PRESIDENT’S YEAR-END UPDATE

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## CONTENTS

<table>
<thead>
<tr>
<th>Page</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>INTRODUCTION</td>
</tr>
<tr>
<td>4</td>
<td>OUR REACH</td>
</tr>
<tr>
<td>6</td>
<td>POLICY SOLUTIONS FOR THE NATION</td>
</tr>
<tr>
<td></td>
<td>Energy Bonanza</td>
</tr>
<tr>
<td></td>
<td>The Battle of Economic Ideas</td>
</tr>
<tr>
<td></td>
<td>The Molecular Revolution</td>
</tr>
<tr>
<td></td>
<td>Transcending Obamacare</td>
</tr>
<tr>
<td></td>
<td>Defending the Rule of Law</td>
</tr>
<tr>
<td>18</td>
<td>NEXT-GEN LEADERS</td>
</tr>
<tr>
<td></td>
<td>Adam Smith Society</td>
</tr>
<tr>
<td></td>
<td>Young Leaders Circle</td>
</tr>
<tr>
<td>24</td>
<td>CONSERVATIVE URBANISM</td>
</tr>
<tr>
<td></td>
<td>Save Our Cities</td>
</tr>
<tr>
<td></td>
<td>Better Schools</td>
</tr>
<tr>
<td></td>
<td>New York City: The de Blasio Challenge</td>
</tr>
<tr>
<td></td>
<td>Keeping the Independent Sector Independent</td>
</tr>
<tr>
<td></td>
<td>City Journal</td>
</tr>
<tr>
<td>36</td>
<td>RESEARCH 2014</td>
</tr>
<tr>
<td>38</td>
<td>BOOKS 2014</td>
</tr>
<tr>
<td>39</td>
<td>ONLINE PRESENCE</td>
</tr>
<tr>
<td>40</td>
<td>BANNER EVENTS 2014</td>
</tr>
<tr>
<td>42</td>
<td>EXPERTS</td>
</tr>
<tr>
<td>44</td>
<td>THE INSTITUTE EXPANDS</td>
</tr>
</tbody>
</table>
INTRODUCTION
DEAR MI FRIENDS AND SUPPORTERS,

Changes in the political landscape wrought by the recent election have created an opportunity for believers in free markets. Americans want an agenda that can restore the kind of growth and prosperity that we enjoyed for more than two decades, beginning in the early 1980s—but that we’ve lacked for most of the new millennium. Particularly during this time of year, I am grateful to you because your support—both financial and intellectual—is integral in enabling MI not only to refute bad ideas but, even more important, to replace them with better ones.

In areas such as health care, taxes, corporate governance, and energy development, new and returning governors, senators, and members of Congress are in a position to advance concrete policy reforms. From Avik Roy’s plan to turn the Affordable Care Act on its head to James Copland’s proposals to rein in the “overcriminalization” of American business to our energy team’s calls to unleash the North American energy colossus, the Manhattan Institute has been developing clear and practical plans, while ensuring that the public understands what is at stake and why we need to move forward with these policy solutions.

I’m proud of the Institute’s reach these days (see the map on pages 4 and 5 for the extent of our footprint). Doing good work is essential—and getting it into the hands of decision makers around the country is critical. MI fellows are working and reporting from the ground, developing relationships and inserting Institute work into the most pressing debates around the country. We are also focused on future leadership. Over the past few years, we have significantly increased our focus on cultivating next-generation leaders—through initiatives such as the Adam Smith Society, the Young Leaders Circle, and our college campus activities.

Regarding the Adam Smith Society: in a few short years, our membership has grown to more than 2,200 MBA students and alums from America’s highest-ranked business schools. These young men and women are graduating with something that, but for MI’s effort, many of them would not have: a deep understanding of the moral and philosophical underpinnings of capitalism. Together, these young people constitute a national network of the country’s most promising future business leaders who are ready, willing, and able to engage productively on issues related to free markets. I could not be more pleased with what we have built, and, should you be interested, I encourage you to get involved. When you need a good dose of optimism, attending a chapter meeting or the annual national meeting will make you feel better about America’s future.

All our work is made possible because of the generosity of our donors. Your support is greatly appreciated by everyone associated with the Institute, especially me. I wish you and your families a happy holiday season. I look forward to reporting to you on all the exciting new ventures we have planned for 2015.

Sincerely,

Lawrence Mone
President
**OUR REACH**

The Manhattan Institute convenes events and sends its fellows to speak in states—and on college and university campuses—across the country. Each pin represents a city where we’ve been active in 2014.

**WEST OF THE MISSISSIPPI**

More than 75 events and speaking appearances took place west of the Mississippi.

**CALIFORNIA**

California vies with New York for the state with the highest readership of *City Journal*. The magazine has quarterly events for journalists and reporters in Los Angeles. Looking to 2015, the Adam Smith Society is launching chapters at Stanford and UC Berkeley.

**TEXAS**

MI had 18 events and speaking appearances in Texas, home to the 2014 Adam Smith Society chapter of the year—UT Austin.
DETOUR
MI teamed up with State Budget Solutions to cosponsor a conference, “Detroit Rising,” on solutions that can revive the Motor City. In March, MI hosted Michigan governor Rick Snyder and Detroit emergency manager Kevyn Orr to publicly discuss lessons we can learn from the city’s decline and how it can succeed once again.

NEW YORK
MI convened and fellows appeared at more than 100 events in New York City in 2014. Events featured leaders such as Scott Walker, Rudy Giuliani, David Petraeus, Jeb Bush, Paul Ryan, and Carly Fiorina. Nearly half of these targeted under-40 audiences through initiatives such as our NYC-area Young Leaders Circle and national Adam Smith Society.

WASHINGTON, D.C.
The Manhattan Institute regularly hosts forums in Washington, DC, for policymakers, business leaders, researchers, and journalists. In 2014, we had more than 65 events and presentations by MI fellows in D.C., including several testimonies before Congress.
POLICY SOLUTIONS FOR THE NATION

Wisconsin governor Scott Walker
GDP growth is lagging. Labor-force participation rates are the lowest in more than a generation. Upward economic mobility remains stalled. More and more Americans are depending on public assistance. The ever-growing regulatory state creates roadblocks to innovation wherever it can. Developing the right policy reforms and working to invigorate our nation’s enterprising spirit are at the forefront of the Manhattan Institute’s agenda. With a commitment to MI’s core principles of economic choice and individual responsibility, America can remain the land of opportunity for generations to come.
When the Manhattan Institute launched its Center for Energy Policy and the Environment (CEPE) a decade ago, we asserted that it was wrong to think about the energy issue in terms of scarcity—how Americans have conceived of it since the oil crises of 1973 and 1979. In their provocative 2005 book, *The Bottomless Well*, MI fellows Peter Huber and Mark Mills argued that technological innovation will provide (as it always has provided) new ways of deriving ever more efficient energy. Despite the persistent scarcity mentality of so many officials in Washington—and the prolongation of policies that follow from it—American ingenuity has led to an energy renaissance over the past six years. Today, it is the United States—not Russia or Saudi Arabia—that leads the world in the production of oil and gas. While this success has been remarkable, our nation has yet to reap fully the benefits of our energy abundance with respect to jobs, revenue, manufacturing, and stability in global energy markets. At this stage, key policy reforms—at the federal and state levels of government—must be made if we are to continue on the path of energy-driven prosperity.

With respect to policies at the federal level, senior fellows Mark Mills and Diana Furchtgott-Roth, through media, white papers, and public speaking appearances, have advocated a number of reforms: expediting regulatory approvals for energy production; working with Mexico and Canada to create an integrated North American energy market (*Energy Reform in Mexico: Next Step for the North American Energy Colossus?*, April 2014); repealing antiquated laws that constrain or ban exports of natural gas and petroleum (*Prime the Pump: The Case for Repealing America’s Oil Export Ban*, July 2014); reducing the corporate tax rate; and opening more federal lands to oil and gas extraction. Such an energy agenda would benefit North America’s geopolitical position and provide a much needed boost to the economy—and not just for the big energy companies (*Where the Jobs Are: Small Businesses Unleash America’s Energy Employment Boom*, February 2014).

Reform at the state level is also critical. Senior fellow Fred Siegel made this point when testifying before the House Energy and Commerce Committee in a summer hearing titled “The Economic Impacts of State Energy Policies.” Drawing upon the findings of a 2013 MI report by Furchtgott-Roth, Siegel contrasted the surge in job growth and revenue in Pennsylvania,
which allows fracking, with energy-rich upstate New York, where fracking is banned and employment prospects remain bleak. States such as California, which set high renewable energy mandates—like those found in Europe—impose high energy costs on consumers and businesses. But as MI senior fellow Robert Bryce explained in his paper *Maintaining the Advantage: Why the U.S. Should Not Follow the EU’s Energy Policies* (February 2014), renewable mandates and other policies that impose high energy costs are not even the most effective at reducing emissions—their primary justification. In 2012, for example, Germany’s carbon dioxide emissions actually rose by 1.3 percent over 2011 levels, while U.S. emissions fell by 3.9 percent. Incidentally, the average U.S. household pays about a third of what Germans pay for the same amount of electricity.

