only guesstimate of which I had been aware was by Mark Pauly, Allison Percy, and Bradley Herring, who "infer[red] that the true value of the welfare loss may actually be in the neighborhood of 5–10 percent," which was enough to negate any advantage that employer-sponsored insurance offers by virtue of its lower administrative costs.

A new working paper titled, "Let them Have Choice: Gains from Shifting Away from Employer-Sponsored Health Insurance and Toward an Individual Exchange," by Leemore Dafny, Katherine Ho, and Mauricio Varela, offers a more precise estimate of how much workers suffer because the federal tax code denies them their choice of health plan — and how much they would gain if they had greater choice. (The authors have a shorter paper explaining their results here.) They write:

We estimate the median welfare gain from expanding choice amounts to roughly 20 percent of premiums. For the vast majority of employee groups and alternative model specifications, the gains from choice are likely to outweigh potential premium increases associated with a transition from large group to individual pricing.

Dafny, Ho, and Varela's results provide a huge boost to free-market health care reforms.

One of the main goals of free-market reforms is to eliminate the tax code's preference for employer-sponsored insurance — and the corresponding tax penalty imposed on people who purchase health insurance directly from an insurer. There are many ways level that

playing field, including health-insurance tax credits, a standard deduction for health insurance, and (my preference) “large” health savings accounts. Those reforms would give people seamless coverage between jobs, protection against premium increases if they got sick, and much greater choice.

The standard criticisms of those proposals is that they would tax health benefits (“for the first time in American history,” no less!) and move people onto the “individual market,” where medical underwriting and higher administrative costs would increase premiums. In a recent paper, I explain how Large HSAs would result in an effective tax *cut* of nearly \$10 trillion over 10 years, with the largest effective tax cuts going to the sickest workers. I further explain how Large HSAs would reduce the problem of pre-existing conditions enabling people to purchase seamless coverage that doesn’t become more expensive just because you get sick.

Dafny, Ho, and Varela buttress the argument for Large HSAs and other tax reforms by showing that even though administrative costs may rise slightly, the benefits of giving workers more health insurance choices would overwhelm those costs.


Of course, advocates of greater government regulation will claim that Dafny, Ho, and Varela’s results show that the “exchanges” implemented in Massachusetts and envisioned in President Obama’s health plan would also benefit workers by giving them more choices than their employers currently offer. As I explain elsewhere, however, the Massachusetts and Obama health plans would actually limit health insurance choices, both immediately and over time, until they marched all Americans into a narrow range of health plans, or just one type of plan. Dafny, Ho, and Varela’s results are an argument *against* ObamaCare, not for it.

Many thanks to Dafny, Ho, and Varela for highlighting the harm done by government interference in health care markets, and the benefits of free-market reforms. 

## FISCALLY CONSERVATIVE BLOG FEEDS

## What does the “budget freeze” actually mean? [Americans for Tax Reform]

FEB 01, 2010 03:00P.M.


We’ve reported previously on what President Obama’s proposed “spending freeze” actually amounts to (not much at all), but here’s a great visual representation understandable to the tax-guru ... 

## FISCALLY CONSERVATIVE BLOG FEEDS

## Monday Links [Cato at Liberty]

FEB 01, 2010 02:19P.M.


By Chris Moody

- Another day, another IPCC-gate.
- Why remaining in Afghanistan and creating a stable government there is not a precondition to keeping America safe. For more, watch the debate on Bloggingheads.
- Jeffrey Miron: “Leave Mideast, end terrorism.”
- Could Iran’s nuclear program be a sacrificial pawn?
- Globalization: A curse or a cure?
- Podcast: “Liberate Bone Marrow Donors” featuring Jeff Rowes of the Institute for Justice. 

FISCALLY CONSERVATIVE BLOG FEEDS

## Utah Legislators Paving the Way for Higher Taxes [Americans for Tax Reform]


FEB 01, 2010 02:10P.M.

Like most Utahans, ATR was pleased to hear Gov. Herbert in his State of State address declare that the best path for Utah is “continued fiscal restraint and to not raise taxes.”&nbsp; 

FISCALLY CONSERVATIVE BLOG FEEDS

## Initial Thoughts on the New Obama Budget [Americans for Tax Reform]

FEB 01, 2010 01:16P.M.

