

Well, Now You Know What's in It

For all intents and purposes, the Patient Protection and Affordable Care Act (ACA), also known as Obamacare, has been fully implemented. And while much of the media coverage has been dominated by the technical failures of the program's initial roll-out, we are also learning much about the impact of health care reform on employers, providers, patients, taxpayers, and individual consumers. As Michael D. Tanner, senior fellow at the Cato Institute, notes in "Obamacare: What We Know Now" (Policy Analysis no. 745), much of this was suspected even before the law was passed. But it is now becoming crystal clear as implementation moves forward. "The law was deliberately designed so that many of the provisions apt to be most popular would take effect first," he writes. Thus, provisions such as allowing children to stay on their parents' policy until

age 26 started on September 23, 2010. "However, the law's key provisions—the individual mandate, prohibitions on medical underwriting of preexisting conditions, subsidies,



Medicaid expansion, and the operation of exchanges in all 50 states and the District of Columbia—all started this year." Tanner details the disastrous consequences of these provisions in full—from the "adverse selection death spiral" to the fact that millions will lose their current health insurance. In short, the law's problems go far beyond a failed website. "By imposing a bureaucratic, centralized, top-down approach to health care reform," he concludes, "Obamacare has created far more problems than it solved."

PUSHING BACK AGAINST LEVIATHAN

Effective federalism requires that state officials be able to secure relief from national directives that impose undue burdens on state governments or improper constraints on state policy discretion. Many analysts focus on clearly legitimate and occasionally effective tactics such as lobbying or lawsuits. Some activists consider discredited tactics, such as nullification, which is a nonstarter in the 21st century. In "How States Talk Back to Washington and Strengthen American Federalism" (Policy Analysis no. 744), John Dinan, professor of politics and international affairs at Wake Forest University, calls attention to the various ways that states push back against the federal government. "First, when state and federal governments both possess regulatory authority, states can enact measures decrim-

CATO POLICY REPORT is a bimonthly review published by the Cato Institute and sent to all contributors. It is indexed in PAIS Bulletin. Single issues are \$2.00 a copy. ISSN: 0743-605X. © 2013 by the Cato Institute. • Correspondence should be addressed to *Cato Policy Report* 1000 Massachusetts Ave., N.W., Washington, D.C. 20001. www.cato.org • 202-842-0200.

CATO POLICY REPORT

David Boaz..... Editor
David Lampo..... Managing Editor
Dan Jackson..... Assistant Editor
Jon Meyers..... Art Director
Brendan O'Hara..... Photographer
Claudia Ringel..... Copyeditor
Mai Makled..... Graphic Designer

CATO INSTITUTE

John A. Allison..... President and CEO
Robert A. Levy..... Chairman
David Boaz..... Executive Vice President
Khristine Brookes..... VP., Communications
James A. Dorn..... VP., Monetary Studies
Gene Healy..... Vice President
Brink Lindsey..... Vice President for Research
Linda Ah-Sue..... VP., Events and Conferences
Roger Pilon..... VP., Legal Affairs
Christopher Preble..... VP., Defense & Foreign Policy Studies
Edward H. Crane..... President Emeritus

Swaminathan Aiyar..... Research Fellow
Virginia Anderson..... Chief Information Officer
Doug Bandow..... Senior Fellow
Louise Bennetts..... Assoc. Director, Financial Regulation Studies
Trevor Burrus..... Research Fellow
Mark Calabria..... Director, Financial Regulation Studies
Michael F. Cannon..... Director, Health Policy Studies
Ted Galen Carpenter..... Senior Fellow
Andrew Coulson..... Director, Center for Educational Freedom

Tad DeHaven..... Budget Analyst
Chris Edwards..... Director, Fiscal Policy Studies
Benjamin H. Friedman..... Research Fellow
Robert Garber..... Director, Marketing
Karen Garvin..... Copyeditor
Jagadeesh Gokhale..... Senior Fellow
Jim Harper..... Director, Information Policy Studies
Nat Hentoff..... Senior Fellow
Juan Carlos Hidalgo..... Policy Analyst on Latin America
Daniel J. Ikenson..... Director, Trade Policy Studies
Andrei Illarionov..... Senior Fellow
Jason Kuznicki..... Research Fellow
David Lampo..... Publications Director
Simon Lester..... Trade Policy Analyst
Valerie Usher..... Controller
Justin Logan..... Director, Foreign Policy Studies
Timothy Lynch..... Director, Criminal Justice
Ashley March..... Director, Foundation Relations
Neal McCluskey..... Assoc. Director, Center for Educational Freedom
Jeffrey Miron..... Director of Economic Studies
Jon Meyers..... Art Director
Patrick J. Michaels..... Director, Center for the Study of Science
Daniel J. Mitchell..... Senior Fellow
John Mueller..... Senior Fellow
Johan Norberg..... Senior Fellow
Alex Nowrasteh..... Immigration Policy Analyst
Walter Olson..... Senior Fellow
Randal O'Toole..... Senior Fellow
Daniel R. Pearson..... Senior Fellow, Trade Policy Studies
Tom G. Palmer..... Senior Fellow
Alan Peterson..... Director of MIS
Aaron Ross Powell..... Editor, Libertarianism.org
Alan Reynolds..... Senior Fellow
Claudia Ringel..... Manager, Editorial Services
Dalibor Rohac..... Policy Analyst
Nicholas Quinn Rosenkranz..... Senior Fellow
John Samples..... Director, Ctr. for Representative Govt.

