



1977

MI

2017

**President's Update**

Spring 2017



Douglas Holtz-Eakin, Tom Coburn, and Paul Howard

## DEAR FRIENDS AND SUPPORTERS,

**T**he American Health Care Act (AHCA), on which Congress failed to come to an agreement last month, was a disastrous start to the root-and-branch reform of the healthcare system that America needs. Under the current Affordable Care Act (ACA, or Obamacare), premiums for many Americans continue to soar as insurers leave the market. Obamacare also remains a burden on economic growth and the creation of new jobs. From our point of view, the next iteration of reform must go straight to the heart of America's healthcare crisis: the lack of a transparent marketplace where providers compete based on price and quality. As we celebrate our 40th anniversary in 2017, this will be among MI's top priorities in our mission to "turn intellect into influence."

Despite the recent setback in Congress, reform can still move forward. Since before the inauguration, MI fellows have been promoting ideas on how the Trump administration can, in the absence of new legislation, move toward a health-care system with more choices and

competition—ideas that we are pleased to see the administration embracing. As adjunct fellow Yevgeniy Feyman explained in an MI paper earlier this year, the Department of Health and Human Services (HHS) can offer states "waivers" from many of the ACA's most expensive and onerous regulations, including the individual mandate and the law's subsidy structure—permitting policy experiments that can point the way toward broader change. MI senior fellows Tom Coburn and Paul Howard championed this course of action in their *USA Today* op-ed, "Let States Lead on Replacing Obamacare." In mid-March, HHS secretary Tom Price took their advice, issuing a letter to governors, inviting them to apply for waivers, which will allow states to develop innovative health-care models.

We do not, however, dismiss the prospect of Congress taking constructive action on health care. To that end, MI fellows have been educating policymakers on much-needed systemic reforms in many areas. This includes Medicaid, the federal health-care program for low-income, elderly, and disabled Americans that expanded dramatically as a result of the

“Advancing new drug development tools, like biomarkers, cannot be the sole responsibility of FDA, NIH, or industry alone.”  
 Senior FDA Staff, *Clinical Pharmacology & Therapeutics*, July 2015

Everyone will be  
 a patient someday.

THE WALL STREET JOURNAL.

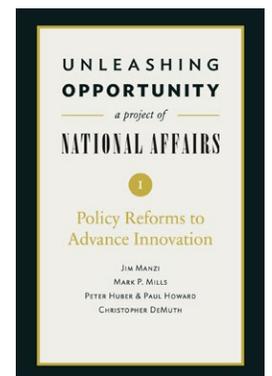
# Senate Clears Bill to Ease FDA Drug and Device Approvals

Affordable Care Act. As currently administered, Medicaid has failed to improve health outcomes for recipients—a point that senior fellow Oren Cass emphasized in his latest issue brief, “Will Repealing Obamacare Kill People?” In 2015, mortality rose more in states that adopted Obamacare’s optional Medicaid expansion than states that didn’t. As Paul Howard explained in congressional testimony, giving states greater flexibility in how they manage Medicaid and other safety-net spending would better serve our most vulnerable citizens and should be a bipartisan priority of the 115th Congress.

Nor is access the only frontier for important healthcare reform. MI’s health-policy team played a key role in a successful 2016 reform initiative focused on removing obstacles to the development of new drugs and medical devices that can both save lives and reduce costs. With bipartisan backing, the 21st Century Cures Act overhauled the regulatory regime for testing and approving new drugs and devices, bringing review and approval protocols more in line with what science is making possible. MI’s Project FDA, led by Paul Howard and Peter Hu-

ber, helped lay the intellectual groundwork for this legislation, educating members of Congress and the general public about the need to develop a faster, safer drug and medical-device pipeline. With 21st Century Cures now on the books, its effectiveness in furthering precision medicine tailored to individual patient needs will depend on how the FDA will use the tools that are now at its discretion. Project FDA will monitor the implementation of the act, holding fast to our core recommendations: shifting more decision-making power to patients and physicians by approving new medicines and medical devices based on early evidence of safety and efficacy, and then monitoring their performance in the market. In an essay called “Biopharmaceutical Policy for American Leadership in the 21st Century,” Howard and Huber laid out detailed recommendations for empowering patients and keeping America at the forefront of biomedical innovation. This essay appeared in *Policy Reforms to Advance Innovation*, part of the *Unleashing Opportunity* series of policy books published by the journal *National Affairs*.