A few early thoughts on the FY 2011 Obama budget: It's important to keep the 30,000 feet view in mind. The top-line estimate for taxes, spending, and debt over the next decade can be foun... 

FISCALLY CONSERVATIVE BLOG FEEDS

## Club for Growth PAC's Refund Campaign Costs Specter \$600K [The Club for Growth]

FEB 01, 2010 12:47P.M.

WASHINGTON S COMMITTEE. 202-955-5500. 

FISCALLY CONSERVATIVE BLOG FEEDS

## Obama Can Blame Bush All He Wants, But His Budget Is Even Worse [Cato at Liberty]


FEB 01, 2010 12:20P.M.

By Tad DeHaven

In the defensive-sounding statement released with his budget this morning, President Obama repeatedly blames the previous administration for leaving him in a position where he had “no choice” but to send the nation deeper into debt. He blames “irresponsible risk-taking and debt-fueled speculation—unchecked by sound oversight” for a deep recession that he speciously claims his administration’s massive spending prevented from becoming a depression.

Not once does the president acknowledge the role the government played in fomenting the recession. Instead, the president promises to move away from “business as usual” even though more spending, deficits, and debt are precisely that: business as usual. In this regard, the Obama administration’s first term is looking more like George W. Bush’s third term. Bush left the president with a \$1.4 trillion deficit in FY2009; the deficit under Obama’s first year is set to rise to \$1.6 trillion and would still be \$1.3 trillion in FY2011.

Just like Bush, the president proposes minuscule savings through a small number of program terminations and reductions. But overall spending continues to rise, and in a \$3.8 trillion budget the president’s disingenuous attempt to “cut” anything amounts to little more than a rounding error. The president also proposes to freeze non-security discretionary spending for three years, which he falsely claims will “help put our country on fiscally sustainable path.” In reality, last year’s stimulus and appropriations spending binge will mean actual outlays for this tiny portion of the overall budget will still be higher than what Obama inherited.

The president says that “rising to these challenges is the responsibility we bear for the future of our children, our grandchildren, and our nation.” The truth is our children and grandchildren are going to pay a painful price for the Bush/Obama profligacy. Present and future generations would be better served by Washington putting on the spending breaks and bringing to an end the economic distortions caused by government interventions. 

FISCALLY CONSERVATIVE BLOG FEEDS

## There Is Some Budget Good News, but It Is Actually Really Bad News [Cato at Liberty]

FEB 01, 2010 12:06P.M.

By Daniel J. Mitchell

The Office of Management and Budget has released the President's FY2011 budget and the Congressional Budget Office has released its semi-annual Budget and Economic Outlook. Much of the coverage of these documents has focused on deficit numbers. This is not a trivial concern, particularly since the Bush-Obama policies of bigger government have dramatically boosted red ink.

But the most important numbers in the budget documents are the estimates of what is happening to government spending. The good news is that burden of government spending is projected to decline over the next few years from about 25 percent of GDP to less than 23 percent of GDP.

That's the good news. The bad news is that federal government outlays only consumed 18.2 percent of economic output when Bush took office. In other words, notwithstanding the good news cited above, the size and scope of government has increased dramatically since 2001. The worse news is that the long-run spending forecasts show a cataclysmic expansion in the burden of government. The "optimistic" estimate is that the federal government will consume more than 30 percent of GDP by 2050 and 40 percent of GDP by 2080. 

FISCALLY CONSERVATIVE BLOG FEEDS

## Special Edition of the Kudlow Report Tonight [Larry Kudlow's Money Politic\$]

FEB 01, 2010 11:52A.M.



Please join us for a special edition of "The Kudlow Report" live from Washington, DC this evening where we'll speak one-on-one with former Treasury Secretary Henry Paulson for the full hour.

We'll discuss all the major events, players and decisions detailed in Mr. Paulson's new book, "On the Brink," which offers the ultimate insider's account of the key events surrounding 2008's near global meltdown of the financial system.

