



Independent

NEWSLETTER OF THE INDEPENDENT INSTITUTE

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The Power of Independent Thinking

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Yes, Markets in Health Care Work

By John C. Goodman

For as long as I have been in the field, health economics has been dominated by the idea that a free market can't work in health care. But what if it could? What would that look like?

Say you need a knee replacement. You would upload your x-rays and other medical information to a secure site. Then, doctors (who have already been screened for trustworthiness, quality, and reliability) would have access to your records, and they could submit bids on your care.

As with the purchase of other services, you would choose your provider based on price, quality, and amenities.

A fantasy, you say? Think again.

Each year more than 63,000 Canadians travel abroad for medical care — mainly to the United States — because they tire of waiting for “free” care back home. These medical tourists often end up paying half what Americans with health insurance pay for the same care.

Also, consider Health City Cayman Islands. This hospital attracts patients from all over the Caribbean, Latin America, and the United States. Costs are about one-third less than what your employer or insurer would pay in the U.S., and the quality appears to be better.

But you don't need to be a Canadian or fly to the Caribbean to find a real market for medical care.

Welcome to MediBid. Launched in 2010, this online marketplace for medical care has grown into a thriving story of innovation. Last year, patients made 3,500 requests for care and providers made 12,000 bids to service them, posting all bids on MediBid's Twitter feed, so anyone could see procedure prices streaming.

The average knee replacement on MediBid costs around \$15,000. The normal charge by U.S. hospitals is around \$60,000, and the average insurance payment is about \$36,500. Hip replacement costs have a similar range, with an average MediBid price of about \$19,000.

Why are hospitals willing to charge Canadian medical tourists and MediBid patients and employer plans so much less? That's largely because payment is made before the procedure, eliminating the risk that an insurance company will argue after the fact about pricing or claim there was no pre-authorization.

Here is the final twist. Innovators such as MediBid exist and profit

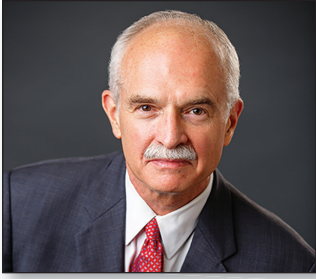
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John C. Goodman is Senior Fellow at the Independent Institute, President of the Goodman Institute, and author of the forthcoming Independent Institute book, *Care for America: A Better Social Safety Net*.

PRESIDENT'S LETTER

Reaching Millennials for Liberty



DAVID J. THEROUX
Founder and President

Who says young people today aren't interested in hearing about liberty? Not those of us on the front lines. *Love Gov: From First Date to Mandate*, the Independent Institute's acclaimed video series that satirizes Big Government, has received well over 7.4 million combined YouTube views, 98 percent mainstream Millennials.

Love Gov is also one of the most acclaimed pro-liberty video series ever, garnering 10 awards and 18 laurels at film festivals, over 53 million media impressions on Fox Business Network, Fox News Channel, CNS News, and MRC TV, and coverage in the *San Francisco Chronicle*, *Seattle Post-Intelligencer*, *Daily Caller*, *Real*

Clear Policy, *American Thinker*, *National Review*, *The Federalist*, and elsewhere.

Young people are looking for answers, and *Love Gov* is here to help!

In five witty episodes it shows young people the human costs of government intrusion into areas that impact their lives: out of control student-loan debt, unemployment and barriers to entrepreneurship, high home prices, rising healthcare costs, and pervasive government surveillance of law-abiding people.

As *Love Gov* enters its Second Season this fall, Millennials and others will see additional ways in which the allegorical character Scott "Gov" Govinski stifles people's lives. They will also see opportunity-based, free-market solutions that directly address young people's concerns.

We are also delighted to announce another transformative project to reach Millennials: Our new website—*Catalyst*—is designed to engage, educate, and inspire even more young people to dig deeper into the ideas of a free society, and to promote market-based solutions grounded in personal responsibility and innovation.