Replacing coal with clean-burning natural gas—acquired through enhanced extraction technologies—is what has enabled the United States to cut emissions more than in Europe, while maintaining lower energy prices. America’s progress in this area confirms the CEPE’s long-standing conviction that technological innovation is the key to better environmental protection and conservation, while ensuring that we have access to abundant, reliable, and cheap electricity. Bryce elaborates this idea—and other reasons why public policies must favor technological development—in his new book, *Smaller Faster Lighter Denser Cheaper: How Innovation Keeps Proving the Catastrophists Wrong*.


Bryce expects to close the year with nearly 40 speaking engagements across the U.S., bringing his message to policymakers, journalists, industry and thought leaders, and the public at large. The *Times* nicely captured the essence of Bryce’s message:

> On energy policy, we need someone willing to declare flat out that “if oil didn’t exist, we would have to invent it. No other substance comes close to oil when it comes to energy density, ease of handling, and flexibility.” We need someone who says: Don’t kid yourself, coal will be around for a long, long time, as a cheap source of electricity across the globe. Someone who scoffs that anyone who believes in wind power and biofuels as a solution to the soaring demand for energy also believes in the Easter Bunny. And someone willing to argue that the most sensible long-term answer to the world’s unquenchable thirst for electricity is a revival of nuclear power, a reality that he says thinking environmentalists are coming to accept. Robert Bryce, a senior fellow at the Manhattan Institute, a conservative research group, fills that role with zest.

> “Mr. Bryce has written a new book well worth reading, though it will not sit well with those who applauded when Al Gore received the Nobel Peace Prize.”
> —*New York Times*
Politicians and intellectuals on the left have put forward misleading ideas about recent economic history. They suggest, for example, that income inequality—the success of some—is dampening economic mobility; that our revenue system—in which half the population pays no federal income tax—unfairly spares the rich; and that Wall Street misbehavior alone was responsible for the mortgage crisis, while federal policies that incentivized people to buy homes they could not afford played no role. These ideas, among others, constitute the rationale for reverting to economic policies that have historically failed Americans—such as antipoverty programs and minimum-wage increases that do little to help citizens move up the economic ladder, or financial-markets regulations that appear tough but fall short of solving the root causes of systemic risk. Scholars at MI’s D.C.-based research division, e21: Economic Policies for the 21st Century, are issuing the policy analyses that dispel these attacks on free-market capitalism and are making the case for the policies that will generate economic growth and prosperity.

At the helm of e21 is senior fellow Diana Furchtgott-Roth, whose career includes serving as a top economic policy advisor to Presidents Ronald Reagan, George H. W. Bush, and George W. Bush. She is joined by senior fellow Scott Winship, formerly of the Brookings Institution and Economic Mobility Project of the Pew Charitable Trusts, who has been called a “leading voice on mobility issues” by the Washington Post. Over the past year, their analyses have reached influential members of Congress and the public at large. They have testified before Congress on five occasions about ways that policymakers could encourage economic growth and upward mobility. As U.S. Representative Paul Ryan has been developing a new antipoverty agenda, his office has called upon Winship for insights on policy reforms that can enhance opportunities for the poor and the middle class.

Since last autumn, our fellows, as well as other affiliates of e21, have written more than 140 op-eds, correcting inaccuracies that have been published as fact by news
outlets such as the New York Times and organizations such as the Economic Policy Institute. Amid the debate surrounding French economist Thomas Piketty’s book *Capital in the Twenty-First Century*, e21 released a primer, *Income Inequality in America: Fact and Fiction*, to debunk some of the popular myths about inequality and focus attention on economic immobility, which, along with stalled economic growth, is among our nation’s truly serious problems. With the recent addition of Bloomberg columnist Caroline Baum and Columbia University finance and economics professor Charles Calomiris to our roster of contributors, e21 looks forward to further increasing its output in 2015.

e21 also provides a home for the Shadow Open Market Committee (SOMC), a group of prominent economists that has been convening for 40 years, since it was founded by Allen Meltzer and Karl Brunner to evaluate the actions of the Federal Reserve. Through e21, the Institute is continuing the legacy of the SOMC by supporting its activities, including traditional biannual meetings and research papers, while developing new ways to showcase committee members’ work in the media and among influentials. At the SOMC’s November meeting in New York, committee members presented policy papers on various Fed actions and important monetary policy issues before an audience of journalists, policy experts, and industry leaders. Our keynote speaker was Federal Reserve Bank of Dallas president Richard Fisher—a frequent critic of the Fed’s “quantitative easing” bond-buying program, put into place after the 2008 financial crisis.

Forty years ago, the Austrian economist Friedrich Hayek was awarded the Nobel Memorial Prize in Economics. In his acceptance speech, “The Pretence of Knowledge,” he discussed how public policy failures can result when economists believe—mistakenly—that they “possess the knowledge and the power ... to shape the processes of society entirely to our liking.” As America debates how to rebound from a sluggish recovery, this and other insights from Hayek could not be more relevant.

With intellectual and financial leadership from the Thomas W. Smith Foundation, the Manhattan Institute presents an annual prize to an author whose book best reflects Hayek’s vision of economic and individual liberty. Its $50,000 award makes it among the world’s most generous book prizes. In 2014, we presented the tenth annual Hayek Book Prize to University of Chicago professor Casey Mulligan for his book *The Redistribution Recession: How Labor Market Distortions Contracted the Economy*. Mulligan’s work shows how government policies designed to improve Americans’ economic fortunes—such as Obamacare—have, perversely, weakened the economy.
The decoding of the human genome in 2000 has revolutionized the way that we study diseases and develop promising new medicines. With a growing understanding of how our genes can affect the treatment of complex diseases, researchers and physicians can increasingly tailor therapies to a patient’s own biology. Unfortunately, the U.S. Food and Drug Administration (FDA), which must approve any new drug before it can be marketed in the United States, has lagged and continues to lag behind the science, to the great detriment of patients desperate for new therapies. In his 2013 book *The Cure in the Code: How 20th Century Law Is Undermining 21st Century Medicine*, MI senior fellow Peter Huber meticulously outlined why and how the FDA’s regulation of drug development must change if we are to realize all that science has made possible. Through the Manhattan Institute’s Project FDA, led by senior fellow Paul Howard and former FDA commissioner Dr. Andrew von Eschenbach, we are working to inform members of Congress, influential in the scientific community, and citizens at large about reforms that can promote greater efficiency at the agency.

Approval protocols at the FDA are generally antiquated, but they can also vary dramatically in terms of efficiency from division to division—often for reasons having very little or nothing to do with particularities in the science. Whether because of a lack of political will or pressure from patients, some divisions have approval...
processes that unnecessarily cost more and take longer. A team of authors convened by MI and led by economist Alex Tabarrok found, for example, that the FDA’s neurology division—which approves drugs for Alzheimer’s disease, multiple sclerosis, Parkinson’s disease, and stroke—takes three times as long to approve drugs as the oncology division. If the FDA could cut the performance gap between the divisions in half, the cost of developing a new drug would decrease by $46 million. Patients, in turn, would have access to more treatments faster and at lower cost. MI’s FDA Report Card, released last April, was one of the first studies to compare performance across various FDA divisions.

Our efforts to advance reform of the FDA have come at a critical time. Earlier this year, when the House Energy and Commerce Committee launched its 21st Century Cures Initiative, led by Representatives Fred Upton and Diana DeGette, we were asked to aid in prioritizing policy reforms that could have the greatest effect on accelerating U.S. drug development. In May, Peter Huber argued before the committee that the FDA needs a system for incorporating more science-based tools that could speed up approvals, such as “surrogate endpoints”—indicators of how well a body is potentially responding to a treatment. The FDA has allowed surrogate endpoints to be used to evaluate treatments for HIV and cancer, but for few other diseases.

In December, MI will release a paper, coauthored by Huber and Paul Howard, outlining ideas to spur the expanded use of surrogate endpoints in trials, among other reforms. To promote their proposal, MI will host a series of salon dinners and public events in New York, Washington, D.C., and biotech hubs such as San Diego and San Francisco. We are convening physicians, scientists, patient advocates, drug developers, and other stakeholders to build consensus for these reforms. Already this year, we have held events in Washington, D.C., Boston, and New York.

In October, Paul Howard and MI Center for Legal Policy director James Copland hosted a briefing in the nation’s capital before a group of physician and patient advocacy groups. Howard and Copland brought attention to FDA regulations that are limiting physicians from having access to cutting-edge information about new ways to treat ailments through “off-label” prescribing—when a drug is prescribed to attack a disease that the drug was not originally approved to treat. By providing forums for our scholars and outside stakeholders to discuss such challenging issues, the Institute will continue to advance our case for an FDA that facilitates the widespread adoption of personalized, precision medicine.
The Affordable Care Act exacerbates many of the most dysfunctional parts of our health care system. In striving to insure more people by subsidizing their health care costs, the law masks the true price of medical services and insurance premiums, while adding more than $600 billion in new health care spending. Among other problems, the law does little to incentivize competition among providers and instead has led to the highest level of hospital mergers in years. We have to do better. Senior fellow Avik Roy is showing the way forward.