**CNBC. Kudlow Report. 7pm ET.** 

FISCALLY CONSERVATIVE BLOG FEEDS


## Were You a Cato Intern? [Cato at Liberty]

FEB 01, 2010 11:32A.M.

By David Boaz

After 33 years in business, and 33 years of Cato interns, we're finally getting around to creating an intern alumni newsletter — and an intern reunion this May. So if you were ever an intern for Cato, and you're not sure Director of Student Programs Joey Coon knows where you are, please let him know. And if you're still in touch with other fellow interns, please tell them about our plans.


If you'd like to be on the alumni newsletter list, and/or get an invitation to the reunion, please contact Joey at [jcoon@cato.org](mailto:jcoon@cato.org) and give him your email address and the year/semester you interned at Cato. Throw in your mailing address if you like.

And by the way, if you valued your internship at Cato and the work that Cato continues to do, and you're now a productive income-earning citizen, and you're not already a Cato Sponsor, isn't it time you were? The defense of freedom doesn't grow on trees, you know. Make your commitment here. 

FISCALLY CONSERVATIVE BLOG FEEDS

## Obama Labor Board Nominee, “workers should not be able to choose against having a union” [Americans for Tax Reform]

FEB 01, 2010 11:29A.M.

If the Senate's schedule remains unchanged, a cloture vote on Obama's nominee to the National Labor Relations Board, Craig Becker, is expected Thursday, February 4. Such a move will disenfranchi... 

FISCALLY CONSERVATIVE BLOG FEEDS

## Politicians Are SO Predictable! [Cato at Liberty]

FEB 01, 2010 09:55A.M.

By Neal McCluskey

The big vote-buy is on!

Today, the Obama administration will release its FY 2011 budget proposal, and while the administration would supposedly freeze discretionary spending in all areas except defense, homeland security, and veteran's affairs, education is slated to get a huge boost in “investment.” (Politicians love the term “investment” when discussing education spending, by the way, because it suggests a big payoff to come. That we've never actually realized said payoff doesn't seem to bother them.) The proposal is expected to include a \$3 billion increase for No Child Left Behind-authorized programs; \$1 billion for some sort of incentive to overhaul NCLB (it's not clear how the *president* can offer *Congress* extra money to act, but I'm sure there are details to come); a \$1.35 billion extension of the stimulus-funded Race to the Top fund; and a \$17 billion increase in Pell Grant funding. In other words, education appears slated — as I feared it would — to be the administration's post-Massachusetts, big vote bribe.

At the same time the budget proposal is coming out, the administration is also starting to release information about it's plans for NCLB reauthorization. According to the *New York Times*, the basic idea will be to “change federal financing formulas so that a portion of the money is awarded based on academic progress, rather than by formulas that apportion money to districts according to their numbers of students, especially poor students.”

On the surface, it makes sense to reward high performance rather than just send money to states based on set formulas. But a little deeper digging reveals the pit below.

The performance-based funding will, it seems, be dropped on top of formula-based outlays. If the performance-based stuff is minuscule relative to the politically more powerful, everyone-gets-a-lot formulas, it would be meaningless — mere reform-y window dressing. But what if it is sizable?

Then we have to be very concerned about how performance would be measured.

As I have repeatedly warned would happen, the administration seems determined to make adopting national standards drafted by the Common Core State Standards Initiative — an effort we are constantly told is state-led, totally voluntary, and definitely *not* federal — essential for getting at least some performance-based funding. Reports the *Times*:

[U]nder the administration's proposals, a new accountability system would divide schools into more categories, offering recognition to those that are succeeding and providing large new amounts of money to help improve or close failing schools.


A new goal...would be for all students to leave high school “college or career ready.” Currently more than 40 states are collaborating, in an effort coordinated by the National Governors Association and encouraged by the administration, to write common standards defining what it means to be a graduate from high school ready for college or a career.

The new standards will also define what students need to learn in earlier grades to advance successfully toward high school graduation.

So here's what we'll get:

If the performance-based monies are small, little incentive to pursue them and hence no major structural change, no academic improvements, but power still pulled closer to Washington. And that's the good scenario.

