

The Evolution of President Obama's Spending Proposals

By Craig Eyermann



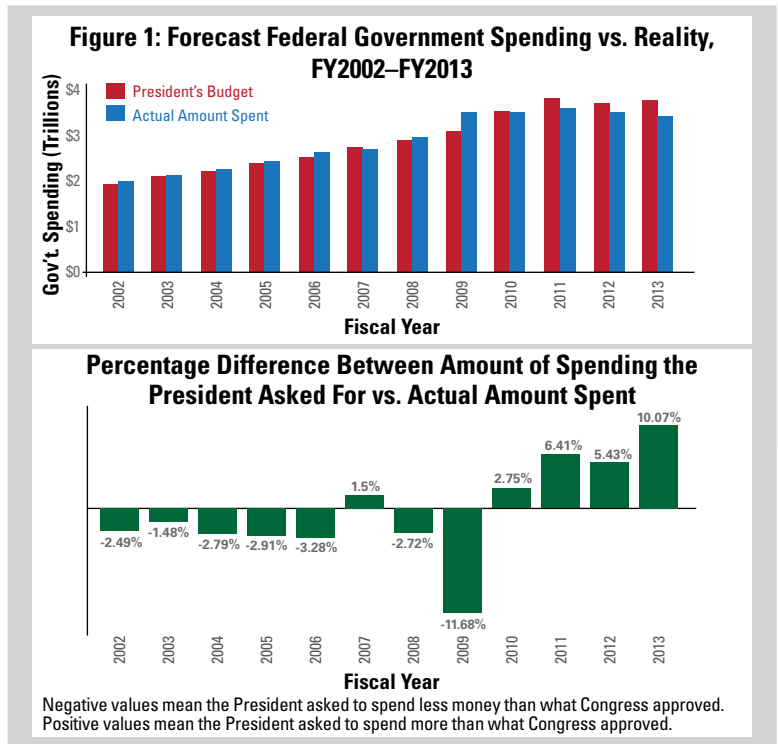
NOW THAT BARACK OBAMA HAS begun his sixth year in the Oval Office, we thought it might be interesting to see how he's changed his view of the desirable level of federal spending since he became president.

Figure 1 reveals how presidential proposals for federal spending have stacked up against reality for each budget proposed by President Bush or President Obama for every fiscal year from 2004 through 2014.

During President Bush's tenure, we find that federal expenditures (the blue bars) often exceeded the president's proposed spending (the red bars) by \$60 billion to \$90 billion. This is largely because Congress added spending on top of the amounts proposed by the White House. And yet, compared to the Obama years, Congress largely agreed with the spending levels proposed by the president.

By contrast, President Obama's spending proposals have always stood apart from the general consensus for the appropriate level of federal expenditures. We can observe this disconnect in the vertical separation between President Obama's desired level of spending and the actual amount of spending during his time in office. Politically, we

can see how out of step President Obama's spending desires have been by looking at the consistently large margins by which his budget proposals have been rejected in Congress.



Source: White House Office of Management and Budget.

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President's Letter

Sea Change Against Big Government?

ARE THE FAILURES OF OBAMA-CARE turning public opinion against President Obama and Big Government itself? Evidence of growing disapproval comes from a series of recent surveys. A poll by Associated Press–GfK, for example, found that only 27% of respondents support the Affordable Care Act and 77% blame it for changes in their health insurance coverage.

Having seen the disaster of Healthcare.gov, the cancellation of millions of health insurance policies, rising insurance premiums, the loss of their doctors, and shrinking provider networks, Americans realize that they have been repeatedly lied to. And the discontent is spreading among Obama's core constituents:

- Gallup reports that from December 2012 to November 2013, Obama's job-approval rating dropped significantly among Hispanics (31%), independents (31%), nonwhites (21%), moderates (26%), and liberals (17%).
- A recent study from Harvard University's Institute of Politics shows that 52% of young "millennials" (ages 18–24) want Obama thrown out of office.
- A Pew Research Center poll finds support for Obama among liberals at an all-time low, and a *Washington Post*/ABC poll indicates that the president's approval rating is the lowest since Richard Nixon.