Last year, Roy solidified his place at the forefront of the health policy debate with his analysis of the insurance premium “rate shock” that was occurring in the individual market as a result of Obamacare. He was the first to analyze the data and point out on his Forbes.com blog, The Apothecary, that premiums were increasing—especially on the young. He forced the likes of the New York Times’s Paul Krugman and Vox Media’s Ezra Klein to concede that young people would have to pay more to subsidize older, sicker people—a reality that longtime defenders of Obamacare had previously refused to admit. Based on Roy’s methodology, MI developed the Obamacare Impact Map, an online tool that illustrates the effects of Obamacare on individual-market insurance premiums, with users able to look at rate changes down to the state and county levels. The map has become a mainstay for thought leaders who are working to educate broad audiences about the effects of Obamacare—Karl Rove, for example, has cited our data in three Wall Street Journal articles, ten Twitter posts, and on Fox News. Roy has also analyzed the map data and other effects of Obamacare in his own articles on The Apothecary. Last year, his analyses and articles by other MI health scholars generated more than 10 million online views. With such a surge in readership—and given the clear need to change the law—this year Roy took advantage of his prominence to educate citizens about serious alternatives to Obamacare.

Since Obamacare passed, scholars and politicians have debated what constitutes the best, most strategic, forward-looking agenda that could realistically “repeal and replace” the law. Whether or not the law is here to stay, we must have a clear vision for reforming our health care system. Roy has championed what Ross Douthat of the New York Times called “probably the most comprehensive and ambitious vision of what a right-of-center ‘reform of the reform’ on health care could look like.” This summer, the Manhattan Institute published Roy’s paper Transcending Obamacare: A Patient-Centered Plan for Near-Universal
Coverage and Permanent Fiscal Solvency. Significantly, it modifies the exchanges set up by Obamacare to transition most Americans, including the poor and retirees, to private health insurance. This consumer-driven approach would not only encourage innovation and promote cost savings; it would also result in more people having health care coverage. Importantly, Roy’s plan reins in the skyrocketing cost of Medicare and Medicaid—two of the most expensive government programs that are on track to engulf even greater portions of the federal budget.

Prior to releasing his plan, Roy engaged in a series of meetings and briefings—public and private—to flesh out his ideas before other health policy experts, reform-minded policymakers, and a range of thought leaders from across the political spectrum. After these initial discussions, we introduced Roy’s plan to the public in August, with op-eds by our fellows and media coverage in outlets such as Politico and National Review Online. Since the summer, Roy has been on the road in nine states (and counting) to explain—audience by audience—how his plan would work and why the public should rally behind it. He has presented the plan on more than 40 occasions, including before congressional staffers at a September Capitol Hill briefing sponsored by the National Institute for Health Care Management. At the event, Princeton University professor of political economy Uwe Reinhardt called Roy’s plan “the most innovative and interesting proposal that I’ve seen come forth as an alternative.” Overall, Roy’s work in 2014 has been cited more than 600 times by journalists, policy analysts, and other opinion makers.

In the run-up to the next presidential election—a time when we can expect a heightened focus on the health care debate—the Institute will continue to develop opportunities for Roy to educate the public and thought leaders about his ideas. Roy and other MI fellows, including Paul Howard and Yevgeniy Feyman, will continue to illustrate why the country needs a consumer-driven health care reform plan that insures more people, lowers the cost of care, and improves health care quality.
The MI Center for Legal Policy (CLP) is the Institute’s longest-standing research division. For almost three decades, it has educated citizens about abuses in the legal system that threaten free enterprise, and it has broken down complex problems and put them up for public scrutiny and debate. Early on, we made a name for ourselves in the fight for civil justice reform, with watershed books such as *Liability* (1988), by Peter Huber; and *The Litigation Explosion* (1991), by Walter Olson. Through our ongoing series of exposés, dubbed *Trial Lawyers, Inc.* (2003–present), we continue to publicize the need to rein in the excesses of the plaintiffs’ bar and the tangled web of consultants, judges, and other actors who line their pockets through the litigation industry. At the same time, CLP director James Copland has identified new and emergent threats to the rule of law, such as attempts by activist shareholders to hijack companies’ proxy ballots in pursuit of social and environmental agendas, as well as the increasing criminalization of business activity.

Through Proxy Monitor, CLP experts are tracking shareholder proposals at the largest 250 publicly traded U.S. companies—an endeavor that has brought to light disturbing trends. Increasingly in recent years, labor-affiliated pension funds and social activists—often owning the bare minimum of shares needed to introduce a proposal—have attempted to use the proxy process to achieve policy changes unrelated to, or even in opposition to, the interests of stockholders. Owing to Proxy Monitor’s extensive database, ongoing analyses, and strategic media outreach, worldwide outlets, including *The Economist*, *Wall Street Journal*, and *New York Times*, have taken note, helping inform corporate governance practitioners and the public at large about this phenomenon.

Copland’s latest analysis, released this autumn at a conference featuring SEC commissioner Daniel Gallagher, shows how some proxy advisors—which are hired to make recommendations to proxy voters for these ballot initiatives—appear to be captured by labor-fund investors and seem to accede to their wishes, while wielding disproportionate influence over the ballot process. Earlier this year, following the steady stream of research and commentary by CLP experts and others, the

**Political Spending Double-Cross**

“According to the Manhattan Institute’s Proxy Monitor, political disclosure proposals averaged around 20% support from shareholders at Fortune 250 companies in 2014, about the same as last year.”

— *Wall Street Journal*
Securities and Exchange Commission (SEC) took action, issuing new guidance that governs proxy advisory firms and sets the stage for further reform in the coming year.

“Overcriminalization,” a term that the CLP has helped popularize over the years, refers to excessive and inappropriate application of the criminal law, particularly with respect to American businesses. This has been an increasing trend at both the state and federal levels of government, leading to violations of civil liberties and the discouragement of business growth and entrepreneurship. In North Carolina, for example, selling hot dogs without a license, operating teeth-whitening kiosks in malls, and dispensing dietary advice on the Internet have all run afoul of the state’s criminal law in recent years. To shine a light on this drain on the economy and misallocation of crime-fighting resources, which affect states across America, Copland and CLP deputy director Isaac Gorodetski authored an issue brief, Overcriminalizing the Old North State: A Primer and Possible Reforms for North Carolina. They publicized their findings through an op-ed in the Greensboro News and Record, one of the largest newspapers in the state.

A major area of overcriminalization at the federal level, also brought to light by the CLP, has been the Department of Justice’s rapidly increasing use of deferred-prosecution and non-prosecution agreements (DPAs and NPAs). When faced with criminal charges, companies will submit to these agreements, which can entail billions of dollars in fines, rather than run the risks associated with going to trial. The criminal charges are often based on vague laws, and DPAs and NPAs are executed with minimal judicial oversight and a significant lack of transparency. This climate of perpetual prosecution leaves businesses in a position of constant risk; they often are reluctant to hire, innovate, or expand, as they must set aside millions for potential criminal settlements. An Economist cover story last August, “Criminalising the American Company: A Mammoth Guilt Trip,” relied on Copland and Gorodetski’s work to expose this threat of “regulation by prosecution.” The White House has taken note as well. Earlier this year, the Obama administration’s U.S. Domestic Policy Council invited Copland and Gorodetski to Washington, where they briefed staff about the need to scale back the practice of overcriminalization. The administration’s willingness to engage with MI experts about potential reform is, we hope, a promising sign for American entrepreneurs and businesses of every size.

TRIAL LAWYERS, INC.: DISABILITY CLAIMS

The next issue of the CLP’s report series Trial Lawyers, Inc. focuses on disability-related litigation, which has become big business for the plaintiffs’ bar. In certain states—most notably, California and New York—trial lawyers have engaged in shakedown lawsuits against businesses—claiming, for example, that they are in noncompliance with the Americans with Disabilities Act. At the same time, lawyers have aggressively marketed their services to the public at large, encouraging citizens to pursue dubious claims for disability benefits under Social Security—foisting on American taxpayers a large tab for otherwise able-bodied individuals exiting the workforce. In November, the Manhattan Institute plans to host a public forum to discuss this report, featuring remarks by Senator Tom Coburn, a leading voice for federal entitlement reform.
NEXT-GEN LEADERS

MI trustee Daniel Loeb with Adam Smith Society members
I is always developing new ways of bringing our research to the attention of individuals who can join us in advancing our analyses of problems and proposed solutions. Over the past few years, we have focused increasingly on cultivating communities of influence among the next generation. Particularly through the Adam Smith Society, based at business schools nationwide, and the MI Young Leaders Circle in New York, we are forming networks of successful, up-and-coming leaders committed to bringing good ideas to bear on policy debate.
Among the most unsettling aspects of the 2008 financial crisis and subsequent recession—even beyond moral hazard within much of the financial system and rise in unemployment—has been the proliferation of an anticapitalist mentality. For the U.S. to regain its footing and get back to a path to prosperity, America must renew its confidence in the productive power of the market. And business leaders must be a part of the solution. Those who take risks, start firms, and grow businesses have a critical role to play in promoting the virtues of a competitive market economy.