At this exciting time, we invite you to join with us to inspire young people to be:

- **Empowered** to opt out of the crippling student-loan debt and one-dimensional ideology that has become so entrenched in most colleges today
- **Equipped** to navigate an already competitive job market that is complicated by perverse government restrictions
- **Enabled** to create viable market-based alternatives to the bureaucratic and costly government-dominated healthcare and housing industries
- **Educated** about the government's restrictions on privacy and personal liberties

As an Independent Member, your contribution helps us build a better world, with more freedom and more opportunities to thrive. As a small token of our gratitude, your tax-deductible membership comes with a **FREE** copy of *A Better Choice: Healthcare Solution for America* (p. 1), *Gun Control in Nazi-Occupied France* (p. 3), *The Independent Review* (p. 5), and/or other publications, plus additional benefits (please see envelope).

Together we all can win!

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NEW BOOK

Gun Control in Nazi-Occupied France: Tyranny and Resistance



In 2013, attorney-historian **Stephen P. Halbrook** caused a major stir with the publication of his eye-opening Independent Institute book, *Gun Control in the Third Reich*. Despite countless books about the atrocities committed by

Hitler’s brutal regime, none before had focused on how the Nazis used Weimar-era gun-ownership records to disarm political foes and “enemies of the state.” Halbrook’s landmark exposé was a game-changer.

Halbrook now deploys his considerable investigative and narrative talents to reveal another forgotten chapter of World War II history, in his latest book, *Gun Control in Nazi-Occupied France: Tyranny and Resistance*.

Focusing on the years 1934 through 1945, Halbrook tells the story of France’s pre-war political convulsions, its restrictions of free assembly, its gun-registration laws, the Nazi German invasion and occupation, the repression and execution of gun owners, popular resistance, and—ultimately—liberation.

Drawing on newly discovered documents from German and French archives, diaries, and newspapers of the time, *Gun Control in Nazi-Occupied France* not only adds much to our understanding of World War II, but it also remedies a longstanding injustice: history’s neglect of the brave men and women who risked the firing squad by defying Nazi-issued decrees to surrender all firearms.

“While not every French citizen caught with a gun was shot,” Halbrook writes, “the very real threat of the firing squad was not enough to induce every gun owner to comply, leading the Germans repeatedly to declare amnesties.”

Gun Control in Nazi-Occupied France reveals a country’s drama in four stages: turmoil,

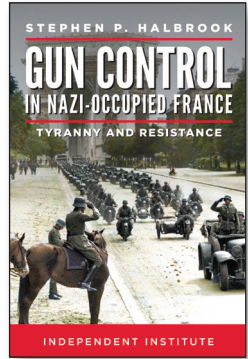
oppression, courage, and emancipation:

- In the 1930s, political unrest brought France to the brink of disaster, prompting Prime Minister Pierre Laval to impose restrictions on freedom of assembly, decree gun registration, and ban military-style firearms.
- When France crumbled before the Nazi invasion in 1940, German soldiers mounted posters declaring that all firearms must be turned in within 24 hours under penalty of death.
- The executions of disobedient gun owners failed to sway countless citizens to turn in their firearms. As one German report explained, “Weapons possession is the core of criminal activities of the French.”
- Despite facing repression and terror, Resistance members armed themselves and conducted acts of sabotage, provided intelligence for the Allies, and helped pave the way to the Liberation.

While historians have ignored the story of gun control in France, Halbrook cautions that it is only one of many factors that shaped the occupation. He writes: “Yet it cannot be questioned that France’s nightmare in that era with firearm registration, prohibition, and confiscation, enforced by the firing squad, suggests a telling lesson: be careful what you wish for.”

A leading authority on the history of firearm restrictions, Stephen P. Halbrook, J.D., Ph.D., is a Senior Fellow at the Independent Institute. He has testified numerous times in Congress, published scores of articles in popular and scholarly periodicals, and is a frequently sought after commentator by the news media.

A practicing attorney, Halbrook has won three cases in the U.S. Supreme Court: *United States v. Thompson/Center Arms Company* (1992), *Printz v. United States* (1997), and *Castillo v. United States* (2000).



