

The Great Society Declared War on Marriage: Obamacare Made It Worse

Backgrounder No. 177

by Devon M. Herrick

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President Lyndon B. Johnson declared an “unconditional war on poverty” in 1964 and followed up a year later with an avalanche of domestic social and antipoverty programs known collectively as the Great Society. Johnson persuaded Congress to support his welfare agenda — sending him more than 80 pieces of legislation to sign in a short period of time.¹



Dallas Headquarters:
14180 Dallas Pkwy, Suite 350
Dallas, TX 75254
972.386.6272

www.ncpa.org

Washington Office:
600 Pennsylvania Avenue SE,
Suite 310
Washington, DC 20003
202.220.3082



Among the plethora of poverty-alleviating Great Society programs were food stamps, Medicare, Medicaid, Head Start, federal educational funding, housing assistance, increased welfare spending and other income transfer programs. The Great Society was intended not only to reduce poverty, but also to better peoples’ lives across the board. Ironically, the Great Society legislation seemed to simultaneously both ignore — and hinder — the most effective antipoverty program: marriage.

Indeed, this “War on Marriage” is a major reason for the lack of progress on poverty over the past 50 years! [See the side bar “Little Progress in the War on Poverty.”] And President Obama’s signature piece of legislation — the Affordable Care Act — has only exacerbated federal marriage penalties.

The Great Society without Marriage. Marriage has been on the decline for decades. According to the Pew Research Center:

- Around 1970, about 84 percent of native-born 30-to-44-year-old adults were married.
- By 2007, this proportion had fallen by nearly one-third to 60 percent.²
- The marriage rate is even lower for men and women who lack a college degree (56 percent in 2007).³

And the marriage rate is even lower still for some racial demographics. According to Pew:

- Only one-third of black women ages 30 to 44 were married in 2007, compared to 62 percent in 1970.
- For black men, the corresponding rates are 44 percent (2007), down from 74 percent in 1970.⁴

Why do more low-to-moderate income couples skip the wedding bells? The reasons are partially economic: Financial penalties in the tax code kick in when couples get married. According to research from the Brookings-Urban Institute Tax Policy Center, the combined marriage penalty is significant for families earning less than \$40,000.⁵ The method used to calculate income eligibility and antipoverty programs is the primary culprit: the so-called federal poverty level (FPL). The FPL's income thresholds are for individuals or families of various sizes, and those with incomes below the FPL are by definition in poverty. The FPL is used to determine both eligibility and the amount of benefits for many different programs.

The Federal Poverty Level Penalizes Working-Class Marriages. The FPL does not rise proportionally with the number of individuals in the family. For

example, the poverty level is \$11,490 for an individual, but only increases to \$15,510 for a married couple — just \$4,020 more. Because this poverty designation does not increase equally for each additional family member, two unmarried individuals living together qualify for larger federal subsidies than they would if they were married.

Consider the example of two young lovers moving in together to share expenses. Assume each earns twice the poverty level (about \$23,340 annually). If the couple were married, their combined household income would rise as a percentage of the poverty level from 200 percent (individually) to nearly 300 percent for a family of two. Depending on the program, this increase could have a profound effect on their eligibility for benefits ranging from food stamps to health insurance exchange subsidies (and many others). Thus, these two unmarried

individuals living together qualify for larger federal subsidies than they would if they were married. As a result, this young couple, who might otherwise marry, may decide they cannot afford to.

Granted, not all couples meticulously calculate the loss of benefits and consciously decide whether or not to marry. Yet, the marriage penalty can still inhibit marriage as mores change over time. This can occur as others around them — friends, neighbors, siblings — forgo marriage to avoid loss of benefits and influence them to do the same.⁶

The Obamacare Marriage Penalty. Additional penalties under Obamacare may further discourage couples from “tying the knot.” The Patient Protection and Affordable Care Act (ACA) establishes health insurance exchanges where qualifying individuals can purchase subsidized individual or family health coverage. The exchange subsidies are more generous to cohabiting partners than to married couples. This disparity creates perverse incentives that further discourage cohabiting couples from marriage — especially moderate-income couples.