If the performance-based monies are big, hello Principal Sam! But again, don't expect much academic improvement: Just as the large majority of states have set ridiculously low standards, so would the feds. Why? Because the teachers, administrators, and other people employed in public schooling have the greatest motivation and ability to organize for education politicking, and like everyone they'd like as much money with as little outside accountability as possible. They will ensure that national standards are hollow but the funding substantial, just as they've done in state, after state, after state.

At least in education, it's not all that hard to predict what politicians will do and the failure that will come of it. But all the “investing in our children” rhetoric can be emotionally powerful, making it hard to rally against the pols before they strike again. 

## FISCALLY CONSERVATIVE BLOG FEEDS

## Forget the QDR [Cato at Liberty]


FEB 01, 2010 08:49A.M.

By Benjamin H. Friedman

There is a lot not to like about the Quadrennial Defense Review, which comes out today (the *National Journal* posted a leaked copy Friday). Like past QDRs, this one uses vague, trendy ideas about international relations to inflate threats and justify our massive defense budget. As usual, we hear the evidence-free claims that non-state actors are getting more powerful and that the world is getting more complex and unpredictable (“change continues to accelerate”). I believe that states are hanging onto or even gaining power relative to other sorts of social organizations and that the world is no less predictable than it was in 1900 or 1950. The QDR also says that climate change is a national security problem. That’s a popular line, which as near as I can tell is a marketing gimmick. Then there the usual tripe about how great our alliances are, how strategic every country with a Marine in it is, how terrific interagency cooperation is, and so forth.

The good news is that it doesn’t really matter. Newspapers confuse the QDR with law, but it is closer to PR. It’s like a particularly important speech. It sells what Secretary of Defense is selling and justifies what the Department of Defense does. Because it comes in part from agencies it is supposed to guide, it rationalizes rather than leads. Because it is largely a consensus document, it says only what half of the Pentagon can agree on—various strains of mush. Can anyone explain what past QDR’s have accomplished? I think nothing. Sure, there are interesting tidbits about forces structure plans, but these are in the budget documents too. At best it causes DoD to justify itself, giving us analysts something to argue about.

The administration’s proposed defense budget, also being released today, matters much more to policy. It reveals more about the nation’s defense strategy than the vacuous documents that purport to do so.

Policy types love strategy documents because they are mostly technocratic idealists. They want government policies to be made by rational processes that reveal national interests, which are then laid out in plans like the QDR. They want policy to be like science. But democratic government is the push and pull of competing ideologies and interests. Public plans or strategies are part of that process. Congress should thank DoD for these mind-numbing 120 pages, throw them away, and focus on the budget. 

## FISCALLY CONSERVATIVE BLOG FEEDS

## Do Democrat Presidents Create More Jobs? [Cato at Liberty]

FEB 01, 2010 08:46A.M.

By Alan Reynolds

Politifact.com looked into a remark from Rep. Carolyn Maloney, D-N.Y., that “Democrats have been considerably more effective at creating private-sector jobs.”

The statement was rated true, as a purely statistical matter. Yet the politifact researcher did a good job questioning the *significance* of his own figures. He noted, correctly, that the president usually “deserves less credit for the good times — and less blame for the bad times.” And he added that job figures can be driven by outside factors such as oil price shocks, demographic changes or soldiers coming home after World War Two. He wryly noted “how surprised we are that Eisenhower, who presided over the ‘happy’ 1950s, managed an anemic half-percent job growth per year, while Jimmy “Malaise” Carter finished second with 3.45 percent annual job growth.” Anyone who remembers the runaway inflation of the Carter era will realize that annual rates of job growth are not enough to describe the overall economic situation.

The author also quoted me making the point that “timing can be hugely important.” It is so important, in fact, that we may need to add another dimension to politifact’s true-false meter to deal with political comments that are simply *meaningless*.

For the record, what follows is the full text of my email on this topic:

The error involved with assigning rates of job growth to Presidential terms is that *six recent Presidents took office within a few months of the start of a recession*: Obama (recession began December 2007), H.W. Bush (July 1990), G.W. Bush (Mar 2001), Reagan (July 1981), Nixon (Dec. 1969) and Ike (July 1953). As it happens, four of the five were Republicans.


