DEAR FRIENDS AND SUPPORTERS,

Over the past several months, the Manhattan Institute, as is our mission, has been focusing public attention on the persistent threats to our economic freedom and advancing reforms that can restore prosperity. Reform, ideally, will begin with our nation's punitive, inefficient, federal tax code. Those who champion more and higher taxes often justify their position by pointing nostalgically to the 1950s. During this decade, it is claimed, high taxes and booming prosperity coexisted. Who, exactly, was paying the top rate of 91 percent? Turns out, almost no one.

As an April Manhattan Institute issue brief written by Arpit Gupta showed, because of the high income threshold, deductions, and loopholes, few Americans paid anything close to the top rate. Moreover, it is not even clear that the tax regime of the 1950s was, taken as a whole, effectively more progressive than the present one—a point that I underscored in a Wall Street Journal op-ed based on Gupta’s findings, “There’s No Going Back to the 1950s Tax System.”

Stock owners now include many non-rich investors. Higher taxes and lower returns on capital would hit them as well. —MI president Lawrence Mone, The Wall Street Journal, 4/16/13
Shortages in the labor market, like inefficiencies in the tax code, impede the economy’s ability to expand. Despite higher than normal unemployment rates, many firms still struggle to find both the low- and the high-skilled workers they need. Improving the nation’s immigration policy can play a key role in helping to ameliorate this problem. As Congress debates how to reform the federal immigration system, Institute scholars are articulating specific changes that can benefit the U.S. economy. In her February issue brief, “The Economic Benefits of Immigration,” MI senior fellow Diana Furchtgott-Roth explained how issuing more visas to legal immigrants at both the high and low ends of the skills curve would better enable American businesses to find the talent they need to innovate, compete, and expand.

While Institute scholars are focused primarily on publicizing the economic rationale for immigration reform, we have been mindful of related issues—involving national security, the rule of law, citizenship, and culture—that comprehensive legislation should address. In March, we welcomed former Florida governor Jeb Bush to share his ideas concerning these questions. In a public forum moderated by Wall Street Journal deputy editorial page director Daniel Henninger, Governor Bush and Clint Bolick of the Goldwater Institute spoke about their new book, Immigration Wars: Forging an American Solution. Bush and Bolick emphasized the need for the United States to adopt a market-driven immigration policy and discussed, among other subjects, ways to better secure the border, possible ways to deal with illegals currently in America, and the importance of civil society in assimilating newcomers.

On that last front, this spring the Manhattan Institute published new research analyzing postrecession immigrants and the rate at which they assimilate socially, economically, and culturally. In the fourth edition of his Index of Immigrant Assimilation, MI adjunct fellow and Duke University economist Jacob Vigdor found that the immigrant population has shifted dramatically since the start of the Great Recession in 2007, with migration rates from Mexico in sharp decline. Newer immigrants are coming from Asia and more likely to be higher-skilled and English-speaking. According to the study, differences between native-born Americans and newcomers are now less noticeable than they have been in a generation. Even should Congress pass a bill this summer, the immigration debate will continue. The Manhattan Institute will work to keep the public conversation centered on facts.

America’s goal should be an immigration policy that fosters economic growth.—Diana Furchtgott-Roth, “The Economic Benefits of Immigration”
Just as Congress must pass immigration laws that respond to the needs of the U.S. economy, so, too, must lawmakers revise outdated statutes and regulations that are holding back some of America’s most promising sectors. For example, laws prohibiting exports of crude oil and limiting exports of natural gas have been on the books for decades. These policies may have made sense in the 1970s, when these resources were thought scarce—but not today, when technological innovation has opened up vast quantities of previously inaccessible hydrocarbons.

Exporting oil and natural gas could lead to a fundamental repositioning of America in world trade and geopolitics.
—MI Senior Fellow Mark Mills

Through the Manhattan Institute’s Power and Growth Initiative, begun last summer, senior fellow Mark Mills has educated policymakers and the general public about reforms that would allow the United States to harness the benefits—for our economy and for our influence in the world—of our great supply of natural resources.

In a paper published this May, *The Case for Exports*, Mills urged Congress to repeal antiquated laws preventing exports and allow our economy to benefit from this newfound abundance. Mills’s paper comes at a critical time, as opponents of exporting more natural gas have heightened efforts to convince the public that increasing exports would hurt America’s economy. But as Mills demonstrates, unleashing American energy exports could eliminate the U.S.’s massive $750 billion trade deficit, boost productivity, and lead to more job creation.

The fact-based analysis and market-oriented solutions offered by the Manhattan Institute are needed today more than ever. —Tom Donohue

U.S. Chamber of Commerce CEO Tom Donohue spoke to the Institute about deficit reduction, entitlement reform, and the importance of the private sector in promoting economic growth.
A merica’s health-care sector must also become more market-driven to accelerate the progress of precision medicine. Treatments tailored to an individual’s unique biochemistry are the key to making headway against illnesses such as cancer and heart disease. While Institute scholars are steadfastly opposing efforts under the Affordable Care Act to make health care more centralized, bureaucratized, and inefficient, we are working to ensure that the promise of precision medicine is unimpeded.

The MI Center for Medical Progress is currently leading the debate on how to modernize the outdated legal and regulatory framework governing pharmacology—in particular, the antiquated clinical trial protocols in place at the U.S. Food and Drug Administration. These protocols have not kept pace with advances in modern science, a failure that has slowed the development of new lifesaving treatments for patients.