Why? Federal subsidies to purchase coverage in the health insurance exchange are based on the federal poverty level, and are rather generous to low-

Little Progress in the War on Poverty

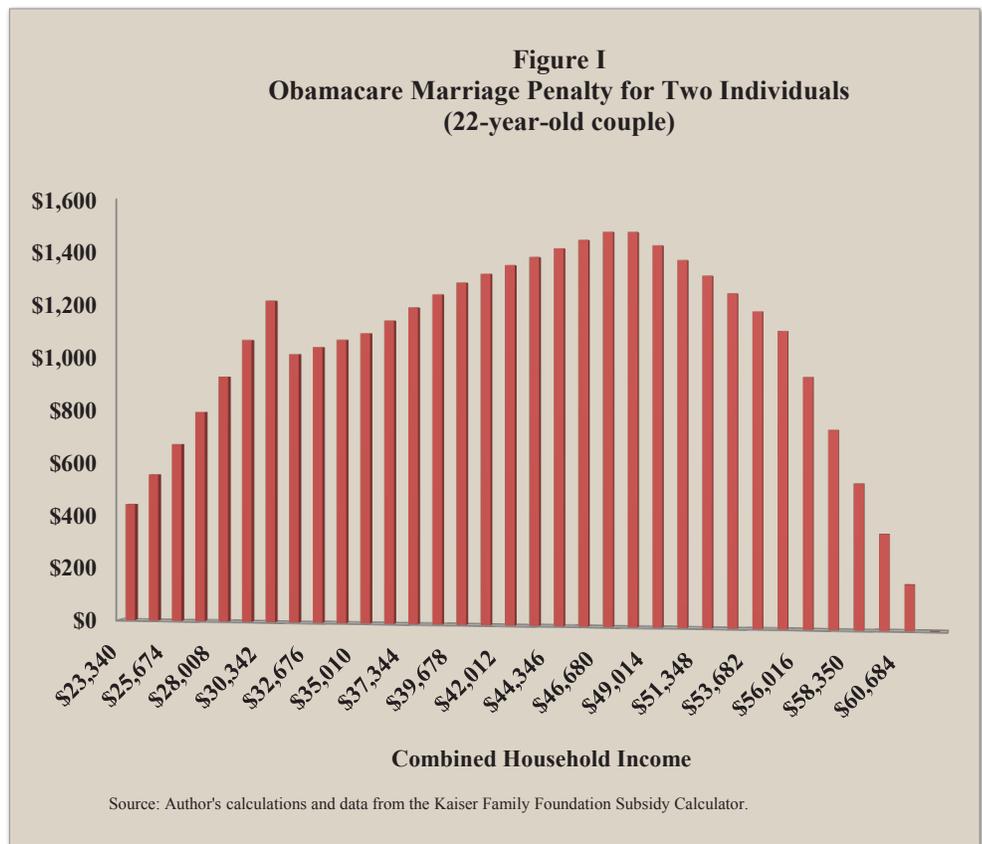
About half a century has passed since the war on poverty began, but the poverty rate remains close to where it was 50 years ago.⁷ Around 1950, nearly one-third of the population met the official definition of poverty. By the time Johnson began advancing his legislative agenda in 1964, the poverty rate had already begun falling sharply. After bottoming out in the early 1970s, the poverty rate has fluctuated between 12 percent and 15 percent for the past half century. Today the proportion of people living in poverty is about the same as it was in 1966 — two years after the war began. [See Figure II.]

income individuals. Qualifying individuals and families earning 100 percent of the FPL will pay no more than 2.01 percent of their income for coverage that costs anywhere from \$3,000 per individual to \$15,000 per family, depending on their age and region. The federal government will cover the rest of their premiums. As income rises, the subsidies phase out, but a family earning 400 percent of the poverty level will pay no more than 9.56 percent of its income in premiums.

If the young couple (mentioned above) were to marry, their combined household income of \$46,680 would rise as a percent of the poverty level from 200 percent (individually) to 297 percent for a family of two. As a result, instead of paying premiums that are capped at no more than 6.34 percent of income as two individuals earning 200 percent of FPL, their premiums would be capped at 9.47 percent of income for a married family of two earning 297 percent of poverty. Thus:

- Individually they would each qualify for a subsidy of about \$1,151 each, or \$2,302 per (cohabiting) household.
- If that same couple were to marry, their combined subsidy would fall to \$845.
- Their marriage penalty is \$1,457 annually.