The unfolding debacle of Obamacare is even changing attitudes about government power *overall*, with voters distrusting both Republicans *and* Democrats. Another poll by Gallup found that 72% of Americans view big government as "a greater threat" than either big business *or* big labor.

The ominous cloud of government failure *does* have a silver lining: it provides a unique opportunity to win support for liberty-based solutions on a host of issues—healthcare, economic growth, government spending and debt, civil liberties, and more. And the Independent Institute's communications program has been at the cutting edge of this debate.

To help us leverage the ideas of liberty into networks of influence, please join us as an **Independent Associate**. With your tax-deductible membership, you can receive a **FREE** copy of *Priceless* (the pivotal alternative to Obamacare), *Gun Control in the Third Reich* (p. 6), *Patent Trolls* (p. 5), and other publications, including our journal, *The Independent Review* (p. 3), plus other benefits (see envelope).



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David J. Theroux

The Independent Review

Healthcare • Symposium on James Buchanan

OUR QUARTERLY JOURNAL *The Independent Review* features probing articles on timely policy issues and enduring themes in political economy. From the Winter 2014 issue, here are examples of both.

Healthcare: Would the Free Market Deliver?

Many pundits and activists have focused on the question: Is it politically viable to reduce government intervention in healthcare, given the current makeup of the Senate and White House? Academic economists, however, have sought the answer to a more fundamental question: Could we even count on the free market to deliver high-quality, affordable, and accessible healthcare?

Some argue that the challenges for a full-fledged market system—one devoid of government mandates, subsidies, and regulations—would be insurmountable. For the free-market agenda to maintain momentum, its supporters would do well to understand the theoretical obstacles—and the potential for markets to overcome them.

D. Eric Schansberg examines the skeptics' claims in his cover article and concludes that their concerns are overblown. Free markets, he suggests, have a way of getting around obstacles that would prevent buyers and sellers from becoming better off. Markets could even handle the thorny issue of “pre-existing conditions.”

The development of “health status” insurance would be one approach. This type of policy would protect consumers whose health required them to move into a more expensive coverage category. Such a change would trigger a payout that would cover the extra cost of their new coverage.

See “The Economics of Health Care and Health Care Insurance” by D. Eric Schansberg at www.independent.org/publications/tir/article.asp?a=974

James Buchanan: Liberty's Deep Thinker

Why don't democratic governments behave the way we were taught in high-school civics? The late Nobel laureate James M. Buchanan was perhaps the most profound thinker of his generation to have dealt with this question. Our winter issue features a symposium on Buchanan and classical liberalism. **Christopher J. Coyne** kicks off the discussion with a piece that traces Buchanan's development of new analytical tools to help us understand how democracy actually operates.

Buchanan referred to his approach as “politics without romance,” yet he advocated promoting an ethos that would inspire the public to imagine a better political community. **Geoffrey Brennan** and **Michael Munger** show that both branches of Buchanan's thought—his realism and idealism—grew out of the same root: an emphasis on constitutional rules of order and a disdain for the rule of elites.

Many people fear that life without Big Government would entail too many responsibilities for them to manage.

Peter Boettke argues that freedom's friends could assuage this fear by emphasizing what Buchanan considered a cardinal feature of a free and just society: the absence of dominion and discrimination in human relationships.

Randall G. Holcombe suggests that aspects of Buchanan's constitutional thought might be at odds with individual liberty—particularly his case for coercing individuals to support the collective action that he thought was needed to further their own goals. **Niclas Berggren** argues that Buchanan and Tulloch's seminal 1962 book, *The Calculus of Consent*, has untapped potential to inspire new thinking to advance the cause of liberty.