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Independent Institute in the News

Center on Entrepreneurial Innovation

“Although the Tax Cuts and Jobs Act of 2017 is a good start, lasting economic prosperity truly can’t be achieved until federal spending is brought under control. As Adam Smith wrote many decades ago, what is prudent for a household scarce can be folly for a kingdom.”

—**William F. Shughart II** in

The Washington Times, 5/22/18



SENIOR FELLOW STEPHEN P. HALBROOK ON
C-SPAN, 4/24/18

Center on Law and Justice

“Former Supreme Court justice John Paul Stevens, now retired, gave gun-control advocates false hope recently when he advocated repeal of the Second Amendment. ... Debate will continue on how to reduce violence in America, but repeal of the Second Amendment isn’t in the cards.”

—**Stephen P. Halbrook** in *National Review*, 4/18/18

“T.R.M. Howard’s challenge to the abuses of the Jim Crow era was not just reactive. He always regarded more black business and home ownership as the best means to throttle discrimination.”

—**David T. Beito and Linda Royster Beito** in *The Washington Times*, 5/22/18

Center on Educational Excellence

“Thousands of students across America are frustrated, hurting, and dreading having to wake up in the morning and to spend a day in a place where they are poorly treated and possibly physically harmed. Their parents are hurting for them ... exasperated and helpless because they think there is nothing they can do to help their child. That is why Child Safety Accounts are so desperately needed.”

—**Vicki E. Alger** in *The American Spectator*, 4/20/18

“Despite the squawks of her opponents, DeVos does not go far enough in efforts to restore sanity to campus. She should lead a charge aimed at repealing—not simply tinkering with—Title IX.”

—**William J. Watkins, Jr.**, in

The Sacramento Bee, 5/24/18

Center on Health and the Environment

“There appears to be little hope for a farm bill that will make things better than under the last farm bill. The farm-subsidy system will continue to distort prices and outcomes but benefit a small number of the richest and largest landowners and farmers. Risks will be masked. Inefficiencies will continue to abound. ... But lawmakers will be able to show their constituents they care and can deliver.”

—**Randy Simmons** in *The Hill*, 6/4/18



SENIOR FELLOW IVAN ELAND ON
CNN, 6/2/18

Center on Peace and Liberty

“I don’t think North Korea is ever going to give up its nuclear weapons, and that may not even be the most important thing for the United States. For the United States, the most important thing is to get rid of [North Korea’s] long-range missiles or prevent their further testing.”

—**Ivan Eland** on *CNN*, 6/2/18

Center on Global Prosperity

“Venezuela trudged further down its road to serfdom when a sham election on May 20 returned Nicolás Maduro to the presidency for another six-year term. Venezuela’s experiment with democratic socialism has now run its course from early optimism through economic dysfunction and now ever-closer to political tyranny.”

—**Benjamin Powell** in *Investor’s Business Daily*, 5/29/18

THE INDEPENDENT REVIEW

Drones and Human Well-Being

In the wake of Hurricane Maria, AT&T made history by using drones to help restore Puerto Rico’s communications grid. It was a technological marvel just waiting for an opportunity, however tragic, to rise to the occasion.

Once known only as military weapons or hobby toys, drones (or unmanned aerial vehicles—UAVs) are predicted to play increasingly visible roles in a broad range of industries, including fire control, pipeline inspections, crop dusting, real estate listings, and retail delivery. By 2021 Federal Aviation Administration officials predict that more than 420,000 UAVs will be in commercial use.

What does the age of the drone mean for human freedom and well-being around the world? This is the subject of a symposium in the Summer 2018 issue of *The Independent Review*.

In his introduction to the symposium, journal co-editor **Christopher J. Coyne** (George Mason University) notes that UAVs are a double-edged sword, offering significant potential benefits to humanity but also potential new risks, such as by equipping governments with greater capability for engaging in death and destruction.