The Obamacare exchange marriage penalty is especially pronounced for couples with



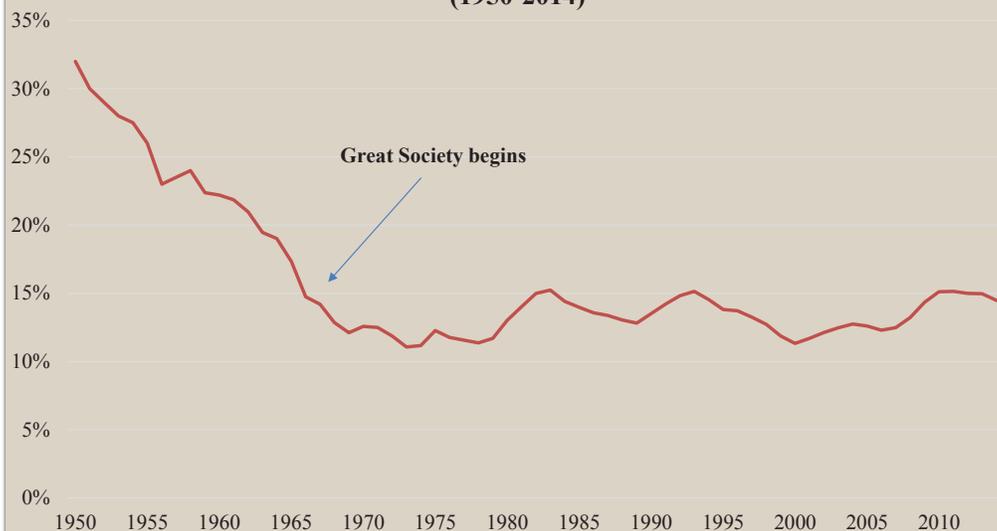
combined incomes of \$30,000 to \$55,000 annually. [See Figure I.]

What Causes Poverty? Some experts claim poverty is the result of bad choices, while others say bad choices are explained by cognitive overload.⁸ One theory posits that poverty becomes self-perpetuating by creating stresses that inhibit sound decision-making and the ability to think rationally.⁹ But those theories do little to explain the preventable lifestyle choices that cause many people to become poor and remain poor. When comparing those who are poor with those who are not poor to identify the differences in demographics and life choices, a handful of common poverty traits emerge. To quote George Mason University Professor of Economics

Walter Williams, “[a]voiding long-term poverty is not rocket science.”¹⁰ Williams’ antipoverty strategy can be paraphrased thusly: 1) finish high school, 2) don’t have children until you’re married, and then stay married, 3) get a job, any job, and 4) avoid criminal activities.¹¹

Williams’ advice is consistent with the conventional wisdom that research has confirmed over the years. Yet, while common sense suggests that educational attainment boosts lifetime earnings, people often don’t realize the degree to which marriage plays a role.¹² Out-of-wedlock childbearing is highly correlated with poverty for both the mother and her child. Thus, marriage is an important institution for avoiding child poverty.¹³

Figure II
Individuals Living in Poverty
(1950-2014)



Source: U.S. Census Bureau; U.S. Department of Health and Human Services. For a good discussion, also see Robert Rector and Rachel Sheffield, "The War on Poverty After 50 Years," Heritage Foundation, Background No. 2955, September 15, 2014.

reach of too many Americans. It makes the lives of mothers harder and drives fathers further away from families. It increases the odds that children from Middle America will drop out of high school, end up in trouble with the law, become pregnant as teenagers, or otherwise lose their way.”

The War on Poverty and many of the Great Society programs that grew out of it created perverse incentives to forgo marriage among those who are already poor. Consider the evidence. When they occur at all, first marriages are occurring later in life.¹⁹ In the past half-century,

- Households composed of a mother and her children are about six times as likely to live in poverty as intact families with married partners.¹⁴
- Nearly one-third of female-headed households live in poverty, compared to only about 5.5 percent for married couple families.

Furthermore, marriage also boosts the income of adults, both those with and those without children.¹⁵ The National Healthy Marriage Resource Center reports married households out-earn cohabiting households, after controlling for the number of working adults in the household.¹⁶ In addition, the National Marriage Project at the University of Virginia reports:¹⁷

“Marriage is a wealth-generating institution; married couples create

more economic assets on average than do otherwise similar singles or cohabiting couples.... Compared to those continuously married, those who never marry have a reduction in wealth of 75 percent, and those who divorced and didn’t remarry have a reduction of 73 percent.”

