



Independent

NEWSLETTER OF THE INDEPENDENT INSTITUTE

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The Power of Independent Thinking

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Let's Make Colleges Better at Serving Their Students

By Richard K. Vedder



A growing chorus of voices is calling for universities to have more “skin in the game,” that is, stronger incentives for desirable outcomes. This is discussed most often with regard to student loans. Much of the blame for the student loan problem rests on college admission and retention policies.

Many schools accept numerous applicants they know are very unlikely to graduate. At some schools the six-year graduation rate is under one-third: There are at least two dropouts for every student earning a bachelor's degree. This tragedy creates unrealistic expectations and then shatters them.

How might colleges be given a stronger stake in avoiding this problem? One way is to make them liable for part of their students' defaulted loan balances. (Schools could be left off the hook for the default rate expected to arise from job-hindering illnesses and accidents.)

If schools bore some of the costs of student loan defaults, this would induce them to become more selective regarding admissions, a change that many people would view as inconsistent with the ideal that higher education should reduce inequality.

To these people I ask: How are justice and opportunity promoted by a system that assures such large numbers of college dropouts? Shouldn't we focus on educating students well and helping them obtain gainful employment? “Skin in the game” is a powerful inducement to help achieve these twin goals.

How else might schools develop stronger incentives for better outcomes? In 1955, economist Milton Friedman proposed that schools invest directly in their students by lending them funds to be repaid after they graduate and start earning more income. As in so many other policy areas, it took a while for academia to catch up to Friedman's ideas. Today, Purdue University and some others have implemented Friedmanesque income-share agreements (ISAs).

Under such programs, the school pays some or all the cost of attendance in exchange for a share of a student's future income. If the students fare well after graduation, the university benefits. Highly endowed private schools could devote some portion of their endowments to similar programs.

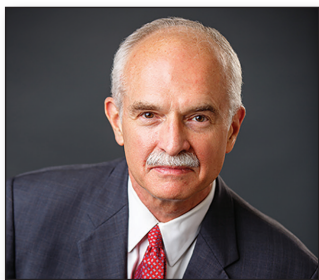
Adam Smith also knew about incentivizing educational excellence. In *The Wealth of Nations* (1776), he noted that professors at Oxford

(continued on page 6)

Richard K. Vedder is Senior Fellow at the Independent Institute, Distinguished Emeritus Professor of Economics at Ohio University, and author of the forthcoming Independent Institute book, *Restoring the Promise: Higher Education in America*.

PRESIDENT'S LETTER

A New Supreme Court—Will Liberty and Justice Prevail?



DAVID J. THEROUX
Founder and President

The drama that played out in Washington and captivated the nation in late September and early October shouldn't cause us to miss the bigger picture: With the addition of Brett Kavanaugh as Associate Justice on the U.S. Supreme Court, America has, for the first time since 1934, a five-justice plurality that believes in the Founders' intent of restraining the powers of the federal government.

In his own major court opinions, Kavanaugh has focused on rolling back the runaway administrative state, the products of his "textualist" and indeed "originalist" view of constitutional interpretation. And even though he has been somewhat accommodating toward the

USA PATRIOT Act and other measures that subvert the Fourth Amendment, his confirmation to the high court helps cast a brighter glow for the prospects of a free society.

Could the new Supreme Court mark the beginning of the end of Leviathan? Skepticism is understandable, given the powerful alliance of statist true-believers and special-interest cronies willing to ruthlessly fight back. Also, ideological "migration" on the Court is always a risk, especially if we're plunged into war or depression.

But the historic significance of the Court's new composition cannot be overstated: It signals a rebellion not only against progressive elites in the legal establishment, but also in the country's broader economic and cultural life.

Thus, barring a major national emergency, I expect that the coming years will usher in a badly needed sea change, with the new Court mostly carrying out its Constitutional duties, including protecting economic and civil liberties, enforcing private property rights, honoring due process, safeguarding religious freedom, reinstating the principle

of federalism, and fortifying the rule of law.

In our own way, the Independent Institute has been fighting this fight since 1986, helping to develop and further many crucial ideas that are countering the folly of Big Government, albeit mostly in the court of public opinion.

With seminal books by numerous Independent fellows, our quarterly journal, *The Independent Review* (p. 5), and an aggressive publicity campaign, our annual media reach exceeds 7 billion—plus over 13 million combined views by Millennials for *Love Gov* (p. 3), our award-winning, YouTube video series on liberty. Independent is assembling and engaging a vast network of people for meaningful change.