The Manhattan Institute’s Project FDA—chaired by former FDA commissioner Dr. Andrew C. von Eschenbach—is committed to promoting reform of the drug review processes so that promising therapies can reach the market safely and efficiently. To this end, in May the Institute held a conference, *The Digital Future of Molecular Medicine: Rethinking FDA Regulation*, based on a pathbreaking new paper by MI senior fellow Peter Huber, who served as the event’s keynote speaker. Our conference brought together a wide range of experts in drug development to respond to Huber’s proposals for FDA reform. Also represented were the vital perspectives of patient advocates (John Crowley of Amicus Therapeutics), diagnostic innovators (Linda Avey of 23andMe), and venture capitalists (Mark Levin of Third Rock Ventures). Huber will expand on the recommendations from his paper in a forthcoming book, *The Cure in the Code: How 20th Century Law Is Undermining 21st Century Medicine*, scheduled for release in Fall 2013.
this autumn. In this book, he will articulate how we are at the beginning of a revolutionary period in medicine, when innovations will bring dramatic improvement to the length and quality of our lives—but only if we abandon today’s regulatory framework, which is a relic of a different era.

The work of Huber, von Eschenbach, and Paul Howard, the director of the Institute’s Center for Medical Progress, synthesizes many of the themes that have long animated our work: the encouragement of a healthier citizenry; economic growth through human ingenuity; and the modernization of government. We already have reason to believe that the message will be popular and powerful. Just one week prior to our conference, Huber was part of a debate team in the popular intelligence series broadcast on National Public Radio—defending the proposition that the FDA’s caution is hazardous to our health. Along with Scott Gottlieb of the American Enterprise Institute, Huber converted a skeptical audience and won the debate. Through events like this and forthcoming research, the Institute aims to promote policies that will better incorporate new technologies into the drug development process, accelerating biomedical innovation and improving patient outcomes.

ALEXANDER HAMILTON AWARDS

Our annual Alexander Hamilton Awards honor individuals who have made exceptional contributions to the nation’s civic and intellectual life. This year’s awards went to Louisiana governor Bobby Jindal and philanthropist Kenneth Langone, founder of The Home Depot—both of whom have gone to great lengths to enhance educational opportunities for disadvantaged children.

Since taking office, Governor Jindal has been in the vanguard of education reform, adopting the nation’s most meaningful teacher-quality legislation and promoting a robust school-choice program. Thanks to Langone’s philanthropy, thousands of low-income New York children have been able to receive high-quality education at Promise Academy Charter Schools in the Harlem Children’s Zone. We thank our introducers Joel Klein and Geoffrey Canada for their participation in the Hamilton Awards ceremony, as well as our special guest Haley Barbour, who stressed the importance not just of college-preparatory education but of vocational education as well.
Historically, Institute scholars have focused on how state and local governments can create strong business climates and reduce the rapidly escalating cost of public-employee pensions and health-care benefits. This focus is especially important in light of our current fiscal situation. Not only must locales find ways to rein in these retirement benefits; they must also find innovative ways to deliver core services more effectively.

As senior fellow Daniel DiSalvo made clear in his latest report, Government Crowded Out: How Employee Compensation Costs Are Reshaping State and Local Government, post-employment benefits are leading to higher taxes, higher debt, and, crucially, the crowding out of spending on vital government functions from infrastructure and education to public safety and assistance for the poor.

This “crowd-out” problem is most visible wherever the “blue-state model” of governance is dominant. High taxes, high spending, and high concentrations of public-union power discourage entrepreneurs from locating in cities such as Detroit and states such as New York. In New York City, for example, the government will spend $23.3 billion—fully 43 percent of the money received in taxes and fees—on just three things: pensions and health benefits for city workers and retirees, plus payments on city debt. This is up from 24 percent 11 years ago.

Until this phenomenon is effectively addressed, Americans will increasingly live in a paradoxical world of government that spends more and more to do less and less. If we are to keep our schools, libraries, bridges, and parks—to say nothing of our national faith in democratic self-government—this paradox cannot continue.

The Manhattan Institute will continue to help citizens across America understand that a lack of political will on the part of leaders will only make this problem worse, depriving critical public services of the resources necessary for our cities and states to thrive.
A return to true growth and real prosperity is possible. Educating policymakers and the public as to where great possibilities for expansion and innovation lie has always been at the core of our mission. The scholars and staff of the Manhattan Institute are as committed as ever to the ideals that have animated our work for over 30 years—an unshakeable belief in economic freedom, individual liberty, effective government, and personal responsibility.

I thank you for your continued support, without which this vitally important work would not be possible.

Sincerely,

Lawrence J. Mone
President

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2013 HAYEK PRIZE AND LECTURE

The Manhattan Institute’s annual Hayek Prize was awarded to Chinese historian Yang Jisheng for his book Tombstone: The Great Chinese Famine, 1958-1962. As a journalist with privileged access to official and unofficial sources, Yang spent 20 years piecing together the events that led to mass nationwide starvation that was the result of Mao’s Great Leap Forward. Stunning in scale and arresting in its detailed account of the human cost of this tragedy, Tombstone is written both as a memorial to the lives lost—an enduring tombstone in memory of the dead—and in hopeful anticipation of the final demise of the totalitarian system.

The Hayek Prize honors the book published within the past two years that best reflects Friedrich Hayek’s vision of economic and individual liberty. Hayek, the author of groundbreaking works such as The Road to Serfdom and The Constitution of Liberty, was the key figure in the twentieth-century revival of classical liberalism and a formative influence on the Manhattan Institute. The winner of the Hayek Prize is chosen by a selection committee of distinguished economists and journalists.
The mission of the Manhattan Institute is to develop and disseminate new ideas that foster greater economic choice and individual responsibility.

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