Marriage Became a Luxury. Marriage rates among college-educated couples have fallen moderately in the past 40 years compared to the poor and lower middle class. Despite the fact that marriage tends to build wealth to a greater degree than remaining single or cohabiting, the people who most need the extra financial boost are the ones who are least likely to get married. According to the National Marriage Project:¹⁸

“Today’s retreat from marriage among the moderately educated middle is placing the American Dream beyond the

cohabitation — living together prior to marriage or as a substitute for marriage — has increased 1,500 percent.²⁰ Today, more than 13 million unmarried people cohabit with someone of the opposite sex in a romantic relationship.²¹ Surveys show that about half of all women of childbearing age have lived with a romantic partner prior to marriage. By age 30, three-fourths of women of childbearing age have cohabited.²² Living with a romantic partner outside marriage is more common among women with little education than among women with a college degree. Of women who lack a high school diploma:²³

- Half have cohabited by age 20.
- Nearly 90 percent have cohabited with a romantic partner by age 30.

Who Gets Married? National statistics shows that low-to-moderate-income couples who cohabit are about twice likely to forgo marriage as couples with bachelor’s degrees. A similar proportion of these couples ultimately break up and dissolve their union. Yet, cohabiting leads to marriage far more often among more highly educated couples.²⁴ [See Figure III.]

Social conservatives may lament this as a case of waning morality — morally-challenged couples “shacking up” rather than entering into holy matrimony. Social liberals may dismiss this by arguing that marriage has simply gone out of style. But the data doesn’t support either of these conclusions. As recently as two decades ago, three-in-four women ages 25 to 60 — of all educational levels — reported marriage was “very important” or “one of the most important things” to them.²⁵ The Pew Research Center found that nearly two-thirds of cohabiting partners view living together as a step toward marriage.²⁶

At the very least, taken together, these facts suggest the decline of marriage among lower-income, less-educated couples is not due to lack of interest in marriage. Rather, declining marriage rates may be because the tax penalties take a bigger bite out of lower income couples’ budgets, discouraging a trip down the aisle.

Raising Families Outside of Marriage Boosts Poverty.

Couples who cohabit are more likely to raise children without the security of marriage. More than 40 percent of couples who cohabit have children living with them, according to data from the Census Bureau.²⁷ Indeed, a similar proportion of children will spend some portion of their youth growing up in a cohabiting household.²⁸

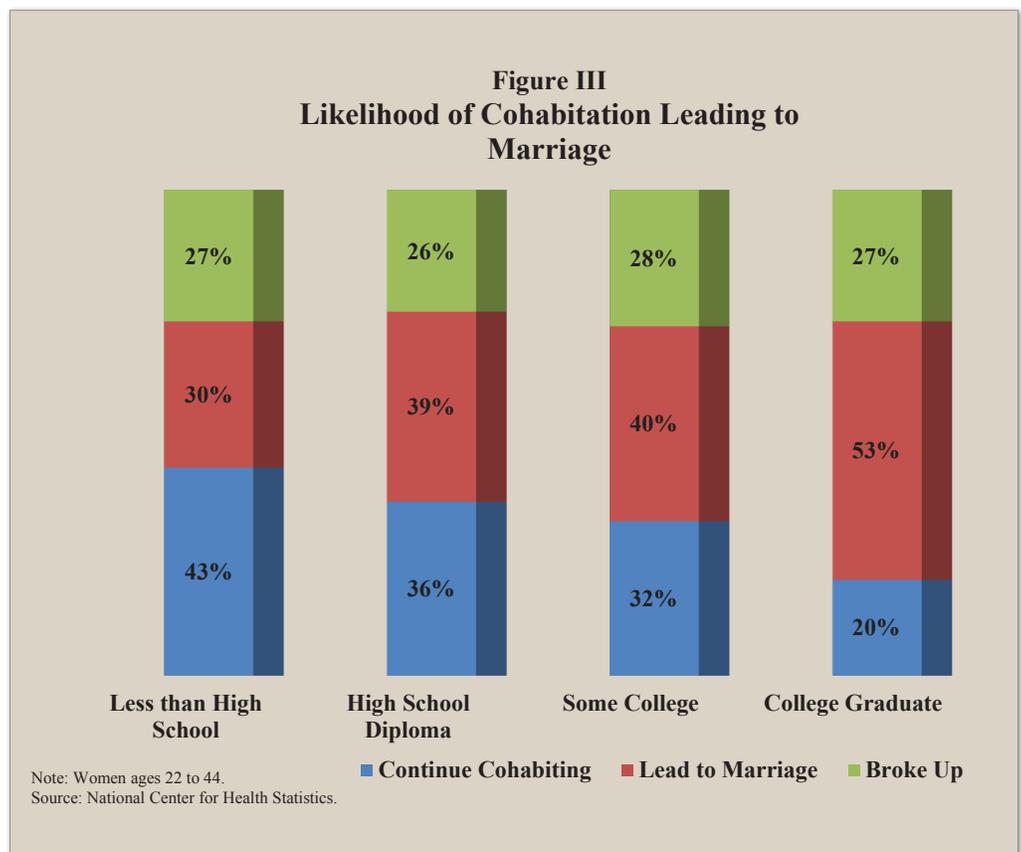
- Around 1960, less than 200,000 couples cohabited with children in the household.
- That figure was a dozen times higher in 2009, skyrocketing to 2.6 million over the 50-year period.²⁹