Three years ago, in an effort to cultivate business leadership on behalf of the free-enterprise system from within the private sector, the Manhattan Institute, in partnership with the Marilyn G. Fedak Capitalism Project, founded a new organization called the Adam Smith Society. Based at U.S. business schools nationwide, the Adam Smith Society provides a context for discussion and debate about free-market ideas among MBA students. In developing this program, we have consciously modeled our efforts after the Federalist Society, which has gained a hearing for ideas such as constitutionalism and the rule of law at law campuses throughout the country and formed an influential alumni network of attorneys and judges who are committed to those principles.

Now in its fourth academic year, the Adam Smith Society continues to expand rapidly. We have chapters at 20 business schools, most of them among the highest-ranked, and more than 2,200 members throughout the country. Last year, we had more than 60 national and on-campus events, featuring numerous market-minded scholars and business leaders speaking on the morality of free enterprise and discussing and debating the regulatory environment in key economic sectors, from energy to finance to health care. The annual national meeting, hosted by MI in New York, is the organization’s marquee event; former Hewlett-Packard CEO Carly Fiorina and MI chairman

All too often, MBA students graduate business school having never considered the foremost proponents of free enterprise, such as Adam Smith and Friedrich Hayek—or its most serious detractors. To help students deepen their understanding of the moral foundations of capitalism, the Manhattan Institute has developed a reader for the Adam Smith Society: What Adam Smith Knew: Moral Lessons on Capitalism from Its Greatest Champions and Fiercest Opponents, published by Encounter Books. Edited by Wake Forest University philosophy and economics professor James Otteson, the reader is a valuable resource for students and graduates and will be a basis for discussion groups on business school campuses.
If you are an MBA student or business school graduate—or know someone who is—and would like to become part of the national network, please contact us at adamsmith@manhattan-institute.org or 212-599-7000.

and Elliott Management Corporation founder Paul Singer headlined the 2014 proceedings. The Manhattan Institute has high expectations for the MBA grads becoming part of our network. We foresee future Fortune 500 CEOs, entrepreneurs, financiers—and perhaps even Treasury secretaries—emerging from their ranks. To keep these alumni members active and engaged in the Adam Smith Society, we have started founding professional chapters in major U.S. cities, beginning in New York. Professional chapters will enable members to continue the conversations they began as students and deepen their understanding of the philosophical foundations of capitalism and public policy issues. As you can imagine, this is only the first step. Looking to the next few years, we intend to increase our footprint with respect to both on-campus and alumni chapters and grow market share at the schools where chapters are currently located. If the growth from the past four years is any indicator of future success, we will have much to report very soon.
While advancing in their careers, young professionals (MBA or otherwise) have few opportunities to continue their education. And those living in some of America’s largest cities often feel stifled, unable to find a place where they can talk about issues that matter to them. Recognizing that young, market-minded professionals in the New York area need an outlet to openly discuss public policy ideas and connect with one another, the Manhattan Institute founded the Young Leaders Circle.

Since 2007, the Young Leaders Circle has developed into a robust membership organization, with just under 1,000 young professionals who frequent our events. Of that group, a quarter serve as general members and advisory-committee members and represent a variety of professions, from finance to law to journalism to academia to nonprofits. Some have started their own businesses and have run for local political office. The Institute has developed this program with the support of the MI board of trustees and the generous backing of the Smith Family Foundation.

Every Young Leaders Circle event features one or more speakers discussing issues in politics, economics, or culture, with ample time for networking. The Manhattan Institute presents our own fellows, who talk about their latest research, as well as
other notable figures in public, civic, and intellectual life. Speakers in 2014 include former New York mayor Rudolph Giuliani, Wisconsin governor Scott Walker, General David Petraeus, The Weekly Standard’s Bill Kristol, acclaimed novelist Tom Wolfe, and MI senior fellow Heather Mac Donald. The Young Leaders Circle program presents an unrivaled opportunity for New York professionals to deepen their knowledge about public policy and meet people with similar interests. Please consider giving the gift of a Young Leaders Circle membership to someone you know!

JOINING YOUNG LEADERS

The Young Leaders Circle (YLC) has two membership levels: at the $250 level, members receive access to monthly YLC events in New York City (ten per year) and a subscription to the Manhattan Institute’s magazine, City Journal. At the $1,000 Advisory Committee (AC) level, additional benefits include exclusive AC events, access to salon dinners with speakers following the main YLC events, and invitations to MI’s regular luncheons, cocktail receptions, and the annual black-tie Walter B. Wriston Lecture. For more information about joining the Young Leaders Circle, or to give a membership as a gift, please contact the MI Benefit Office at 212-599-7000.
CONSERVATIVE URBANISM

Detroit emergency manager Kevyn Orr, Michigan governor Rick Snyder, MI senior fellow Daniel DiSalvo
In America and throughout the world, more and more people have been moving to cities. Increasing urbanization presents great opportunities as well as challenges. For cities to serve as incubators of commerce, technological innovation, and culture, good governance is essential. To help cities thrive, the Manhattan Institute has spent decades developing and promoting policies based on a philosophy that we call "conservative urbanism." This involves the application of MI's core principles—economic choice and individual responsibility—to the issues of particular importance to cities: public safety, infrastructure, housing, K–12 education, and civil society, among others. With progressive leadership now in place in New York and other locales—and with the rising cost of public-employee benefits impairing the ability of state and local governments to deliver core services—MI is educating citizens and officials about policies that can help cities be sources of growth and opportunity.
The Manhattan Institute has promoted its vision of conservative urbanism in cities from coast to coast. Most recently, no city has been in greater need of that vision than Detroit. Since the late 1960s, the Motor City has often represented local governance at its worst. Crime has been rampant. Poverty and unemployment are among the highest in the nation. And in 2013, burdened by public-employee benefits and promises that are simply unaffordable, Detroit became the largest municipality to file for bankruptcy in U.S. history. Confident in what good ideas can do for even the toughest of cases, the Manhattan Institute has spent the past several years working on policy solutions that can help revive Detroit and serve as a model for other locales facing difficult circumstances. In 2012 and 2013, MI experts collaborated with the Detroit Police Department (DPD) in the implementation of Broken Windows policing and a CompStat computer system—strategies that we have developed and promoted in cities nationwide, beginning in New York. We are pleased to report that crime is down in the areas where we were active, and the DPD has made our innovations part of standard operating procedure.

This past year, amid the bankruptcy proceedings, the Manhattan Institute worked to shape the national debate over how Detroit—as well as other cities (and states) on the brink of bankruptcy—should reconcile its balance sheets and formulate a path toward prosperity. In March, we hosted a public forum in New York, “Detroit: The Next American City of Opportunity,” featuring Michigan governor Rick Snyder and Detroit emergency manager Kevyn Orr, moderated by MI senior fellow Daniel DiSalvo. In July, the Institute cosponsored two events in the Motor City, with the think tank State Budget Solutions, to discuss how Detroit has been engaging with citizens, entrepreneurs, and other partners to create a solid foundation for its future, as well as lessons that other cities on the brink can learn from its experience. Analyses about the Detroit bankruptcy by MI senior fellows Stephen Eide and Steven Malanga have appeared in outlets from the Los Angeles Times to Detroit News to Investor’s Business Daily; MI’s blog, PublicSectorInc.org, has posted regular commentary.

While much work remains to be done in Detroit, there are signs that the city is starting to come back. In a June Manhattan Institute study, America’s Top Metros: Who’s Leading the Recovery and Why, authors Tom Gray and Robert Scardamalia found that Detroit, after bottoming out in 2009, has added jobs at a strong rate.
in papers such as the *Houston Chronicle* and *Detroit News*, Gray and Scardamalia publicized their broader findings about the kinds of policies associated with thriving metropolises. While four of the top 20 metros are in Texas, a state that has maintained low barriers to growth, three of the bottom 20 are in California, a state characterized by high taxes, heavy regulations, and a high concentration of public-union power. How postindustrial cities such as Detroit can succeed was also the subject of a conference that the Manhattan Institute cosponsored in London with Policy Exchange—the United Kingdom’s premier free-market think tank. Scholars from the U.K. and a delegation from MI led by senior fellow and Harvard University economist Edward Glaeser discussed what we can learn from the successes and failures of postindustrial cities—from Pittsburgh and Buffalo in America to Manchester and Liverpool in England.

Indeed, the political influence of the public sector remains a serious obstacle to reforming pension and health care benefits in many cash-strapped cities and states. For years, MI fellows have educated citizens about how public unions help elect the politicians with whom they later negotiate lucrative contracts—a “business model” that we at the Institute refer to as Public Sector, Inc. As DiSalvo has found, the unions do not act in the public interest; and they often shortchange the interests of many rank-and-file union members. In his latest paper, *Are Unions Democratic? The Internal Politics of Labor Unions and Their Implications*, DiSalvo documents how public unions, in the vast majority of cases, are only superficially democratic. For example, only 17 percent of New York City schoolteachers voted in the last United Federation of Teachers (UFT) elections—and more than half of that turnout came from retirees, many of whom now live in Florida. It should therefore come as little surprise that unions push for compensation structures that favor older and retired workers, back-loading pay in the form of pensions as opposed to increasing take-home pay for newer employees.