Hartmut Kliemt concludes the symposium with a look at the logic of Buchanan's classical liberalism. Buchanan arrived at his position, Kliemt explains, because he was a “communitarian philosopher” who discovered the unanimity rule. •



The Independent Review, Winter 2014

The Independent Institute in the News

Center on Entrepreneurial Innovation

“Henry Ford comes in and builds automobiles and makes them cheaper for people. It didn’t matter that his motive was profit. The result was that he made automobiles affordable for average middle class Americans who had never had an opportunity to do that before. The same is true of most of these ‘Robber Barons’ of the late 19th and early 20th century.”

—**Benjamin Powell** on *Stossel*, 11/21/13



Senior Fellow **Benjamin Powell** on Fox Business Network’s *Stossel*.

“Health insurance companies could have fought the healthcare legislation, but chose instead to sell out the public for the government dole and massive subsidies. Americans would be better served by a patient-driven system of privately purchased, affordable, and portable health insurance with health savings accounts and payment assistance for the poor.”

—**Lawrence J. McQuillan** in McClatchy Syndicated Newspapers, 10/14/13

“Medicare and Medicaid are not the least bit financially sound. In fact, they rank among the greatest economic blunders of the past century. Politicians, of course, fail to learn from past mistakes. Faced with fathomless debt and unsustainable entitlements such as Medicare, Medicaid and Social Security, they create vast new entitlements such as Obamacare. The disastrous consequences of Medicare took some time to appear. In contrast, Obamacare is a certified train wreck before it even leaves the station.”

—**Burton A. Abrams** in *The Hill*, 11/4/13

Center on Educational Excellence

“Empowering parents over their children’s education—not more money for ineffective federal bureaucracies—is one of the best weapons we have for winning the war on poverty.”

—**Vicki Alger** in *The Daily Caller*, 11/14/13

Center on Peace and Liberty

“There’s some room for compromise. I think Iran may want a deal, and I think the U.S. may want a deal also, so it’s not just atmospheric. Iran would like to get rid of the sanctions, and the United States would like to make sure Iran’s program is peaceful.”

—**Ivan Eland** on CCTV, 10/16/13



Senior Fellow **Ivan Eland** on CCTV.

Center on Health and the Environment

“If you make it really difficult for people to sign up then only the sickest patients will enroll. Another problem is cities like Detroit are going to dump their retirees on the exchanges, and those retirees have above-average healthcare costs. So a lot of things could go wrong here, and we could have a real bad collision.”

—**John C. Goodman** on Fox News Channel, 10/23/13



Senior Fellow **John C. Goodman** on Fox News Channel.

The Independent Institute

“Those who actually care about improved availability of affordable housing would be well-served to learn this universal lesson: The simplest way to improve access to affordable housing is to let builders add to the supply of housing, regardless of the price they hope to charge. It may not make an appealing political sound bite, but at the end of the day the poor, especially, would be better served.”

—**Mary L. G. Theroux** in *The Wichita Eagle*, 10/24/13

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New Book

Patent Trolls: Predatory Litigation and the Smothering of Innovation

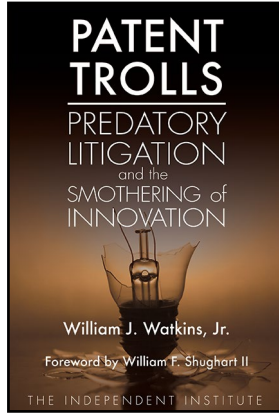
A NEW MENACE IS THREATENING THE PACE OF INNOVATION by American companies: patent trolls. Technically known as “non-practicing entities,” patent trolls make money not by selling innovative products, but by buying, licensing, and enforcing patent rights. After acquiring a patent, they often lie in wait while an industry is developing. And then they threaten legal action against firms they claim have violated their patent rights.

The cost to the U.S. economy is staggering, as **William J. Watkins, Jr.**, explains in his forthcoming book, *Patent Trolls: Predatory Litigation and the Smothering of Innovation*. From 1990 through October 2010, trolls’ lawsuits destroyed wealth valued at more than \$500 billion.