According to government surveys:³⁰

- About one-in-five women who begin cohabiting for the first time become pregnant within a year.
- This proportion rises to nearly one-third by the second year of cohabitation.

For women who lack a high school diploma:

- One-third will become pregnant within the first year of cohabitation.
- More than half (53 percent) will become pregnant by year two.
- By contrast, only 10 percent of women with a bachelor’s degree become pregnant within two years of cohabitation.³¹



Of cohabiting couples who become pregnant, roughly one-quarter marry within a year of pregnancy. However, this figure varies by education level.

- Only 19 percent of cohabiting couples who lack a high school diploma marry within a year of pregnancy.
- Among couples with a bachelor's degree or higher, more than half (53 percent) marry within a year of pregnancy.

Indeed, pregnant women with little education are increasingly never marrying:

- More than half (54 percent) of births to the least educated women are to women who have never married — a 64 percent increase over about 30 years.³²

- The comparable figure for highly educated women is only 6 percent.

The Obamacare Family Marriage Penalty. Few people would argue that children don't benefit from the stability that marriage provides a family. Yet once a married couple has children, the marriage penalty increases. If the cohabiting couple mentioned above were to marry and have a child together, the Tax Policy Center estimates they would suffer an additional penalty of \$2,857 per year in higher taxes as a result of their decision to marry (although their Obamacare exchange penalty would fall \$304).³³ If the single mother applies for food stamps, reporting only her own income and herself and her child as family members, she would likely qualify

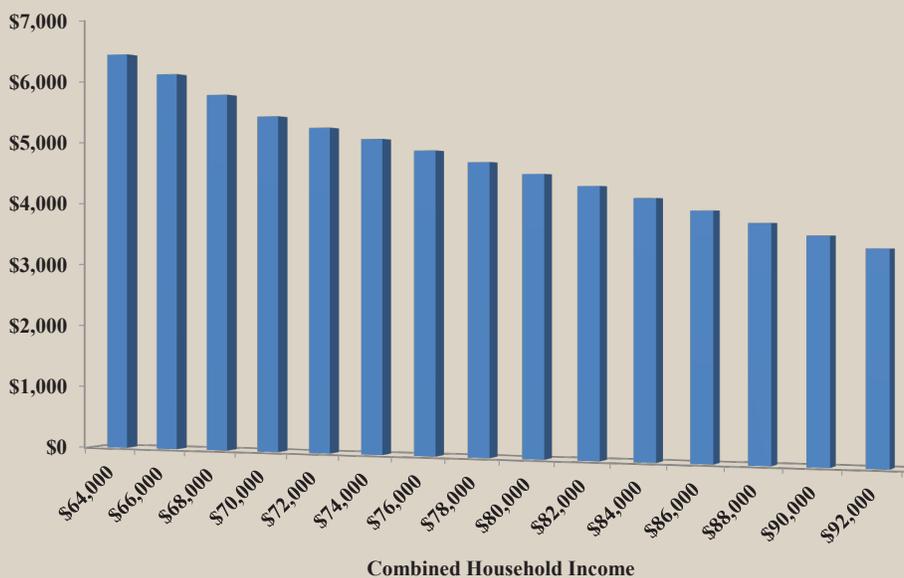
for an additional \$1,800 in annual food stamp assistance that would be unavailable to her if she was married. It is a reasonable bet that \$5,810 (the combined marriage penalty, worth about \$484 per month) is a large enough financial incentive to make many cohabiting families hesitate to marry if they are struggling financially.