The first of the four main papers deals with a critical legal issue related to the commercial drone: new challenges for consumer privacy and new rules for dealing with them. Whatever rules emerge, technology policy expert **Ryan Hagemann** (Niskanen Center) recommends that they be flexible enough to cover other new technologies that pose potential threats to privacy.

A sky crowded with UAVs, many rushing to deliver that extra-large cheese pizza for the



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SUMMER 2018

big game or an Amazon order for Junior’s birthday, also raises the potential for conflicts of airspace. How best to mitigate such clashes? One approach is to make drones responsible for avoiding all other aircraft, manned and unmanned alike.

That one simple rule change, which aircraft could navigate using current technology, would make the air-traffic control system more decentralized, explains Independent Institute Research Fellow **Randall G. Holcombe** (Florida State University). Such a change, he argues, would reduce airspace congestion far more efficiently than the current air-traffic control system, mostly a relic of the 1940s, could handle.

Commercial UAVs offer enormous potential for improving numerous retail and business-to-business industries. But what of government’s use of drones for national security purposes?

The covert status of counterterrorism and military campaigns makes a thorough public assessment of government UAVs impossible. As **Milena Sterio** (Cleveland-Marshall College of Law) explains, the lack of effective oversight, along with unchecked power concentrated

in the executive branch, threatens human rights and individual freedoms at home and abroad. The executive branch’s ability to act as the judge, jury, and executioner raises major concerns for the rule of law, Sterio concludes.

Closing the symposium, Coyne and Independent Institute Research Fellow **Abigail R. Hall** (University of Tampa) examine what they call “the drone paradox.” To wit: Weaponized UAVs have been hailed as powerful tools for reducing the threat of global terrorism—but what happens when they instill terror?

One possibility is that the military’s use of armed drones may actually increase non-state terrorism. Coyne and Hall survey numerous reports and conclude that anti-U.S. militant groups have taken advantage of U.S. drone strikes for propaganda and recruitment purposes.

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INDEPENDENT BRIEFING

Plastic Packaging Often “Greener” Than Alternatives

As cities across America evaluate bans on polystyrene packaging and other plastic products in the hope of reducing environmental impacts, a new report from the Independent Institute finds that plastic prohibition may cause more ecological and economic trouble than it's worth.

Instead of discouraging innovation with costly and detrimental bans and restrictions, a better way to deal with the plastic-waste problem is to enable and encourage innovation in the private recycling of plastic debris, according to *Plastic Pollution: Bans vs. Recycling Solutions*, by Independent Institute Policy Fellows **Katie Colton**, **Camille Harmer**, **Brian Isom**, and Senior Fellow **William F. Shughart II**.

Plastic bans come with heavy economic costs: New York City's ban on food-service foam products could eliminate 2,000 jobs and \$400 million in economic activity. In California, an estimated 8,000 jobs would disappear. Small businesses operating on thin margins are particularly harmed by plastic bans.

More surprising is that so-called green alternatives to polystyrene products often create more waste. Compared to a 16 oz. Styrofoam cup, one paper cup with a corrugated sleeve yields

more emissions from petroleum, steam electric power, cooling water, wastewater, and landfill mass.

Also, biodegradable plastics are not yet a feasible alternative to polystyrene. Nationwide, there are only 113 recycling plants for composting biodegradable plastics, and only about 28 accept municipal food scraps. In California, half of all major cities have access to Styrofoam recycling, but only 15 percent have access to recycling programs for alternatives.

Moreover, bans can stifle innovation by reducing opportunities for recycling. Titus MRF Services and Agilyx are two companies innovating in the waste recycling market. They might not have developed new technologies without the incentives created by recycling opportunities. The bottom line: Market incentives and strong private-property rights are necessary stepping stones on the path of sustainable, cost-effective environmental protection.

“The main lesson is that poor countries and those without well-developed market institutions (often the same) are the world's biggest plastic polluters,” the report concludes.