**INNOVATION  
 POLICY BOOK**  
 Now Available



MI Ideas for the New Administration

## THREE ENERGY INITIATIVES

By Robert Bryce, Senior Fellow

U.S. energy policy needs a rethink. More specifically, it's time to emphasize nuclear power and de-emphasize government mandates and high-cost, inefficient subsidies to other energy sources. Here are three steps that Congress and the new Trump administration can take:

1. Expand and Enhance America's Nuclear-Energy Sector
2. Repeal the Renewable Fuel Standard
3. Repeal the Tax Credit for Electric Vehicles

### 1. Expand and Enhance America's Nuclear-Energy Sector

During the campaign, President-elect Donald Trump declared that nuclear energy should be "part of an all-the-above program for providing power for America long into the future. We can make nuclear power safer, and its outputs are extraordinary given the investment we should make." There are three sound reasons for this policy: having diverse and reliable energy sources, maintaining U.S. technological leadership, and reducing the energy footprint on U.S. land.

The importance of diverse energy sources was evident during the polar vortex in early 2014, when extreme cold led to a surge in electricity demand. During that time, numerous coal- and natural gas-fired plants faltered, but America's reactor fleet operated at 95% of its capacity. Without these plants,

large parts of the U.S. could have suffered blackouts.

Unfortunately the U.S. nuclear sector is in crisis. Over the past three years, utilities from Vermont to California have shuttered six reactors. Another seven reactors are slated to close over the coming decade, and many more are threatened with premature closure.

For more information, write to [robert@manhattaninstitute.com](mailto:robert@manhattaninstitute.com)

Manhattan Institute December 2016

## 5 MI POLICY IDEAS FOR THE NEXT ADMINISTRATION

Tax reform is among the next top items on the Trump administration's agenda—and with good reason. Simplifying the tax code and lowering rates, while keeping spending down, will be essential to fostering conditions for stronger economic growth. The politics of tax reform, however,

are challenging—even with unified party government. To keep pressure on policymakers to pursue the public interest in tax and budget matters, we have brought on a new senior fellow, Brian Riedl, former chief economist for Senator Rob Portman (R-OH). Working in our Washington, D.C.-based research division, e21: Economic Policies for the 21st Century, Riedl will provide rapid-response commentary as the debate over tax and budget reform unfolds. Already, as an MI fellow Riedl has written a series of op-eds on topics such as the Trump budget, defense spending, and the need to take on our unsustainable entitlement programs.

The current political climate affords us with an opportunity to think about energy policy in bold ways. So argued senior fellows Robert Bryce, Oren Cass, and Mark Mills in their contributions to MI's "Ideas for the New Administration," a series of short policy memos that we released surrounding the inauguration. Their recommendations included expediting permitting processes for energy infrastructure, opening up more public lands and waters to natural-resource development, expanding and enhancing America's nuclear sector, expanding energy exports, and restructuring federal energy R&D. Expect our fellows to speak and write early and often about the benefits of implementing these ideas.

Throughout the 2016 campaign, President Trump repeatedly spoke about the need to strengthen America's transportation infrastructure, something we've written about for

years. With roughly a third of all U.S. air traffic passing through the New York metropolitan area every day, we've developed and published specific plans for reforming the Port Authority, which oversees airports in the region—as well as the governance of airports in general. As infrastructure improvement has become a national priority, MI senior fellow and Harvard economist Edward Glaeser and *City Journal* contributing editor John Tierney are showing the right way to do it, starting with the privatization of airports. As many cities across the globe have demonstrated, when private companies take over airports, they are incentivized to hold down costs and entice customers with lots of flights, competitive fares, and terminals with appealing stores and restaurants.