The Obamacare Empty Nest Marriage Penalty. Young, moderate-income couples who experience Obamacare marriage penalties are not alone; middle-aged, middle-income couples are also penalized. Exchange subsidies are a function of both income and premiums, which vary by age and region of the country. Thus:

- Married couples whose combined income surpasses 400 percent of poverty (\$62,920) will receive no subsidy.
- Their individual incomes (say, \$32,000 individually) would equal about 274 percent of poverty, and both partners would potentially qualify for a generous subsidy.
- Premiums for individuals earning 274 percent of poverty would be limited to no more than 8.81 percent of their individual income, and each individual's premiums could not exceed \$2,818 annually.

At times this premium cap can make a significant difference in out-of-pocket costs for health coverage.

Figure IV
Marriage Penalty for Middle-Aged Couples
(Age 56; U.S. Avg-Cost Region)



Author's calculations and data from the Kaiser Family Foundation Subsidy Calculator.

Premiums for individual health insurance are no longer adjusted to reflect differences in health status. However, federal regulations allow a 3:1 adjustment for age, which is used as a proxy for health status. Due to their age, middle-aged empty nesters can be charged up to three times the premiums of young adults just starting a life on their own. Young people living in most regions could easily find exchange plans that cost close to — or possibly less than — the \$2,818 cap on premiums for individuals earning 274 percent of poverty. But for a late middle-aged couple living in a high-cost insurance region, a health plan could cost double — possibly triple that amount. Thus, the cap on premiums, assuming they qualify for one, is significantly higher.

Assume the aforementioned middle-aged couple decides not to marry. Their combined insurance premiums of, say, \$12,092 (\$6,046 x 2), would be limited to no more than 8.81 percent of income (\$2,818 x 2=\$5,636), for a combined annual subsidy of \$6,456. If this couple marries, their combined income of \$64,000 would push their family income to 407 percent of poverty (for a family of two), which would disqualify them from receiving the \$6,456 subsidy.³⁴ If they marry, they would receive no financial assistance

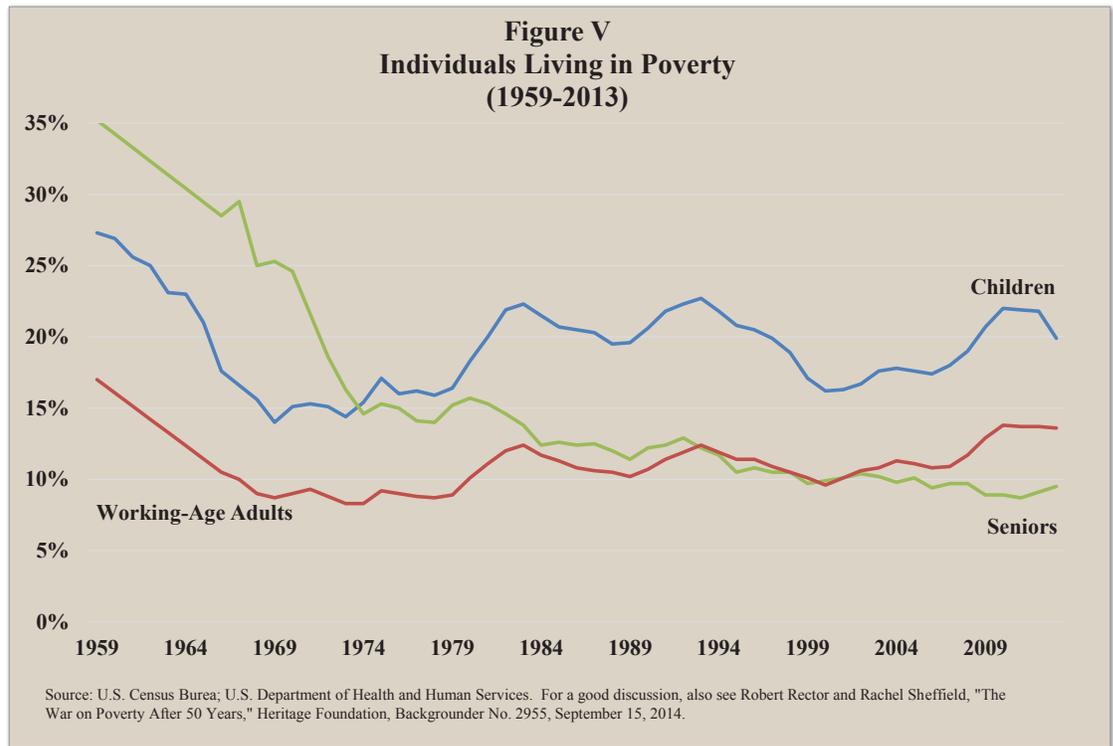
from the federal government. [See Figure IV.] Middle-aged, middle-income married couples can easily experience penalties surpassing \$5,000 to \$7,000 annually. In some high-cost areas, the marriage penalty can rise much higher. If the above middle-aged couple were to move to Cheyenne, Wyoming, their marriage penalty would jump to \$12,207.³⁵