We invite you to join with us to boldly advance this historic opportunity for liberty—and build a better future—by becoming an Independent Institute Member. With your tax-deductible membership, you can receive a **FREE** copy of *Restoring the Promise* (p. 1), *Gun Control in Nazi-Occupied France* (see enclosed envelope), *The Independent Review* (p. 5), and other publications, plus additional benefits (please also see envelope).

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Gov's Baaaack! *Love Gov*² Comedy Series Hits YouTube



Hold on to your wallets, break out the popcorn, and prepare to laugh and sigh with an engaging new video series about government paternalism run amuck! The Independent Institute has released Season 2 of its satirical video franchise, *Love Gov*, on YouTube.

Like its smash-hit first season—which has racked up over 10.1 million YouTube combined views plus 10 film-festival awards and 18 laurels since its 2015 release—*Love Gov: A Crisis Not to Waste* revolves around the overbearing antics of Scott “Gov” Govinsky and the harmful consequences his unsolicited “assistance” has for the people around him.

In five short (under 10 minutes) episodes, *Love Gov*² tells the saga of three young adults, Rebekah, Sam, and Katie, who rent rooms in Gov’s housing as they struggle with jobs, pursue grad school, or launch a start-up business, not knowing their “landlord” is spying on them and has surprises in store.

Indeed, Gov at first only seems eager to “help” them do anything ... except let them chart their own destinies (or even choose their own pizza toppings). But as Gov’s misplaced priorities cause worsening problems, the roomies plot to break free of his grip—but how? And will they succeed?

If Gov seems like a caricature of a big-government do-gooder, the resemblance is purely intentional. After all, the series has a message aimed at young adults: Many problems—rising housing costs, expensive and inadequate health insurance,

joblessness, and privacy violations—result from government promises to give voters “something for nothing” while restricting the freedom of ordinary, law-abiding people.

But *Love Gov*² offers a message of hope: Don’t despair—take action. Find allies, pool your resources, think creatively, and you too can enjoy your natural right to life, liberty, and the pursuit of happiness. It’s a message that fueled the success of Season 1, *Love Gov: From First Date to Mandate*, which along with massive viewership and critical acclaim garnered 101 million impressions in 105 media outlets including Fox Business Network, Fox News Channel, CNS News, and MRC TV, and press coverage in the *San Francisco Chronicle*, *Seattle Post-Intelligencer*, *Daily Caller*, *Real Clear Policy*, *American Thinker*, *The Federalist*, *National Review*, and elsewhere.



Will *Love Gov: A Crisis Not to Waste* match the success of its predecessor? If so, credit will be due in no small measure to the partnership between the Independent Institute, which is the sponsor of both seasons and has provided guidance on the story, scripts, casting, and more, and Emergent Order, an Austin-based full-service creative agency that has provided far more than just the series’ lights, camera, and action.

Also, as storytellers since Jonathan Swift have known, government folly is the gift to satirists that just keeps on giving!

See www.independent.org/lovegov/season2.asp

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Independent Institute in the News

Center on Educational Excellence

“Altogether parents, teachers, principals and private donors are conservatively kicking in at least \$26 billion for school supplies—an amount that approaches the annual revenue of some Fortune 100 companies. But what most people probably don’t realize is that school districts already get more taxpayer-subsidized supplies funding than Facebook makes in a year: over \$44 billion combined.”
—**Vicki Alger** in *Duluth News Tribune*, 8/26/18

Center on Entrepreneurial Innovation

“Enterprising scientists and entrepreneurs will soon deploy new technology to clean up the Great Pacific Garbage Patch. But long-term stewardship is best achieved by establishing well-defined property rights to protect the world’s ocean resources.”
—**Lawrence McQuillan** and **George Tibbitts** in *The San Francisco Chronicle*, 8/6/18

“If lawmakers want to promote meaningful change, they should focus on creating incentives and good institutions for managing plastic waste and leave it to private businesses to change the way Americans consume plastic.”
—**William F. Shughart II** and **Brian Isom** in *The Sacramento Bee*, 8/8/18

Center on Peace and Liberty

“Instead of backing out of the agreement, if Trump believed it was inadequate, he could have used his negotiating prowess to make the agreement permanent or add Iran’s other objectionable behaviors to it. In other words, establish trust with the Iranians by honoring the U.S. commitment, then build on the agreement rather than torch it.”
—**Ivan Eland** in *Real Clear World*, 8/9/18