For pension plans to benefit teachers more equitably, including those who either leave teaching after a few years or relocate to a new district, benefits should accrue smoothly—year after year—instead of spiking after a teacher has 20-plus years in the system. Senior fellow Marcus Winters and pension expert Josh McGee made this point in their 2013 paper *Better Pay, Fairer Pensions: Reforming Teacher Compensation*. In a follow-up study this year, they showed that most teachers would prefer such a system, reinforcing the case for pension reform that can help school districts offer significantly more attractive teacher-compensation packages, without the need for higher taxes or reduced services.

In 2015, MI will work with senior fellow Daniel DiSalvo, also a professor of political science at the City University of New York and 2014 Fulbright Scholar, to promote his forthcoming book on the history of the growing political influence of public labor—a subject often neglected by mainstream academia. *Government Against Itself: Public Union Power and Its Consequences* will be published by Oxford University Press.
Support for greater competition and choice in K–12 education has long defined MI’s urban policy agenda. In 2014, New York became a flash point in the national debate over education reform, when the new mayor, Bill de Blasio, rescinded agreements to provide building space for three high-performing charters. As many charters represent a lifeline for poor and minority families in cities across America, MI was determined to push back against this shift in policy—empirically assessing the claims of charter opponents and flooding the media market with our findings.

Charter opponents often claim, for example, that the schools are successful because they “skim” the best students and are reluctant to enroll children with special needs. In a fall 2013 paper, Why the Gap? Special Education and New York City Charter Schools, senior fellow Marcus Winters showed that charters have lower special-education enrollments largely because they have been effective in integrating students into mainstream education and declassifying them as special-ed. In response to de Blasio’s proposal to charge certain co-located schools rent, senior fellow Stephen Eide produced a study in February 2014, Should Charter Schools Pay Rent? Implications for Staffing and Growth. Eide found that if rent were charged, 71 percent of co-located charters—those that share building space with another school—would be forced into deficit and likely have to lay off teachers. Winters then followed up with a report, The Effect of Co-locations on Student Achievement in NYC Public Schools, showing that the practice of charter school co-location has no negative impact on the learning outcomes of the kids in the other school that shares the building.

As debate over de Blasio’s anti-charter agenda ensued, MI’s research reverberated in the press. Op-eds by Eide and Winters, based on their studies, appeared in the...
Within the broader U.S. public school system, many other areas are ripe for reform, beginning with curriculum. MI senior fellow Sol Stern and MI education policy director Charles Sahm continue to advocate for rigorous content-rich curricula and have embarked on a study to evaluate the curriculum choices of New York City schools. Through our focus on the new wave of career and technical education (CTE), the Institute is showing how vocational education today can hold great promise for students looking to enter high-tech careers right out of high school. And MI fellow and University of Washington professor Jacob Vigdor is preparing to release the MI School Effectiveness Index. The index, for the first time, will rank the performance of every school in the country, based on data from standardized tests and controlling for the poverty rates of the student populations. We believe that this tool will be of great interest to parents and policymakers alike: it will show which schools are performing well and will encourage greater competition and accountability.
Over the past 20 years, New York City has set a national example for conservative urbanism. Innovations that the Institute has promoted in our home city—proactive policing, welfare-to-work, and charter schools, in particular—have proved successful and have been replicated throughout the country. New leadership in Gotham, however, threatens to undo these reforms. Shortly after his election as mayor of New York last year, Bill de Blasio stated his intention to be a “national convener” for a “progressive urban agenda.” With a great deal at stake for both New York and urban America at large, MI has ramped up its research and communications efforts. Our goal is to ensure that citizens understand the ramifications of Mayor de Blasio’s agenda, as well as advance ideas that can truly strengthen our nation’s cities—with fellows serving as go-to sources of information on issues from crime to welfare to infrastructure to housing.

Under de Blasio, New York has been a focal point in the national inequality debate. As a candidate and mayor, he has denounced Gotham’s “tale of two cities”—one rich and one allegedly falling further behind. But will de Blasio’s agenda actually help the disadvantaged? Will the city be safer? Will poverty decrease? Will high school drop-out rates decline? Will families be stronger? To grade de Blasio’s policies on the mayor’s own terms, senior fellow Stephen Eide has launched a project: Poverty and Progress in New York. Through a series of regular reports, Eide is tracking conditions in the city’s poorest neighborhoods, using the latest publicly available data. In 2014,
Eide issued two reports—the first of which set a baseline against which the mayor will be evaluated, and a second report that looked at conditions after six months. Eide introduced his report series to the public through an op-ed in the *New York Daily News*, “It’s Not Inequality—Poverty Is the Point.”

One of the more alarming findings of Eide’s second report was that shootings in the city were up 8 percent compared with the same period last year—and that in all the precincts driving the increase in shootings, the usage of “stop, question, and frisk,” a proactive policing tactic, was down dramatically. During the 2013 mayoral race, candidate de Blasio made criticism of this tactic a centerpiece of his campaign. Since then, the Broken Windows theory of policing—cracking down on “smaller” crimes to deter more serious offenses—has been under fire by activists and the press. MI senior fellow Heather Mac Donald has been our lead voice in rebutting its detractors, in outlets including *Time* (“Bratton’s Back: even progressives need police”), *New York Times* “Room for Debate” (“It’s always Vandalism,” about graffiti), National Review Online (“Proactive Policing Is Not Racial Profiling”), *New York Post* (“Stops: A Street-Eye View”), *Wall Street Journal* (“The Democratic Embrace of Al Sharpton”), and MI’s own *City Journal* (“De-Policing New York,” among others). On two separate occasions this year, we have provided NYPD commissioner William Bratton a public platform to discuss the importance of proven crime-reduction strategies. At a forum we convened this fall, “Twenty Years of Broken Windows Policing: What’s Ahead for Public Safety in New York?” Bratton declared unequivocally: “[Broken Windows] will continue to be the platform upon which we build.” The event and Bratton’s remarks were reported by local outlets such as the *New York Daily News*, *AM NY*, *Capital NY*, *Newsday*, and *Gotham Gazette*.

Just as proactive policing has been of great benefit to poorer citizens—who live in neighborhoods that tend to be more dangerous—so has the city’s inspired efforts to transition individuals from public assistance to paid work. As senior fellow E. J. McMahon explained in his May paper, *Trends in Assistance and Dependency: Tracking Programs for New York City’s Poor, 1956–2014*, New York City went from more than 1.16 million residents receiving cash assistance welfare, in the peak year of 1995, down to fewer than 340,000 in 2014—a drop of 71 percent in 19 years. But as Heather Mac Donald has reported, the de Blasio administration seems willing to return New York to the days of benefits with few strings attached. In articles in *City Journal* and op-eds for the *New York Post*, Mac Donald has sounded the alarm about de Blasio’s new welfare commissioner and his decision this spring to end the city’s requirement that able-bodied adults work at least 20 hours per week to be eligible for food stamps. We can count on Mac Donald to continue to stress the importance of personal responsibility to a thriving city.

As for the Institute’s other major guiding principle—economic choice—we continue to apply it in developing an urban policy agenda that has opportunity at its core.
James Q. Wilson (1931–2012) was one of the most influential political scientists of the twentieth century and has an important place in the history of the Manhattan Institute, too. His 1982 *Atlantic Monthly* essay, “Broken Windows,” coauthored with MI senior fellow George Kelling, introduced ideas on policing that MI has since placed at the center of its agenda for revitalizing cities. From 1997 to 2011, Wilson delivered an annual lecture at the Manhattan Institute, in which he spoke on a range of themes, including criminology, terrorism, marriage, and religion. Shortly after his death in 2012, MI recognized him, in memoriam, at our 12th annual Alexander Hamilton Award Dinner. To continue to honor Wilson’s legacy, the Manhattan Institute has inaugurated an annual lecture series on urban affairs bearing his name.

The inaugural lecture in this series, “When Cities Thrive,” was delivered by MI senior fellow and Harvard University economist Edward Glaeser, who addressed the challenge that Mayor de Blasio poses to the way we think about cities. Glaeser argued that proponents of conservative urbanism ought to respond directly to Americans’ concerns about inequality and lack of opportunity, showing that we are the ones with real solutions.
Throughout American history, nonprofits and philanthropists—acting independently of government—have contributed profoundly to civic life, in ways such as helping the needy and founding cultural and educational institutions. In recent years, however, this tradition has been increasingly under fire. Calls to lower the value of the charitable tax deduction, for example, and the idea that only certain government-designated causes should qualify for it, threaten to undermine the discretion of donors and the diversity and creativity of American nonprofits. Through the Project on Philanthropy and Social Entrepreneurship, led by MI senior fellow and vice president for policy research Howard Husock, the Institute is working to counter these and other challenges to the flourishing of civil society.

The Institute’s annual Social Entrepreneurship Awards program is a major component of these efforts. By honoring individuals who have started their own nonprofit organizations relying on primarily private donations, we highlight how the spirit of voluntarism remains alive and seek to inspire citizens to develop responses to problems that the state is ill-suited to address. We present the awards—the $25,000 Richard Cornuelle Awards for Social Entrepreneurship and the $100,000 William E. Simon Prize for Lifetime Achievement—at an annual banquet in New York, attended by philanthropists, journalists, and other practitioners who can help advance the winners’ work. From Alice Ely Chapman’s after-school program that instills time-tested virtues in a struggling Appalachian community to Salman Khan’s use of online technology to revolutionize education, honorees hail from all parts of the country and have developed innovative ways of tackling some of America’s most difficult social problems.