Replacing a government monopoly with competition has delivered great advantages in K-12 education. MI research has long shown how charter schools, in particular, have opened up greater opportunity and improved learning outcomes for poor and minority students. When vested interests like teachers' unions try to spread misleading information about educational choice, MI fellows have been at the ready with the facts—for example, when unions, politicians, and the *New York Times* crusaded against the nomination of Betsy DeVos as secretary of education, claiming that she had undermined public education in her native Michigan through her support of charters. MI senior fellow Max Edén coauthored an article for the journal *Education Next*, "The Data on Detroit," disproving those accusations and demonstrating, to the contrary, that the charter sector that she supported significantly outperforms the traditional district system. In his latest report, Edén takes on another issue that has had considerable ramifications for minority-student success: school discipline. Across the country, school districts have been under pressure from the Obama administration to cut back on suspensions (on the premise that racial bias has led to disproportionate suspension rates for blacks and Hispanics). As Edén's analysis of trends in New York City schools shows, the

## IDEAS FOR THE NEW ADMINISTRATION

MI policy memos were cited roughly **200 times** in outlets such as Bloomberg, CNN Money, and Politico. The special post election video series received more than **100,000 views**.

## BRIAN RIEDL





**THIS WAY UP SUMMIT**

Clockwise from top: MI Vice President of Research and Publications Howard Husock, former Michigan governor John Engler, with former commissioner of the New York City Robert Doar; Brandon Chrostowski of the Edwins Leadership Institute and MI senior fellow Oren Cass; *City Journal's* Kay Hymowitz; and Speaker of the House Paul Ryan.

reduction in suspensions has led to deteriorating learning environments, with black and Hispanic students being the biggest victims (“School Discipline Reform and Disorder: Evidence from New York City Public Schools, 2012–16”).

“**REINVIGORATING ECONOMIC GROWTH IS A BASELINE CONDITION FOR ENCOURAGING UPWARD MOBILITY AND FOR THAT, WE NEED INNOVATIVE IDEAS ON PROMOTING HUMAN CAPITAL AND BRINGING PEOPLE ON THE MARGINS OF SOCIETY INTO THE ECONOMIC MAINSTREAM.**”

As the recent election cycle made clear, many Americans feel as though their economic prospects are limited. Reinvigorating economic growth is a baseline condition for encouraging upward mobility—and for that, we need innovative ideas on promoting human capital and

bringing people on the margins of society into the economic mainstream. With the Trump administration opening the possibility of new approaches, we teamed up with Opportunity America, led by former MI fellow Tamar Jacoby, and several other organizations to host a conference in December 2016: “This Way Up: Ensuring Economic Mobility for Poor and Middle-Class Americans.” The event included a keynote address by House Speaker Paul Ryan and featured big-think discussion panels on issues such as reforming the safety net, making college work, unemployment, education, entrepreneurship, and criminal justice. MI scholars who participated in the proceedings included Howard Husock (on the crucial role of civil society), Kay Hymowitz (on the importance of strong families to encourage mobility), and Oren Cass (on how to “make work pay” by using a paycheck-based Earned Income Tax Credit rather than an increased minimum wage to bring discouraged workers back into the labor force—an idea that Speaker Ryan included in his own remarks).

## HEATHER MAC DONALD



## CHICAGO

Homicides, through Dec. 26



Shooting victims, through Dec. 29



Yearly Totals

Jan. 1, 2017 - PRESENT

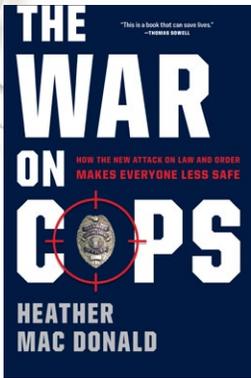
**125**  
Homicides

JAN. 1, 2016 - Dec. 31, 2016

**787**  
Homicides

SOURCE: Chicago Police Department, *Chicago Tribune* Breaking News CenterNEW YORK TIMES  
BESTSELLER

Now Available on



Even with opportunities to advance reform at the federal level, we cannot lose sight of the challenges facing America's cities and states. MI, as we have been throughout our history, is committed to doing the "missionary" work of promoting fiscal responsibility, public order, entrepreneurship, and personal responsibility in cities and states across the country, from our hometown of New York to Chicago to California.