The Great Society Isn't Great for Poor Women and Children. As mentioned earlier, the poverty rate had already begun falling when Lyndon Johnson declared the War on Poverty. Some of that decline was undoubtedly due to the postwar economic boom. Upon closer inspection, the average poverty rate masks the fact that poverty varies among groups, and by age.

Seniors. Nearly one-third of seniors were living in poverty when the Great Society programs began. They have undoubtedly benefited from Society Security and Great Society programs like Medicare and even Medicaid. Today, the poverty rate for seniors is far lower than for either working-age adults or children.

Working-Age Adults. Working-age adults had a poverty rate about half that of seniors in 1960. Today it is nearly 50 percent higher than seniors. More telling, the poverty rate for working-age women is substantially above that of men. Further, it is concentrated among single mothers.

Children. The real travesty is the child poverty rate. Child poverty is about what it was 50 years ago — despite trillions in poverty program spending and an economy far more



robust and a much higher gross domestic product that is much higher than in the 1960s. [See Figure V.] The poverty rate among mothers and children rose with the decline in marriage and the corresponding rise in one-parent families. This is the legacy of the Great Society's War on Poverty. Arguably, the fallout can be partly attributed to the Great Society programs that subsidize out-of-wedlock childbearing and penalize marriage.

Conclusion. The War on Poverty ushered in the programs known collectively as the Great Society. These antipoverty programs turned out to be not so great for marriage among low-income families. The structure of the health care exchange subsidies expanded these perverse incentives on family formation by adding to the marriage penalty for many moderate-income couples and affecting couples at higher income levels. As a result of these and pre-existing marriage tax penalties, many moderate-income — and middle-income — couples will decide marriage is a luxury they cannot afford.

Devon M. Herrick is a senior fellow with the National Center for Policy Analysis.

Notes

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- ³³ “Marriage Bonus and Penalty Tax Calculator,” Tax Policy Center, Urban Institute/Brookings Institution. Accessed January 14, 2015. Available at <http://taxpolicycenter.org/taxfacts/marriagepenaltycalculator.cfm>. Calculations assumes no state and local taxes, and \$2,500 in child care expenses.
- ³⁴ Calculations based on the Kaiser Family Foundation subsidy calculator for two 56-year old cohabiting individuals, U.S. average premium.
- ³⁵ Data from the Kaiser Family Foundation subsidy calculator, for two married or cohabiting 56 year olds living in zip code 82005.

The NCPA is a nonprofit, nonpartisan organization established in 1983. Its aim is to examine public policies in areas that have a significant impact on the lives of all Americans — retirement, health care, education, taxes, the economy, the environment — and to propose innovative, market-driven solutions. The NCPA seeks to unleash the power of ideas for positive change by identifying, encouraging and aggressively marketing the best scholarly research.

Health Care Policy.

The NCPA is probably best known for developing the concept of Health Savings Accounts (HSAs), previously known as Medical Savings Accounts (MSAs). NCPA research, public education and briefings for members of Congress and the White House staff helped lead Congress to approve a pilot MSA program for small businesses and the self-employed in 1996 and to vote in 1997 to allow Medicare beneficiaries to have MSAs. In 2003, as part of Medicare reform, Congress and the President made HSAs available to all nonseniors, potentially revolutionizing the entire health care industry. HSAs now are potentially available to 250 million nonelderly Americans.

The NCPA outlined the concept of using federal tax credits to encourage private health insurance and helped formulate bipartisan proposals in both the Senate and the House. The NCPA and BlueCross BlueShield of Texas developed a plan to use money that federal, state and local governments now spend on indigent health care to help the poor purchase health insurance. The SPN Medicaid Exchange, an initiative of the NCPA for the State Policy Network, is identifying and sharing the best ideas for health care reform with researchers and policymakers in every state.