Julian Sanchez..... Research Fellow
Ilya Shapiro..... Senior Fellow
Michael Tanner..... Senior Fellow
Jerry Taylor..... Senior Fellow
Marian Tupy..... Policy Analyst
Peter Van Doren..... Editor, *Regulation*
Ian Vásquez..... Director, Ctr. for Global Liberty and Prosperity
K. William Watson..... Trade Policy Analyst

Václav Klaus..... Distinguished Senior Fellow
Richard Lindzen..... Distinguished Senior Fellow
José Piñera..... Distinguished Senior Fellow

Randy E. Barnett..... Senior Fellow
Vladimir Bukovsky..... Senior Fellow
Tucker Carlson..... Senior Fellow
Emily Ekins..... Research Fellow
Lawrence Gasman..... Senior Fellow in Telecommunications
Steve H. Hanke..... Senior Fellow
John Hasnas..... Senior Fellow
Penn Jillette..... Mencken Research Fellow
David B. Kopel..... Associate Policy Analyst
Deepak Lal..... Senior Fellow
Christopher Layne..... Research Fellow, Foreign Policy Studies
Gerald P. O'Driscoll Jr...... Senior Fellow
P. J. O'Rourke..... Mencken Research Fellow
William Poole..... Senior Fellow
Jim Powell..... Senior Fellow
Richard W. Rahn..... Senior Fellow
George Selgin..... Senior Fellow
Vernon L. Smith..... Senior Fellow
Teller..... Mencken Research Fellow
Cathy Young..... Research Associate

James M. Buchanan (1919–2013)..... Distinguished Senior Fellow
F. A. Hayek (1889–1992)..... Distinguished Senior Fellow
William A. Niskanen (1933–2011)..... Chairman Emeritus

inalizing certain practices, hoping officials will not enforce federal statutes,” he writes. Dinan also notes that states can decline to participate in federal programs and accept the designated penalties, hoping statutes will be revised or moderated. In addition, when federal judicial doctrine is uncertain or in flux, states can enact measures inconsistent with Supreme Court precedents, hoping the Court will reconsider. Finally, these states can also enact measures inconsistent with federal statutes, hoping the Court will invalidate or limit them. “In recent years, state officials have relied on each of these tactics and with some success in responding to federal directives relating to marijuana, education, abortion, and health care, among other areas,” he writes. In short, state officials have resources to push back against national officials, thereby improving American federalism.

DODD-FRANK’S FOLLIES

Many, if not most, accounts of the financial crisis of 2008 include a prominent role for the U.S. residential mortgage market. While other U.S. property markets, such as commercial and retail, exhibited similar boom and bust patterns, the elevated level of defaults and associated costs borne by the taxpayer have brought a particular emphasis on American single-family mortgage finance policies. It should be of little surprise that the Dodd-Frank Act contains multiple provisions related to mortgage finance. In a working paper, “**Mortgage Reform Under the Dodd-Frank Act**” (Working Paper no. 15), Mark A. Calabria, director of financial regulation studies at the Cato Institute, offers a review of those provisions, as well as an evaluation of their likely impact and effectiveness. “The Dodd-Frank Act institutes the most significant changes to the federal oversight of mortgages in at least 20 years,” he writes. Much of the details, however, have been left up to financial regulators, with the new Consumer Financial Protection Bureau playing a lead role. Calabria notes that while the pro-

posed Qualified Mortgage and Qualified Residential Mortgage rules will likely increase the cost of mortgage credit—particularly due to increased litigation, compliance, and foreclosure costs—their impacts on reducing foreclosures during the next housing bust are likely to be modest and may even increase foreclosures. “Despite the significant changes in Dodd-Frank to the mortgage market,” Calabria concludes, “those features of the American mortgage market most relevant to the financial crisis, such as lack of market discipline, remain unaddressed and in many cases have been made worse.”



IS DEMOGRAPHY DESTINY?

In a standard median voter model, low-income immigration increases the size of the welfare state. Other research suggests evidence for a group-interested voter model, which predicts that welfare will shrink with an increase in low-income immigration. In their new working paper, “**The Political**

Externalities of Immigration: Evidence from the United States” (Working Paper no. 14), Alex Nowrasteh, an immigration policy analyst at the Cato Institute, and Zac Gochenour, a PhD candidate in economics at George Mason University, contend that neither model accurately describes political reality after testing these theories with United States data from 1970 to 2010. The authors use a variety of measures for welfare and related public spending such as K-12 education, Medicaid, and unemployment insurance. “Contrary to expectations from previous work focused on Europe, we find that the amount of immigrant-driven ethnic and racial diversity does not have a significant effect on these spending areas,” they write, “whether considered in total expenditure or per capita.” This suggests that countervailing pressures from different sources of voter motivation, as well as the varied political institutional environment of the United States, work to balance any effect of immigration on the welfare state. “When it comes to how politics choose the size of welfare benefits, our results show that an increasingly diverse demography is not destiny,” they conclude. ■

Wedding Bells



The Cato Institute recently celebrated another staff wedding! CALEB O. BROWN, director of multimedia, has married former Cato research assistant ANGELA C. ERICKSON, who now works with the strategic research team at the Institute for Justice.

Caleb and Angela started dating in 2010 and were married on October 5, 2013, at the Friends Meeting of Washington. The reception was held at the Institute’s new George M. Yeager Conference Center. Congratulations!