SENIOR FELLOW IVAN ELAND ON
CNBC, 7/13/18

Center on Health and the Environment

“When Mr. Obama promised to insure the uninsured, what kind of insurance was he talking about? Most people, and maybe even the president himself, imagined it would look like a typical employer plan or a standard Blue Cross individual policy. Who imagined that the only products available would be more limited than Medicaid?”
—**John C. Goodman** in *The Wall Street Journal*, 6/26/18



SENIOR FELLOW JOHN C. GOODMAN ON
THE FOX NEWS CHANNEL, 7/3/18

Center on Global Prosperity

“The World Cup, I must say, was very well organized by its Russian hosts—because if there’s one thing authoritarians do well it’s organize the lives of others. But organization and freedom are not the same.”
—**Alvaro Vargas Llosa** in *Investor’s Business Daily*, 7/20/18

Center on Law and Justice

“Some of the world’s most powerful banks have set themselves up as an unelected legislature. They impose their decrees with no relation to the laws passed by Congress and the states. A blatant example is the attempt to ban legal guns by cutting off banking services to the firearms industry.”
—**Stephen P. Halbrook** in *The Los Angeles Times*, 9/13/18

“With law and politics blended, control of the High Court is a greater prize than majorities in Congress or the occupancy of 1600 Pennsylvania Avenue, hence the left’s desperate measures to keep a qualified jurist off the Supreme Court.”
—**William J. Watkins, Jr.** in *American Thinker*, 9/2/18

THE INDEPENDENT REVIEW

The Vision of Gordon Tullock

Humanity's most important thinkers often remain unknown to the general public, including the vast majority of the so-called educated classes. Such is the case with Gordon Tullock, whose voluminous and wide-ranging scholarly work opened economists' eyes to new ways of seeing the political world.

Until his death in 2014, at the age of 92, Tullock was a research fellow at the Independent Institute and University Professor of Law and Economics and Distinguished Research Fellow at George Mason University. Along with the late **James M. Buchanan** (a founding member of Independent Institute's Board of Advisors), he founded the Public Choice Society in the early 1960s and established the journal *Public Choice* a few years later to further develop and disseminate ideas the two men pioneered together in their landmark 1962 book, *The Calculus of Consent: Logical Foundations of Constitutional Democracy*.

Although Buchanan was thrust into the public spotlight when he was awarded the Nobel Prize in Economics in 1986, Tullock enjoyed recognition only among narrower academic circles. That esteem grew worldwide, with Tullock named as a Distinguished Fellow of the American Economic Association in 1997, though he received little acclaim beyond scholars of political economy. For this reason and others, *The Independent Review's* Fall 2018 issue features a symposium that celebrates Tullock's life and legacy.

As **Virgil Henry Storr** (George Mason Univ.) notes in his introduction, Tullock began his scholarly career as an outsider to the economics profession, having trained as a lawyer and



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worked for years in U.S. foreign service before venturing into academia.

Yet even without ever having obtained a doctoral degree, Tullock developed powerful ways to understand constitutional construction, the challenges of bureaucracy, the nature of government regulations, the problem of special interests, and the limits of voting.

If you've heard of "rent-seeking" behavior, you've been touched by Tullock's shadow.

Tullock was not in any way a disciple of Ludwig von Mises, but in major respects he was a natural-born Misesian, according to **Peter J. Boettke** (George Mason Univ.) and **Rosolino A. Candela** (Brown Univ.). Like the "dean" of Austrian School economics and unlike the neo-classical mainstream, Tullock understood "economic man" as a purposive agent for whom choice is open-ended, rather than a mere inclination to maximize given ends using given means.

Tullock and Mises also held the same overall goal for the social sciences: to show how various institutional settings influence human action.

Tullock's scholarship bears close kinship with that of Buchanan, of course. Yet, too often

it's conflated with that of his early writing partner and academic ally, explains **Richard E. Wagner** (George Mason Univ.). Tullock may be partly to blame: He rarely mentioned that his own research program—and even his basic starting point—departed from the aims and approach of his former collaborator.

The symposium closes with two articles on how Tullock viewed the common law tradition and social inequality and redistribution.

Although most political economists in his camp hold favorable views of the common law, Tullock believed its institutions were too vulnerable to error, rent seeking, and corruption. However, such criticisms also apply to Tullock's preferred alternative, civil law, argues **William F. Shughart II** (Independent Institute and Utah State Univ.).