One might argue that recessions launched near the end of the *previous* administration helped get these men elected. But these recessions were clearly left over from events that began previous years. It didn’t help that the first Pres. Bush passed a tax increase three months after the 1990 recession began, but the start of that recession is more plausibly blamed on the earlier spike in oil prices when Iraq invaded Kuwait.

Since employment is a lagging indicator (one of the last things to improve), that means average job growth among Presidents who took office near the start of recessions is bound to look bad in comparison with Presidents who took office after an expansion was well underway. Bill Clinton took office in 1993, long after recession ended in March 1991. The

same was true of Truman, LBJ and Carter. JFK took office a month before the 1960 recession ended.

Two-term Presidents also have more time to show good numbers, but only if they're lucky enough to get out of office just before the next recession starts. Clinton squeaked by (despite falling stock prices and industrial production 2000), but Nixon, Eisenhower, Carter and G.W. Bush did not.

Since Bush 2nd began and ended office in recession, averages over 8 years outweigh 4 reasonably good years. This unprecedented bad timing is exaggerated by Paul Krugman's comparison of "decades" [and President Obama's recent reference to "the lost decade" of 1999-2009] which relies on starting and ending each decade in boomy 1959 rather than slumping 1960, ditto 1969 rather than 1970, 1979 rather than 1980, 1989 rather than 1990, and 1999 rather than 2000.

In short, statistics about employment growth over Presidential terms are dominated by the timing of the "business cycle" (including Federal Reserve policy), and have no apparent connection to economic policies attributed to the White House (as opposed to Congress). 

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#### FISCALLY CONSERVATIVE BLOG FEEDS

## Colorado Lawmakers Should Not Tax Business Inputs [Tax Foundation]

FEB 01, 2010 12:00A.M.

The Colorado General Assembly is currently considering a slew of tax increases. The proposals, mostly targeting specific products, are a result of low revenue collections over the last couple of years combined with the political unpopularity of broad based tax increases. But there are problems with many of the proposals. Several of the bills would extend the retail sales tax to business-to-business transactions, which is universally acknowledged by tax experts as an economically damaging policy. Lawmakers are also trying to pass an "Amazon tax."

Read more about the proposals in Fiscal Fact No. 208, "Handful of Proposals Would Push Colorado Away From the Proper Tax Base".

Taxes should be used to raise revenue for essential government services, not punish certain taxpayer and reward others. If the services that Colorado is providing to its citizens are not worth paying for with broad-based taxes, then maybe they should reconsider their spending priorities. 

#### FISCALLY CONSERVATIVE BLOG FEEDS

## Not Quite, Wisconsin Governor Doyle [Tax Foundation]

FEB 01, 2010 12:00A.M.

In his State of the State address on January 26, Wisconsin Governor Jim Doyle (D) trumpeted his progress on lowering Wisconsin residents' state-local tax burden:

Eight years ago, I made a campaign pledge to get us out of the top 10 highest taxed states in the nation. People scoffed, because when I became Governor, we were ranked 4th in the country in state and local taxes. And we had not been out of the Top 10 in 22 years.

But year after year, we worked hard to hold the line. And I've lived up to my pledge. Today we rank 15th. And when you look at what we pay in both taxes and fees, we rank 24th. Our tax ranking has improved for six consecutive years - unprecedented in state history.

When Governor Doyle took office, Wisconsin's state-local tax burden was indeed 4th highest in the country, and it has gone lower since. But it's 9th, not 15th, and that's a rise from 10th in 2007. In 2002, state-local taxes consumed 10.5% of income in Wisconsin; in 2008, it was 10.2%. So that is a reduction, just not as much of a reduction as Governor Doyle claims.

Check out the numbers here.

More on Wisconsin here. 

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#### FISCALLY CONSERVATIVE BLOG FEEDS

## President Obama Releases 2011 Budget Proposal [Tax Foundation]

FEB 01, 2010 12:00A.M.

Via C-SPAN and Reason Hit & Run, here's not particularly thrilling video of the budget being delivered to Capitol Hill this morning:

Here's the OMB's website on the 2011 budget proposal.

Click here to download the whole thing as a PDF (7.4 MB).

Click here to download the Treasury's "Green Book," which details the revenue changes. (PDF, 689 KB) 