The trolls’ top targets are firms at the forefront of technological innovation: Apple, Hewlett Packard, Samsung, AT&T, Dell, Sony, HTC, Verizon, LG, Google, Amazon, and Microsoft. But a patent lawsuit can be especially devastating to a small company with little means to defend itself.

The Eastern District of Texas, the mecca of patent litigation, is part of the problem. The local rules are plaintiff friendly, the rocket docket keeps defendants on their heels, and an undereducated jury pool leads to Texas-sized damage awards.

A more fundamental problem, however, is the “one size fits all” policy of the U.S. patent system. The standard patent term of 20 years fails to recognize that the pace of innovation varies by industry. A shorter term would better suit



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Event

Civil Liberties and Security in an Age of Terrorism



WITHOUT A SEA CHANGE IN PUBLIC OPINION, the government’s surveillance programs will continue to erode the personal privacy and constitutional rights of ordinary Americans.

This was a key theme of the July 18 Independent Policy Forum, “Civil Liberties and Security in an Age of Terrorism.” Here are some highlights:

Mary Theroux: “There are new [government spying] revelations almost daily. . . . Hopefully, they’re building to a critical mass that will feed the kind of backlash that will do something about this.”

Anthony Gregory: “This conflict with terrorism . . . doesn’t seem to have any endpoint. . . . There will always be terrorists, especially if the U.S. is meddling all over the world and making people angry.”

Robert Higgs on the new surveillance apparatus: “We need to tear these damn things apart brick by brick, and let everybody who put those bricks in place know that they are on our list and we’ll never trust them again in positions about power.”

For video and transcript of this event, see www.independent.org/events/past_events.asp •

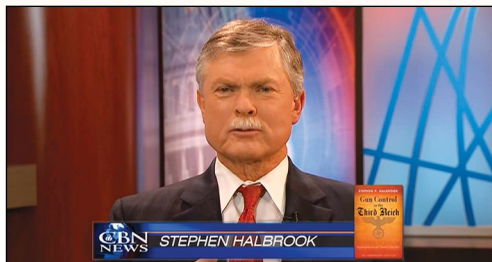
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Media Highlights

Gun Control in the Third Reich

“It’s an untold history of how gun control was started in the Weimar Republic area by creating registration records on all law abiding gun owners. Those records were later used when the National Socialists came into power to first disarm the political opponents of the Nazi party, and then the Jewish people.”

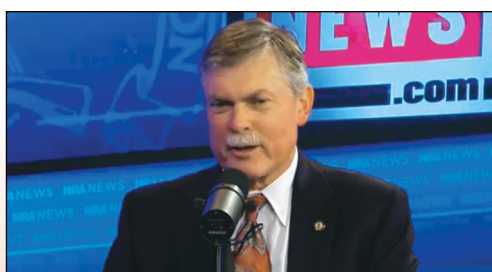
—**Stephen P. Halbrook** on the Christian Broadcasting Network (CBN), 11/21/13



Research Fellow **Stephen P. Halbrook** on CBN.

“What can go wrong, will go wrong—sometimes. Make no mistake; I am not comparing anyone to Nazi Germany. However, if we have universal gun background checks, can you assure me the government is not going to keep the records? Can you assure me that no private individual could break into those records, especially since we have government eavesdropping on everything and anything?”

—**Stephen P. Halbrook** on NRA News Television on *Gun Control in the Third Reich*, 11/1/2013



Stephen P. Halbrook on NRA News Television.

“The perennial gun-control debate in America did not begin here. The same arguments for and against were made in the 1920s in the chaos of Germany’s Weimar Republic, which opted for gun registration. Law-abiding persons complied with the law, but the Communists and Nazis committing acts of political violence did not.”

—**Stephen Halbrook** in *National Review*, 12/2/13

“In 1938, in preparation for Kristallnacht (November 9–10, 1938), the Gestapo used the Weimar gun registration records to disarm Jews and focused on Jewish

gun owners for deportation to concentration camps. Alfred Flatow, a former gold medalist in the 1896 Olympics for gymnastics, fled Germany for the Netherlands, but when the Nazis invaded the Netherlands, in May 1940, Flatow was on the Gestapo’s list.