Public safety, primarily a responsibility of state and local government, is a top priority of the Institute, with senior fellow Heather Mac Donald our lead voice. Author of the 2016 bestseller *The War on Cops: How the New Attack on Law and Order Makes Everyone Less Safe*, Mac Donald has picked up where she left off last year, working to ground the national discourse about policing in the facts. With the president publicly concerned about the rising tide of violence in cities like Chicago (he cited Mac Donald's research during the campaign), we are explaining how to empower local police departments to keep their communities safe. In January, Mac Donald authored an op-ed for the *Wall Street Journal*, "In Chicago, 'the Feds' Are Part of the Problem," in which she warned of Mayor Rahm Emanuel's intention to put the Chicago Police Department under a Department of Justice (DOJ) monitor, following an Obama-era DOJ report that claimed to find police racism in the Windy City. The DOJ monitor would redirect scores of officers from fighting crime to writing reports. Mac Donald urged the Trump adminis-

tration to tear up the report (which is based on a disingenuous presentation of the facts) and halt negotiations for a consent decree with Chicago. While the DOJ should remain vigilant in monitoring actual police abuses, the federal government should end its unjustified intrusions into local crime-fighting and stand behind proactive policing.

Though race is one of the most sensitive and potentially explosive issues in America today, especially when considered in relation to criminal justice, Mac Donald has shown that, with a clear presentation of the facts, it is possible to change minds. This January, Mac Donald participated in an Intelligence Squared (IQ2) debate, partnering with a former Berkeley cop to oppose the motion "Policing is racially biased." (Intelligence Squared, an organization founded by MI trustee Robert Rosenkranz in 2006, aims to restore civility, reasoned analysis, and constructive public discourse to today's often-biased media landscape through sponsoring high-level, professionally produced Oxford-style debates.) At these events, the studio audience is polled both before and after the debate; the speakers who have changed the most minds are declared the winners. By the end of the evening, Mac Donald and her partner had brought four times as many people to their side as had their opponents, giving them the clear victory. It was also the third time in a row that MI's side has emerged victorious in an IQ2 debate.

Improvements in public safety in cities, driven in part by the proactive policing

*intelligence*<sup>2</sup>  
DEBATES

*intelligence*

## “IS POLICING RACIALLY BIASED?”

RESULTS

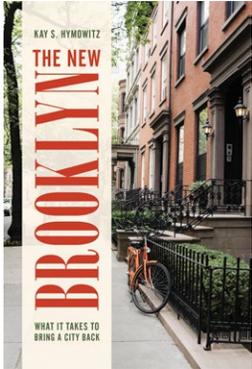
	PRE	FINAL	SWING
<b>FOR</b> <small>The Motion</small>	<b>57%</b>	<b>60%</b>	<b>+3</b>
<b>AGAINST</b> <small>The Motion</small>	<b>16%</b>	<b>28%</b>	<b>+12</b>
<b>UNDECIDED</b>	<b>27%</b>	<b>12%</b>	<b>-15</b>

**WINNER**

*intelligence*<sup>2</sup>  
THE WORLD OF DEBATE

**Heather Mac Donald**

“There is no government agency more dedicated to the idea that black lives matter than the police.”

**KAY'S THE  
NEW BROOKLYN***Now Available*

revolution, have led to the revitalization of once-forlorn neighborhoods. In response to concerns that such improvement comes at the expense of the poor, senior fellow Kay Hymowitz offers an alternative perspective in her latest book, *The New Brooklyn: What It Takes to Bring a City Back*. According to journalist Alan Ehrenhalt, who reviewed *The New Brooklyn* for the *New York Times Review of Books*, “As ‘gentrification’ has become an increasingly dirty word, the volume of disingenuous posturing on the subject has increased dramatically, and the supply of balanced reporting has declined. One writer who

has managed to speak sensibly above the din is Kay S. Hymowitz.” In profiles of several Brooklyn neighborhoods, Hymowitz explains the policies and cultural mores that are essential for individuals and communities to succeed in an increasingly knowledge-based economy. Though gentrification (driven partly by other minorities) can be disruptive, it offers hope to many neighborhoods that would otherwise persist in poverty and disorder.

The sluggish economy of the past eight years has hit cities and states especially hard. With dampened tax revenues and the increasing cost of public-employee pensions, many local governments, such as Atlantic City (NJ), the Chicago Board of Education, and Hartford (CT) are on the verge of insolvency—and many more cities are likely to suffer fiscal distress in the coming years. Municipal bankruptcy can be an opportunity for cities to restructure their pension obligations and get on firmer financial footing, as happened in Detroit and Central Falls (RI). Other cities, however, such as San Bernardino, Stockton, and Vallejo, California, have gone through bankruptcy but refused to adjust pension promises, leaving them with huge debts and the risk of finding themselves back in bankruptcy court. In anticipation of future municipal bankruptcies, MI senior fellows Daniel DiSalvo and Stephen Eide authored a report with a proposal for how cities and states should deal with distressed locales: “When Cities Are at the Financial Brink: The Case for ‘Intervention Bankruptcy.’” They recommend that states take control of the process, appointing receivers to manage city bankruptcies, rather than leaving them in the hands of elected local officials. It’s a report that will provide a blueprint for cities across the country seeking to put their financial house in order.