Much of Husock’s research and writing has focused on safeguarding the freedom of philanthropists to donate where they—and not the government—see fit. Through his Forbes.com column, “Philanthropy and Society,” Husock responds to policies opposed to philanthropic freedom, such as Mayor de Blasio’s endorsement of legislation that would, in the name of “fairness,” siphon private donations from the Central Park Conservancy—the nonprofit that manages the park—to other parks in the city. In late 2013, Husock authored an MI issue brief, Tax Reform and the Charitable Deduction: The Risk to Blue-State Philanthropy, explaining that proposals to reduce the value of the charitable deduction would likely have a severe impact on nonprofit organizations in states such as New York, California, and Illinois.

MI is committed to standing up for the independent sector over the long term. If we do not arrest the government’s encroachment on civil society, we risk losing the ingenuity and devotion of groups such as Habitat for Humanity and Alcoholics Anonymous in exchange for the mediocrity epitomized by Head Start—the federal preschool program that has cost billions of dollars but shown no evidence of boosting learning outcomes.
Does inequality make Dasani homeless? Kay Hymowitz, the William E. Simon Fellow at the Manhattan Institute, posed this question in City Journal in response to a five-part New York Times series, Invisible Child. Eleven-year-old Dasani Coates, the subject of the series, lives a tough life, forced to serve as de facto caretaker for her seven siblings, all of whom live together—with their unemployed, drug-addicted parents—in a dank, vermin-infested homeless shelter. The Times would have its readers believe that structural forces relating to capitalism and insufficient public assistance are much to blame for this family’s plight. So, too, would New York City mayor Bill de Blasio, who had Dasani join him on stage for his inauguration, as a symbol of what he denounced as the “economic and social inequalities that threaten to unravel the city.” But as Hymowitz points out, what Dasani’s heart-wrenching story really proves is what progressives don’t want to admit: how tough it is to free a child from the choices of irresponsible parents. With much of today’s reporting blinkered by various biases, City Journal exists to bring a more discerning perspective to bear on the gamut of issues concerning urban life, such as education, the family, crime, housing, union influence, and the economy.

The stable of journalists who write for City Journal—including mainstays Theodore Dalrymple, Nicole GELinas, Hymowitz, Heather Mac Donald, Myron Magnet, Steven Malanga, Fred Siegel, and Sol Stern—is part of what makes the Manhattan Institute unique among think tanks. While we produce our share of white papers, we recognize that to shape the public discourse, rigorous reporting on past and current events is critical. Hymowitz, for example, also punctured the progressive narrative about insuperable systemic inequalities in a feature piece in the Spring 2014 issue, “Brooklyn’s Chinese Pioneers.” This in-depth investigative story illustrates how poor immigrants from China’s Fujian province instill a strong work ethic in their children, who then do well in school and successfully enter the middle class. At the Institute’s annual dinner last May, Governor Jeb Bush praised Malanga, the magazine’s senior editor, for exposing the failures of state fiscal policies. Malanga remained focused on this beat in 2014, with City Journal pieces such as “The State Tax Grab” (Winter), about cash-hungry governments exacting revenue from nonresident businesses and workers, and “Brennan’s Revenge” (Spring), which chronicles how state judicial activism has cost taxpayers billions in unfunded mandates and thwarted efforts to control spending.

Editor Brian Anderson is dedicated not only to fielding serious reporting from our veteran writers and commissioned authors but also to seeing that the magazine’s work reaches a wide readership. Under his leadership, www.city-journal.org has
brought the articles to readers across the country—with California and New York often trading places as the state with the greatest number of readers. The website, which features regular articles, book reviews, podcasts, and the occasional video—in addition to the long-form essays from each print edition—has been averaging millions of visits annually, spurred in part by an increasing number of Facebook fans.

This year, as in years past, *City Journal* reached millions of readers more through traditional media. Dozens of *City Journal* essays were adapted for publication in high-circulation newspapers nationwide, including the *Wall Street Journal, New York Post, Los Angeles Times, Orange County Register, New York Daily News, Dallas Morning News, Investor’s Business Daily*, and *Washington Examiner*. Anderson keeps journalists and reporters from these and other publications focused on our work through regular media dinners in New York and Los Angeles. Look for *City Journal* to continue this dual commitment to journalistic excellence and wide readership in 2015, when the magazine celebrates its 25th anniversary.
Not Beyond Coal: How the Global Thirst for Low-Cost Electricity Continues Driving Coal Demand
by Robert Bryce
Energy Policy & the Environment Report 14, October 2014

Inequality Does Not Reduce Prosperity: A Compilation of the Evidence Across Countries
by Scott Winship
e21 Report 1, October 2014

Overcriminalizing the Wolverine State: A Primer and Possible Reforms for Michigan
by James R. Copland, Isaac Gorodetski & Michael J. Reitz
Issue Brief 31, October 2014

Health Savings Accounts Under the Affordable Care Act: Challenges and Opportunities for Consumer-Directed Health Plans
by Paul Howard, Yevgeniy Feyman
Medical Progress Report 18, October 2014

Why the Gap? English Language Learners and New York City Charter Schools
by Marcus A. Winters
Civic Report 93, October 2014

A Report on Corporate Governance and Shareholder Activism
by James R. Copland & Margaret M. O’Keefe
Proxy Monitor Report, October 2014

Are Unions Democratic? The Internal Politics of Labor Unions and Their Implications
by Daniel DiSalvo
Civic Report 91, September 2014

Poverty and Progress in New York II: Crime, Welfare Enrollment, and Economic Conditions Six Months into the de Blasio Administration
by Stephen Eide
Civic Report 92, September 2014

New York’s Rent-Burdened Households: Recalculating the Total, Finding a Better Solution
by Howard Husock & Alex Armlovich
Issue Brief 30, August 2014

Transcending Obamacare: A Patient-Centered Plan for Near-Universal Coverage and Permanent Fiscal Solvency
by Avik Roy
Medical Progress Report 17, August 2014

Prime the Pump: The Case for Repealing America’s Oil Export Ban
by Mark P. Mills
Issue Brief 29, July 2014

Better Pay, Fairer Pensions II: Modeling Preferences Between Defined-Benefit Teacher Compensation Plans
by Marcus A. Winters & Josh McGee
Civic Report 90, June 2014
America's Top Metros: Who's Leading the Recovery, and Why
by Tom Gray & Robert Scardamalia
Civic Report 89, June 2014

Poverty and Progress in New York I: Conditions in New York City's Poorest Neighborhoods
by Stephen Eide
Civic Report 88, June 2014

Digital Transformation: Wiring the Responsive City
by Stephen Goldsmith
Civic Report 87, June 2014

Trends in Assistance and Dependency: Tracking Programs for New York City's Poor, 1956–2014
by E. J. McMahon
Civic Report 86, May 2014

Overcriminalizing the Old North State: A Primer and Possible Reforms for North Carolina
by James R. Copland & Isaac Gorodetski
Issue Brief 28, May 2014

by Alexander Tabarrok, Joseph A. DiMasi & Christopher-Paul Milne
Project FDA Report 7, April 2014

Energy Reform in Mexico: Next Step for the North American Energy Colossus?
by Mark P. Mills
Issue Brief 27, April 2014

Companies Fight Back Against Chevedden: Unions and Social Investors Ramp Up Push on Corporate Political Spending
by James R. Copland
Proxy Monitor Report 7, March 2014

The Effect of Co-locations on Student Achievement in NYC Public Schools
by Marcus A. Winters
Civic Report 85, February 2014

The Shadow Lengthens: The Continuing Threat of Regulation by Prosecution
by James R. Copland & Isaac Gorodetski
Legal Policy Report 18, February 2014

Where the Jobs Are: Small Businesses Unleash America's Energy Employment Boom
by Mark P. Mills
Power & Growth Initiative Report 4, February 2014

Should Charter Schools Pay Rent?: Implications for Staffing and Growth
by Stephen Eide
Civic Report 84, February 2014

Maintaining the Advantage: Why the U.S. Should Not Follow the EU's Energy Policies
by Robert Bryce

Pre-Retroactive Pay Raises
by E. J. McMahon
Issue Brief 26, January 2014
What Adam Smith Knew: Moral Lessons on Capitalism from Its Greatest Champions and Fiercest Opponents

What exactly is capitalism, and why do its advocates support it? What are the main objections to capitalism that have been raised by its critics? Are there moral reasons to support capitalism—or to oppose it? Edited by Wake Forest philosophy and economics professor James Otteson and published by Encounter Books, this volume brings together seminal texts on these and other fundamental questions about the morality of capitalism—by thinkers ranging from Adam Smith to Karl Marx to Friedrich Hayek. We developed this book as a resource for MBA student and alumni members of the Manhattan Institute’s Adam Smith Society based on business school campuses.