Flatow was arrested and sent to Theresienstadt Concentration Camp, where he died from starvation on December 28, 1942.”

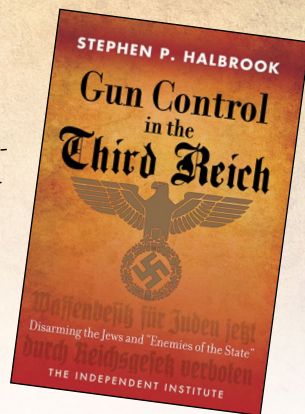
—*Gun Control in the Third Reich* Reviewed in *American Thinker*, 11/20/13

Today, gun control, registration, and prohibition are depicted as benign and progressive. Government should register gun owners and ban any guns it wishes, Americans are told, because government is inherently good and trustworthy. The experiences of Hitler’s Germany and, for that matter, Stalin’s Russia and Pol Pot’s Cambodia, are beneath the realm of possibility in exceptional America.

—**Stephen Halbrook** in *The Washington Times*, 11/8/13

“Actually, there are parallels between the firearm bans and registration requirements enacted by the Weimar Republic and those proposed by President Obama,” Halbrook, a Research Fellow at the Independent Institute, told *The Daily Caller* when asked what he would say to those who will argue making such a comparison sounds a bit hysterical. “Only law-abiding persons obeyed those laws. Weimar authorities warned that the lists of gun owners must not fall into the hands of ‘radical elements.’ The lists fell right into the hands of the Nazis when they assumed power. Gun owner data can be misused by the government today just as it did in the IRS scandal, and it can be hacked for nefarious purposes.”

—*Gun Control in the Third Reich* in *The Daily Caller*, 11/7/13



For more information on *Gun Control in the Third Reich*, see
www.independent.org/guncontrol

Craig Eyermann: The Evolution of President Obama's Spending Proposals

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But that gap appears to have changed somewhat with his most recent budget proposal for Fiscal Year 2014, the first following his re-election. President Obama appears to have finally begun to curb his ambition for higher spending to fund his political initiatives, although the amount of federal spending appears to be anywhere from \$100 to \$200 billion more per year than what the U.S. government would have spent under an extended projection of President Bush's FY2007 budget proposal.

To be sure, that's progress toward a more financially sound budget, one whose priorities are more in tune with those of the American people. But there is still much need and room left for President Obama to continue his evolution in the direction of fiscal prudence.

Although the president's FY2014 budget proposal is anywhere from \$100 billion to \$300 billion less than what President Obama proposed for the federal government to spend in any of his first-term

budgets, it still runs at least \$475 billion above the president's historically non-credible forecasts for the federal government's revenue collections.

That's an important factor to consider because that difference can be made up only with more government borrowing and/or higher taxes. Both have increased substantially during President Obama's tenure in office.

After adjusting for inflation, President Obama has imposed on households an annual debt burden nearly three times as large as the burden left by his greatest recent rival in the debt-per-household contest, George H. W. Bush.

During his first run for the Oval Office, Barack Obama promised "change." But what he seems to have wrought is more—much more—of the same. •

Craig Eyermann is Research Fellow at the Independent Institute and creator of **MyGovCost.org: The Government Cost Calculator**.

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New Book: *Patent Trolls: Predatory Litigation and the Smothering of Innovation*

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technology sectors with a shorter product lifespan, such as computer software and hardware, and would deny trolls the use of older patents to shake down new inventors.

Another proposal worth considering is to create a patent court system that would weed out junk claims. Alternatively, the United States could adopt a system similar to Europe's. The continent's laws restrict the number of product categories eligible for a patent, and the cost of challenging a patent lawsuit in court is much lower.

To order *Patent Trolls*, by William J. Watkins, Jr., see www.independent.org/store/book.asp?id=110 •

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