The year 2017 is an election year in our home city of New York. Over the course of his tenure, the current mayor, Bill de Blasio, has become a national symbol in the debate over economic inequality, follow-

**STEPHEN EIDE****DAN DISALVO**

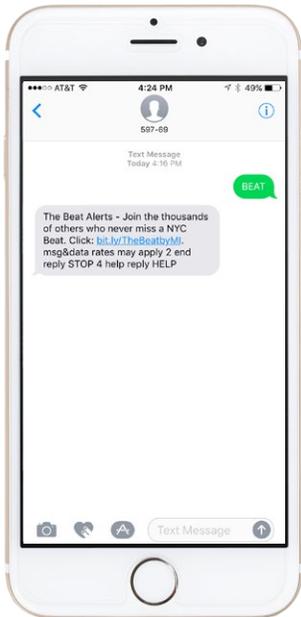


MI fellow Alex Armlovich

“**DE BLASIO’S AGENDA HAS NOT ONLY BEEN UNSUCCESSFUL ON ITS OWN TERMS (ECONOMIC INEQUALITY HAS ACTUALLY INCREASED), BUT ITS FOCUS ON INEQUALITY IS FUNDAMENTALLY MISGUIDED.**”

ing his campaign pledge to “take dead aim at the tale of two cities.” But as MI fellow Alex Armlovich showed in a recent report, de Blasio’s agenda has not only been unsuccessful on its own terms (economic inequality has actually increased), but its focus on inequality is fundamentally misguided. While economic growth may lead to increased inequality, economic stasis may reduce it—though at the risk of increasing poverty and unemployment. This report was part of MI’s “Poverty and Progress” series, through which we analyze how the city is faring under the mayor’s agenda.

New York, like cities and states across the country, must take steps to address the problems of those truly in need and unable to help themselves—in particular, the severely mentally ill. The severely



Text BEAT to 59769  
to subscribe



### THE BEAT EVENT TREATING SERIOUS MENTAL ILLNESS IN NYC

This event increased our social presence and influence significantly. During the week of the event alone, Twitter mentions **increased 487%** and new followers grew by 216%. Additionally, our Facebook livestream of the event garnered **more than 13.5K views**.



mentally ill who are not provided with effective treatment too often become homeless or imprisoned. They may pose a threat both to themselves and others—as tragic incidents of mass shootings or deaths on the subway tracks underscore. To draw attention to the plight of the severely mentally ill and encourage better policies ensuring their treatment, MI launched an initiative involving research, policy journalism, and, most recently, a panel discussion at the World Trade Center. This panel, “Treating Serious Mental Illness in

NYC: Can They Get the Help They Need?” was moderated by NY1’s Errol Louis and featured representatives from the de Blasio administration, the courts, and the city’s shelter system. It featured D. J. Jaffe, executive director of MentalIllnessPolicy.org; MI will help promote his book *Insane Consequences: How the Mental Health Industry Fails the Mentally Ill* this spring. The panel was one of a series of events sponsored by MI’s The BEAT, an initiative dedicated to delivering facts about issues that matter most to New York.



This year has the potential to be one of great policy consequence. With your support, we can build on our long track record of turning intellect into influence, educating policymakers and our fellow citizens about ideas that can invigorate the economy and strengthen our cities and states. On May 4, at our Alexander Hamilton Award Dinner, we will celebrate our 40th anniversary and honor former NYPD commissioner William Bratton and philanthropist and MI trustee Ravenel Curry. The funds raised at our dinner will not only enable us to provide a platform for our

scholars but also improve our distributional capacities (especially digital) to bring our ideas to new audiences throughout the country. Thank you very much for your interest in the Institute and its work. Please help us make MI's 40th a year to remember.

Sincerely,

*Lawrence Mone*



MI

HONORING

**FORTY** YEARS

1977-2017



52 Vanderbilt Avenue

New York, NY 10017

212.599.7000

[manhattan-institute.org](http://manhattan-institute.org)