The NCPA developed the concepts of Health Savings Accounts and Roth IRAs.

Taxes & Economic Growth.

The NCPA helped shape the pro-growth approach to tax policy during the 1990s. A package of tax cuts designed by the NCPA and the U.S. Chamber of Commerce in 1991 became the core of the Contract with America in 1994. Three of the five proposals (capital gains tax cut, Roth IRA and eliminating the Social Security earnings penalty) became law. A fourth proposal — rolling back the tax on Social Security benefits — passed the House of Representatives in summer 2002. The NCPA's proposal for an across-the-board tax cut became the centerpiece of President Bush's tax cut proposals.

NCPA research demonstrates the benefits of shifting the tax burden on work and productive investment to consumption. An NCPA study by Boston University economist Laurence Kotlikoff analyzed three versions of a consumption tax: a flat tax, a value-added tax and a national sales tax.

A major NCPA study, "Wealth, Inheritance and the Estate Tax,"

completely undermines the claim by proponents of the estate tax that it prevents the concentration of wealth in the hands of financial dynasties. Senate Majority Leader Bill Frist (R-Tenn.) and Senator Jon Kyl (R-Ariz.) distributed a letter to their colleagues about the study. The NCPA recently won the Templeton Freedom Award for its study and project on free market solutions to the problems of the poor. The report outlines an approach called Enterprise Programs that creates job opportunities for those who face the greatest challenges to employment.

Retirement Reform.

With a grant from the NCPA, economists at Texas A&M University developed a model to evaluate the future of Social Security and Medicare, working under the direction of Thomas R. Saving, who for years was one of two private-sector trustees of Social Security and Medicare.

The NCPA study, "Ten Steps to Baby Boomer Retirement," shows that as 77 million baby boomers begin to retire, the nation's institutions are totally unprepared. Promises made under Social Security, Medicare and Medicaid are inadequately funded. State and local institutions are not doing better — millions of government workers are discovering that their pensions are under-funded and local governments are retrenching on post-retirement health care promises.

Pension Reform.

Pension reforms signed into law include ideas to improve 401(k)s developed and proposed by the NCPA and the Brookings Institution. Among the NCPA/Brookings 401(k) reforms are automatic enrollment of

employees into companies' 401(k) plans, automatic contribution rate increases so that workers' contributions grow with their wages, and better default investment options for workers who do not make an investment choice.

Environment & Energy.

The NCPA's E-Team is one of the largest collections of energy and environmental policy experts and scientists who believe that sound science, economic prosperity and protecting the environment are compatible. The team seeks to correct misinformation and promote sensible solutions to energy and environment problems. A pathbreaking 2001 NCPA study showed that the costs of the Kyoto agreement to reduce carbon emissions in developed countries would far exceed any benefits.

Educating the Next Generation.

The NCPA's Debate Central is the most comprehensive online site for free information for 400,000 U.S. high school debaters. In 2006, the site drew more than one million hits per month. Debate Central received the prestigious Templeton Freedom Prize for Student Outreach.

Promoting Ideas.

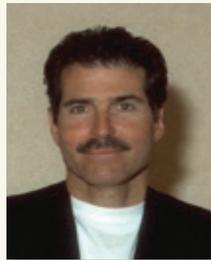
NCPA studies, ideas and experts are quoted frequently in news stories nationwide. Columns written by NCPA scholars appear regularly in national publications such as the Wall Street Journal, the Washington Times, USA Today and many other major-market daily newspapers, as well as on radio talk shows, on television public affairs programs, and in public policy newsletters. According to media figures from BurrellesLuce, more than 900,000 people daily read or hear about NCPA ideas and activities somewhere in the United States.

What Others Say About the NCPA



"The NCPA generates more analysis per dollar than any think tank in the country. It does an amazingly good job of going out and finding the right things and talking about them in intelligent ways."

Newt Gingrich, former Speaker of the U.S. House of Representatives



"We know what works. It's what the NCPA talks about: limited government, economic freedom; things like Health Savings Accounts. These things work, allowing people choices. We've seen how this created America."

John Stossel, host of "Stossel," Fox Business Network



"I don't know of any organization in America that produces better ideas with less money than the NCPA."

Phil Gramm, former U.S. Senator



"Thank you . . . for advocating such radical causes as balanced budgets, limited government and tax reform, and to be able to try and bring power back to the people."

Tommy Thompson, former Secretary of Health and Human Services

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