Smaller Faster Lighter Denser Cheaper: How Innovation Keeps Proving the Catastrophists Wrong

In the face of today’s environmental and economic challenges, a coalition of catastrophists is promoting de-industrialization, re-localization, banning the use of modern energy sources, and forswearing prosperity. In this provocative and optimistic rebuke to the doomsayers, MI senior fellow Robert Bryce shows how innovation and the inexorable human desire to make things smaller, faster, lighter, denser, and cheaper is providing consumers with cheaper and more abundant energy, faster computing, lighter vehicles, and myriad other goods. That same desire is fostering unprecedented prosperity, greater liberty, and better environmental protection.

The Smart Society: Strengthening America’s Greatest Resource, Its People

Over the last four decades, the vaunted United States human capital machine has been breaking down, dimming the economic and social prospects of millions of Americans, crowding the nation’s welfare rolls and prisons, and sharply inflating the size and cost of the nation’s safety net. But according to MI senior fellow Peter Salins, these trends can be reversed, and the nation and its people can quickly regain their preeminence in the hypercompetitive and globalized world of the twenty-first century. In his new book, The Smart Society, Salins provides the blueprint on how to reverse current trends by investing in institutions and practices critical for expanding human capital.

The Revolt Against the Masses: How Liberalism Has Undermined the Middle Class

In this book, MI senior fellow Fred Siegel rewrites the history of modern American liberalism. He shows that what we think of liberalism today began not with Progressivism or the New Deal but rather in the wake of the post-WWI disillusionment with American society. In the twenties, the first writers and thinkers to call themselves liberals adopted the hostility to bourgeois life that had long characterized many European intellectuals. The aim of liberalism’s foundational writers and thinkers such as Herbert Croly, Randolph Bourne, H. G. Wells, Sinclair Lewis, and H. L. Mencken was to create an American aristocracy of sorts, to provide a sense of hierarchy and order associated with European statism.
ONLINE PRESENCE

Efforts to raise our profile and increase our visibility through social media channels have resulted in double-digit growth in many areas.

City Journal nearly doubled its engagement with followers over Twitter and added more than 7,000 new Facebook fans.

In addition to thousands of new followers over Twitter, MI has increased its interaction with followers by more than 25% and its post impressions by almost 100%.

MI also launched a new Instagram account with behind-the-scenes shots of our fellows and featured guests on TV and at events.
Alexander Hamilton Awards

The Alexander Hamilton Award was created to honor those individuals helping to foster the revitalization of our nation’s cities. We chose to name the award after Hamilton because, like the Manhattan Institute, he was a fervent proponent of commerce and civic life. Throughout the years, we have expanded the scope of our prize to celebrate leaders on local as well as state and national levels who have—whether in public policy, culture, or philanthropy—made remarkable things happen. The 2014 Alexander Hamilton Awards were presented to U.S. Representative Paul Ryan, Manhattan Institute trustee Thomas W. Smith, and Governor Jeb Bush.

Hayek Lecture

The Hayek Lecture is delivered by the recipient of the Hayek Prize, which honors the book published within the past two years that best reflects Hayek’s vision of economic and individual liberty. The Hayek Prize, with its $50,000 award, is among the world’s most generous book prizes. It was conceived and funded by Manhattan Institute trustee Thomas W. Smith to recognize the influence of F. A. Hayek and to encourage other scholars to follow his example. The winner of the Hayek Prize is chosen from among the nominations by a selection committee of distinguished economists, journalists, and scholars. Past winners include William Easterly, for The White Man’s Burden; John Taylor, for First Principles; and, most recently, Casey Mulligan, for The Redistribution Recession: How Labor Market Distortions Contracted the Economy.

Social Entrepreneurship Awards

Each year since 2001, the Institute, in conjunction with a committee of distinguished scholars, practitioners, and foundation leaders, selects up to five individuals who have originated and effectively steered a nonprofit organization providing direct services to those in need as winners of the Richard Cornuelle Award for Social Entrepreneurship. In keeping with the social entrepreneurship program’s emphasis on the vitality of American civil society, the award is aimed at those with original ideas brought to fruition with predominantly private support, rather than in response to government grant programs. In addition, the Institute annually presents the William E. Simon Prize for Lifetime Achievement in Social Entrepreneurship. This year’s winner was Khan Academy founder Salman Khan.
In 1987, the Manhattan Institute initiated a lecture series in honor of Walter B. Wriston: banker, author, government advisor, and member of the Manhattan Institute’s board of trustees. The Wriston Lecture has since been delivered annually in New York City with honorees drawn from the worlds of government, the academy, religion, business, and the arts. In establishing the lecture, the trustees of the Manhattan Institute—who serve as the selection committee—have sought to inform and enrich intellectual debate surrounding the great public issues of our day and to recognize individuals whose ideas or accomplishments have left a mark on their world. The 2014 Wriston Lecture was an interview of General David Petraeus by MI senior fellow Judith Miller.

**William E. Simon Lecture**

Annually, since 2007, the Manhattan Institute has sponsored the William E. Simon Lecture on philanthropy and social entrepreneurship. This lecture series seeks to provide a framework—historical and current, scholarly and personal—for understanding trends in American charity and charitable enterprises. The 2014 lecture, “What Is Conservative Philanthropy?,” was delivered by Washington Post columnist Michael Gerson.

For 15 years, James Q. Wilson, who died in 2012, delivered an annual lecture for the Manhattan Institute. To continue to honor Wilson’s legacy, the Manhattan Institute has inaugurated an annual lecture series on urban affairs bearing his name. Through this series, we intend to give prominence to new ideas that, like those developed by Wilson, can improve the quality of life in New York and cities across America. The inaugural James Q. Wilson Lecture on Urban Affairs was delivered by MI senior fellow and Harvard University economics professor Edward Glaeser.

**The Adam Smith Society**

Every February, the Adam Smith Society holds its annual national meeting in New York. This conference brings together MBA student and alumni members from across the country for an intense weekend of education and networking. Past national meetings have featured keynote addresses by prominent executives such as Whole Foods CEO John Mackey, former Hewlett-Packard CEO Carly Fiorina, and Amicus Therapeutics CEO John Crowley, in addition to industry-focused breakout sessions that pair scholars and practitioners, and panels on topics such as the morality of capitalism and how the media portrays business. The national meeting provides an invaluable context in which members can get to know one another, begin lifelong connections, and develop a spirit of camaraderie.
EXPERTS

BRIAN C. ANDERSON is the editor of City Journal.

DANIEL DISALVO is an MI senior fellow with the Center for State and Local Leadership and an assistant professor of political science at the City College of New York.

DIANA FURCHTGOTT-ROTH is a senior fellow at the Manhattan Institute and director of e21.

MICHAEL KNOX BERAN is a City Journal contributing editor.

RICHARD DREYFUSS is an MI senior fellow with the Center for State and Local Leadership.

NICOLE GELINAS is a Manhattan Institute senior fellow and a contributing editor of City Journal.

CLAIRE BERLINSKI is a City Journal contributing editor.

STEPHEN D. EIDE is an MI senior fellow with the Center for State and Local Leadership and editor of PublicSectorInc.org.

EDWARD GLAESER is an MI senior fellow, a City Journal contributing editor, and the Fred and Eleanor Glimp Professor of Economics at Harvard University.

BEN BOYCHUK is associate editor of City Journal.

RICHARD A. EPSTEIN is a Manhattan Institute visiting scholar.

VICTOR DAVIS HANSON is a contributing editor of City Journal.

ROBERT BRYCE is an MI senior fellow with the Center for Energy Policy and the Environment.

DR. ANDREW C. VON ESCHENBACH is director of the Manhattan Institute’s Project FDA and a former FDA commissioner.

STEPHANIE HESSLER is an MI adjunct fellow in the Center for Legal Policy.

JAMES R. COPLAND is an MI senior fellow and director of the Manhattan Institute’s Center for Legal Policy.

YEVGENIY FEYMAN is a fellow at the Manhattan Institute’s Center for Medical Progress.

PAUL HOWARD is an MI senior fellow and director of the Manhattan Institute’s Center for Medical Progress.

THEODORE DALRYMPLE is the Dietrich Weismann Fellow at the Manhattan Institute and a contributing editor of City Journal.

TED FRANK is an adjunct fellow with the Center for Legal Policy.

PETER HUBER is an MI senior fellow at the Center for Energy Policy and the Environment, Center for Medical Progress, and Center for Legal Policy.
HOWARD HUSSOCK is vice president for policy research at the Manhattan Institute, director of its Social Entrepreneurship Initiative, and a contributing editor of *City Journal*.

KAY S. HYMOWITZ is the William E. Simon Fellow at the Manhattan Institute and a contributing editor of *City Journal*.

STEFAN KANFER is a *City Journal* contributing editor.

GEORGE L. KELLING is an MI senior fellow, a professor at Rutgers University, and a fellow in the Kennedy School of Government at Harvard University.

ANDREW KLAVAN is a *City Journal* contributing editor.

JOEL KOTKIN is a *City Journal* contributing editor.

JOHN LEO is an MI senior fellow, editor of MindingTheCampus.com, and a contributing editor of *City Journal*.

HERBERT LONDON is an MI senior fellow with the Center for the American University.

HEATHER MAC DONALD is the Thomas W. Smith Fellow at the Manhattan Institute and a contributing editor of *City Journal*.

MYRON MAGNET is editor-at-large of *City Journal*.

STEVEN MALANGA is *City Journal*’s senior editor and an MI senior fellow.