Plastic Pollution: Bans vs. Recycling Solutions, which has garnered media coverage in *Fortune*, *National Review*, *Daily Caller*, and *Tennessee Star*, is part of our series of Independent Briefings. Published throughout the year, Independent Briefings provide easy-to-read, peer-reviewed studies of critical social and economy, public-policy issues and offer common-sense solutions to important problems.

For more, see www.independent.org/publications/briefings/



CLOCKWISE FROM UPPER LEFT: KATIE COLTON, CAMILLE HARMER, BRIAN ISOM, AND WILLIAM F. SHUGHART II.

Independent Institute
BRIEFING

PLASTIC POLLUTION

Bans vs. Recycling Solutions

By Katie Colton, Camille Harmer,
 Brian Isom, and William F. Shughart II

INTRODUCTION

Plastic (polystyrene) is one of the most widely used types of plastic around the world. Most U.S. consumers encounter polystyrene products every day. Polystyrene is a low-cost, moldable, synthetic polymer used to create components for automobiles and household appliances like refrigerators and microwaves, as well as DVD cases, plastic utensils, disposable razors, and numerous other consumer products. Polystyrene also can be converted into expanded polystyrene (EPS)—commonly known as “Styrofoam”—which in addition to being insulative, is lightweight and a good insulator. As such, it is often used for food and beverage containers, product packaging, and shipping materials. When EPS is used to create food-service products, it frequently is referred to as food-service foam.

Recently, lawmakers and environmental groups have targeted EPS because of its environmental impacts. EPS does not decompose at any meaningful rate. The lightweight material commonly flows out of truck cans or landfills and litters surrounding areas. EPS that winds up in the ocean can contribute to plastic pollution and the degradation of marine wildlife habitat.

In an attempt to mitigate EPS pollution, some municipalities have banned the use of EPS by restaurants and grocery stores. As many cities implement, or consider implementing, bans on EPS products, it is crucial to understand the options available for dealing with EPS and the tradeoffs associated with these options.

RECYCLING PLASTIC FOAM

One of the main solutions municipalities have explored for mitigating the environmental impact of EPS is recycling. However, recycling EPS presents several challenges distinct from other kinds of plastics (plastic bags, water bottles, and other plastic containers, like milk jugs). These challenges are one major reason many cities choose to ban some EPS products outright.

The same properties that make EPS ideal for shipping and packaging also make it difficult to collect and process for recycling. Curbside collection is problematic because the material can be blown around easily even by a light breeze. EPS also is difficult to transport in large quantities because, in terms of mass, a small amount of EPS takes up quite a bit of space—the ratio of weight to volume is very

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YES, MARKETS IN HEALTH CARE WORK

(continued from page 1)

for only one reason: the medical market is currently so damaged. In the future, as hospitals lose more patients to rivals in other cities, they will likely wise up and begin to compete on price, quality, and amenities themselves.

When that happens, MediBid and similar disrupters may find that their services are no longer needed. If so, they may become fatal casualties simply for healing a sick industry.

CALIFORNIA GOLDEN FLEECE AWARDS

Thieves Find Riches in Golden State’s Prop 47



Many Californians had high hopes for Proposition 47, a ballot initiative passed in November 2014 with 60 percent voter approval. The measure reduced penalties for some crimes, including certain drug violations, to help relieve overcrowding in state prisons.

While Prop 47 succeeded in meeting those objectives, it also triggered a major unintended consequence: It set in motion a wave of “smash-and-grab” motor-vehicle burglaries and a surge of retail shopliftings. For this reason, Prop 47 has earned the dishonor of receiving Independent Institute’s fifth **California Golden Fleece® Award**, recognition given quarterly to state or local government programs or laws that swindle taxpayers or break the public trust.

The main reason Prop 47 spurred an epidemic of property theft and destruction was its weakening of criminal penalties: By raising the monetary threshold for a felony theft to \$950 in property value, up from \$500 before the measure passed, Prop 47 lowered thieves’ expected cost of criminal activity.