JAMES MANZI is an MI senior fellow.

JUDITH MILLER is an adjunct fellow at the Manhattan Institute and a *City Journal* contributing editor.

MARK P. MILLS is an MI senior fellow with the Center for Energy Policy and the Environment.

JAMES PIERERSON is an MI senior fellow and president of the William E. Simon Foundation.

AVIK ROY is an MI senior fellow with the Center for Medical Progress and Forbes opinion editor.

CHARLES SAHM is education policy director at the Manhattan Institute.

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LUIGI ZINGALES is a *City Journal* contributing editor and the Robert C. McCormack Professor of Entrepreneurship and Finance at the University of Chicago.

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EDMUND J. MCMAHON is an MI senior fellow and president of the Empire Center for Public Policy.

HARRY STEIN is a *City Journal* contributing editor.

JACOB VIGDOR is an MI adjunct fellow and professor of public affairs at the University of Washington.

SOL STERN is a contributing editor of *City Journal* and a Manhattan Institute senior fellow.

JOHN LEO is an MI senior fellow, editor of MindingTheCampus.com, and a contributing editor of *City Journal*.

JAMES PIERERSON is an MI senior fellow and president of the William E. Simon Foundation.

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LUIGI ZINGALES is a *City Journal* contributing editor and the Robert C. McCormack Professor of Entrepreneurship and Finance at the University of Chicago.
The Institute Expands

Aaron Renn

Aaron Renn describes himself as a writer on a mission to help America’s cities thrive in the twenty-first century. Come January, he will pursue that mission as a senior fellow for the MI Center for State and Local Leadership and City Journal contributing editor. Since 2006, he has published a website, Urbanophile (www.urbanophile.com), a premier destination for serious analysis and discussion of issues facing cities. Formerly a partner at Accenture, Renn spent 15 years in management and IT consulting. His writing has appeared in the New York Times, the Guardian, Governing, Forbes, and City Journal.

Adam White

Adam White joins MI as an adjunct fellow and a contributing editor to City Journal. He writes on the administrative state and the courts; on regulation, the law, and the public interest. A lawyer in Washington, he has practiced for many years on matters of constitutional law, energy and environmental regulation, and financial regulation. At the same time he has worked to translate these concepts for broader audiences in essays and reviews for City Journal, the Wall Street Journal, The Weekly Standard, Commentary, and Harvard Journal of Law & Public Policy, and as a contributing editor for National Affairs and The New Atlantis. A graduate of the University of Iowa and Harvard Law School, White clerked for Judge David B. Sentelle of the U.S. Court of Appeals for the D.C. Circuit.

Charles Calomiris

Charles Calomiris, one of today’s most respected financial economists, joins the Manhattan Institute as an adjunct fellow. He is the Henry Kaufman Professor at the Columbia University Graduate School of Business and a member of the Shadow Open Market Committee, sponsored by the Institute’s D.C.-based center, e21: Economic Policies for the 21st Century. Calomiris is the author of many groundbreaking books and publications on banking and regulation, including his latest, Fragile by Design: The Political Origins of Banking Crises and Scarce Credit, coauthored with the Hoover Institution’s Stephen Haber.

Michele Jacob

The Manhattan Institute welcomes Michele Jacob as director of Media Relations. She will work with department vice president Leigh Harrington on expanding our scholars’ reach and influence through the media. Jacob joins the Institute from Basic Books, where she was vice president and director of publicity. During her time at Basic, she worked on the publicity campaigns for numerous best-selling books, including those authored by free-market advocates William F. Buckley, Jr., Arthur Brooks, and Thomas Sowell. She also has held positions at Free Press, Harper Business, and St. Martin’s Press.

The Manhattan Institute Remembers: Kathryn Wriston

We mourn the loss of Kathryn Wriston, longtime friend of the Manhattan Institute. Through her business, philanthropy, and efforts in civic life, Kathy made everything she touched better. Her wit, generosity, and kindness will not be forgotten by the Manhattan Institute’s membership or by our staff.
SUPPORTING THE MANHATTAN INSTITUTE

WHY INVEST IN MI?

For more than 37 years, the Manhattan Institute has shaped American public policy by developing ideas that foster economic choice and individual responsibility. By supporting the Manhattan Institute, you affirm your commitment to good ideas and sound policy prescriptions. We take your investment in our work seriously, and with your support we will continue to turn intellect into influence.

TRADITIONAL WAYS TO SUPPORT MI

There are many ways to support the Manhattan Institute. You can contact us by e-mail at support@manhattan-institute.org, or by phone at 212-599-7000. Contributions may also be made via regular mail, by stock or wire transfer, and online at our website. In some cases, your employer may be willing to match your gift. Please inquire at your place of business if this is possible. The MI sponsorship office will work with you to get the proper authorization.

OTHER WAYS TO GIVE

In addition to the traditional ways to give, the Institute has several programs worthy of your generous support. For more information on any of these programs, please contact the MI sponsorship office at 212-599-7000.

• Young Leaders Circle

The Young Leaders Circle (YLC) welcomes members (membership fee is $250/year) who are in their twenties and thirties to ten evening cocktail parties per year. These events feature guest speakers on a variety of public policy topics. Donors under forty who give at the $1,000 level are invited to join the Young Leaders Advisory Committee, which, in addition to the monthly YLC events, holds two private events with Manhattan Institute trustees and fellows. We are proud to report that our program is growing by leaps and bounds. If you know anyone under the age of 40 who might be interested in membership, please be sure to let us know.

• Adam Smith Society

If you are an MBA student or business school graduate—or know someone who is—and would like to become part of the national Adam Smith Society network, please contact us at adamsmith@manhattan-institute.org or 212-599-7000.

• Planned Giving

Please consider making a planned gift to the Manhattan Institute. Such gifts can include bequests by will or living trust, charitable trusts, a designation in a retirement plan, charitable gift annuities, or a designation in a life insurance policy. For more information, please visit our website at www.manhattan-institute.org and download the printer-friendly information sheet on our sponsorship page or contact the MI sponsorship office at 212-599-7000.

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The Manhattan Institute for Policy Research is a leading voice of free-market ideas, shaping political culture since our founding in 1977. Ideas that have changed the United States and its urban areas for the better—welfare reform, tort reform, proactive policing, and supply-side tax policies, among others—are the heart of MI's legacy. While continuing with what is tried and true, we are constantly developing new ways of advancing our message in the battle of ideas.

MI Policy Research
The Manhattan Institute recruits experts in a range of domestic policy areas. Under the auspices of various issue-focused centers, fellows author white papers, books, and reports; convene conferences; testify at government hearings; and publicize their research and ideas through public speaking and constant media engagement, including op-eds, TV and radio appearances, and blogging.

MI's Work on the Ground
To show the efficacy of putting policy prescriptions into practice, MI will often collaborate with cities and public officials. Following the 9/11 terrorist attacks, at the NYPD’s request we launched a policy division to advise the police on the development of a counterterrorism strategy. In Newark, New Jersey, the Institute partnered with Mayor Cory Booker to implement a new approach to prisoner reentry, based on the principle of connecting ex-offenders with paid work immediately upon release. And in 2012–13, MI experts were embedded in the Detroit Police Department, helping the Motor City implement Broken Windows policing (a long-standing focus of the Institute) in order to get a handle on its crime problem.

MI's Quarterly Magazine, City Journal
In 1990, the Institute founded its magazine, City Journal, as an intellectual and journalistic response to New York’s downward spiral and to the illness of the American city generally. Called “arguably America's best magazine” by economist Thomas Sowell and “the great Fool Killer in the arena of urban policy” by novelist Tom Wolfe, City Journal has articulated and promoted ideas that have driven the urban renaissance of recent decades. According to former New York mayor Rudolph Giuliani, “If there was a charge of plagiarism for political programs, I'd probably be in a lot of trouble, because I think we plagiarized most of them, if not all of them, from the pages of City Journal and the thinking and analysis of the Manhattan Institute.”

MI's Book Program
MI books have a habit of sparking national conversation and reframing the public debate. An early example was Charles Murray's Losing Ground (1984), which demonstrated empirically that open-ended welfare benefits incentivize self-destructive behavior among the poor and helped pave the way for landmark federal welfare reform in 1996. The Bottomless Well (2005), by Peter Huber and Mark Mills, was referred to by Bill Gates as “the only book I've seen that really explains energy, its history, and what it will be like going forward.” Zappos CEO Tony Hsieh has cited Triumph of the City (2011), by Edward Glaeser, as a key influence in his urban experiment to revitalize downtown Las Vegas. And George Gilder has called Huber's The Cure in the Code (2013) the “most important policy book of the decade.”

MI and the Next Generation
As the perpetuation of the American experiment depends on the next generation, the Institute has developed initiatives to influence the intellectual formation of tomorrow’s leaders, such as the Adam Smith Society based at business school campuses. In the wake of the financial crisis and in response to the charged rhetoric in the air about capitalism, the Institute started this new program, modeling it after the Federalist Society at law schools. With a growing number of chapters at MBA programs nationwide and alumni chapters springing up in major cities, the Adam Smith Society is preparing the CEOs, financiers, and entrepreneurs of tomorrow to be intelligent, engaged participants in the debate over the future of the free-enterprise system.