“By reducing penalties associated with car break-ins, shoplifting, and other property crimes—and by making it more difficult to issue felony sentences—Prop 47 de-prioritizes justice for California residents and businesses, who are now increasingly victims of vandals and thieves operating with near impunity,” writes Independent Institute Senior Fellow **Lawrence J. McQuillan**, in his new report, *California Property Crime Surge Is Unintended Consequence of Proposition 47*.

Among the report’s findings and recommendations:

- Californians have been reporting significantly more vehicle break-ins than would be expected had crime trends continued on their pre-Prop-47 path. In 2015 and 2016, reported vehicle break-ins were up 21 percent and 27 percent, respectively, from the earlier trend line. In 2017, vehicle break-ins surpassed previous records, with a 24 percent increase above 2016 levels.
- In San Francisco, where the smash-and-grab

epidemic is worst, on average one vehicle break-in was reported every 20 minutes. Overall, the arrest rate is less than 2 percent, and the consequences for apprehended criminals are mere citations. People would likely report more crimes if they had greater confidence that law enforcement would secure arrests, prosecutions, and convictions.

- In 2015, the first year of Prop 47’s relaxed rules, shopliftings rose statewide nearly 11 percent above the previous five-year average, amounting to about 11,000 additional shopliftings. Organized crime rings are often involved.
- There is no question that criminals have gamed the new system. Media interviews of thieves show many are aware of the reduced penalties. A post on the Reddit website (since removed) even shared tips on which items thieves could steal while avoiding prosecutions.
- Policymakers and the public could reduce vehicle break-ins and shopliftings by lowering the felony threshold from property valued at \$950 to an amount closer to the pre-Prop-47 value of \$500. When sentencing a thief, courts should be allowed to consider the total combined value of all stolen property across multiple incidents.
- Law enforcement should make property crimes a higher priority, pursuing arrests even for small crimes, so that track records of criminal activity are established.
- Property owners, businesses, and residents should step up their use of security technology, community involvement (including social media), and police reporting. Ultimately, people will help by reporting more crimes when they gain more confidence that law enforcement is taking the problem more seriously.

“Property crimes produce true victims. Californians deserve a legal system that provides true justice,” McQuillan’s report concludes.

For more information, see www.independent.org/cagoldenfleece/

Sponsor Spotlight: John F. Hathaway



John F. Hathaway of Rossville, Illinois, is the kind of principled free spirit the Independent Institute is proud to

call a donor of more than twenty years. As a multi-generational tenant farmer and entrepreneur, he is still known for his 1999 adaptation of a “Stickler” wood splitter for use on a Bobcat skid steer.

Even during labor-intensive workweeks of seventy hours or more, John enjoys finding time to share Independent’s articles, commentary, and other publications to his friends, neighbors, and political representatives.

When asked why he faithfully supports us each month, he says, “You are an intellectual stalwart. I know it takes hard work to produce good scholarship, and I sincerely appreciate the results.”

A former U.S. Marine and Vietnam War veteran, John has seen firsthand the deadly consequences of toxic governmental overreach and mismanagement. Upon returning home to attend college in 1968, he took an economics class “in hopes of figuring out the reasons for the really stupid and immoral things I’d seen.”

But the broken logic and misinformation of Paul Samuelson’s textbook left John disheartened.

He heard in it an echo of the same falsehoods that were causing so much human suffering in Vietnam.

By the late 1970s, John had connected with the writings of free-thinking economists such as Ludwig von Mises and embraced Dr. Ron Paul’s analysis of the U.S. government’s destructive meddling overseas. Since then, John has continued to see the importance of standing up for individual liberty and limited government.

Having faced punishing tax restructuring, increased regulations, the folly of agricultural subsidies, and many other hurdles, he laments that more Americans “don’t recognize the root problems in the system.” This oversight, he believes, has international as well as domestic consequences. “We keep blaming other countries for what’s going wrong right here,” he says.

For John and his wife Jeraldine, supporting the Independent Institute is an important way to build the future they’re hoping for—one that is free, peaceful, and full of wonderful possibility for every individual.

Thank you, John and Jeraldine, for carrying the light of liberty into everything that you do!

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