How well do Tullock's views on social policy, interest groups, and rent seeking apply to current discussions of inequality and redistribution? To make a proper evaluation, we must consider what, according to **Randall G. Holcombe** (Florida State Univ.), may be a shortcoming of Tullock's vast body of work: its neglect of one motive for redistributionism—the wish to promote greater equality.

In Tullock's defense, what's noteworthy here isn't necessarily that the great scholar gave insufficient attention to a motive some people have for advocating redistributionism. Rather, what's exceptional is that, given Tullock's breadth and depth of vision, we almost expect him to have given us even more.

Alas, Tullock was a storehouse of food for thought, and the world is all the wiser for his dishing it out.

See www.independentreview.org

REACHING MILLENNIALS

Independent Launches *Catalyst* to Offer Ideas and Hope to Young Adults



Catalyst

Faced with skyrocketing medical costs, expensive housing options, and mountains of student debt, young adults are increasingly asking: How did we get stuck with these problems, and what must be done to fix them? To offer encouragement and solutions on these and related issues, the Independent Institute has launched the new website: *Catalyst*.

Like *Love Gov*², the second season of our hit video series on liberty, *Catalyst* speaks directly to the interests and concerns of Millennials: finishing school, beginning careers, living on their own, starting families, all while dealing with problems in the economy, education, housing, and privacy.

But rather than ranting about the problem or cheering for Team Red or Team Blue, *Catalyst* gives young adults a forward-looking, optimistic, solutions-oriented perspective. Featuring a mix of infographics, quizzes, polls, and videos, in addition to a variety of articles, *Catalyst* brings non-partisan, market-based, and community-oriented solutions to young adults.

By providing content that addresses the issues they encounter daily—things like student loan debt, the high cost of healthcare and housing, the declining quality of public schools, and threats to personal privacy—*Catalyst* offers a topical point of view on current events that you'll probably see nowhere else.

Readers will find a welcoming community with new information, fresh ideas, and practical tools that can serve as a muse for those pondering the causes and possible solutions to the most pressing challenges they currently face.

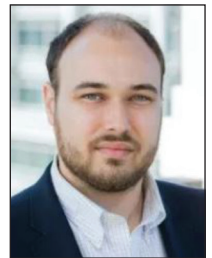
Long in the planning and development stages—our Digital Communications team led by **Rebeca Zuñiga** has worked tirelessly for several months laying the conceptual groundwork—*Catalyst* is managed by its Editor-in-Chief **Ben Wilterdink** and features writing by *Catalyst* Policy Fellows **Ross Marchand**, **Elliot Young**, **Nick Zaiac**, and others.

In fact, we are building a team of *Catalyst* Policy Fellows who are experts in their individual issue areas and will regularly contribute their unique perspective on current events. We will also be rolling out engaging new features.

Come join the excitement. Visit the website at catalyst.independent.org and follow on social media.



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Digital Communications
Director



BEN WILTERDINK
Editor-in-Chief
of *Catalyst*

LET'S MAKE COLLEGES BETTER AT SERVING THEIR STUDENTS

(continued from page 1)

University were more effective teachers when they had skin in the game. Students paid them a fee, so the more students a professor had, the greater his income. Today, however, professors' compensation often has little correlation to clearly identifiable performance indicators.

In contrast, corporate executives and other high-level employees in the for-profit business world typically have much skin in the game, in the form of performance bonuses, stock options, and the like. Admittedly, it is more difficult to implement performance incentives in

higher education, because the "bottom line" of universities is often difficult to define and measure.

But since part of the mission of our great research universities is to make important discoveries, few tasks seem more appropriate than discovering efficient ways to improve students' lives in the classroom and beyond. Surely, "skin in the game" will play a role in restoring the promise of higher education. Without it, we will continue down the road of burdensome debt loads, academic mediocrity, and shattered dreams.

CALIFORNIA GOLDEN FLEECE® AWARDS

Taxpayers Fund Misconduct Settlements

The #MeToo movement began in the media centers of Hollywood and Manhattan, but it didn't take long for sexual misconduct allegations to reach the hallowed halls of government. In California, some government employees accused of such abuses have had recourse to public funds to pay settlements to their accusers. That's right, taxpayers have footed the bill.

For this reason, the Independent Institute has named the state's "public servants" as winners of the sixth **California Golden Fleece® Award**, a designation given quarterly to government employees or programs that violate the public trust.

Not only have California taxpayers been exploited as piggy banks to settle claims against state employees for sexual misconduct, but the public has been kept in the dark about abuses and settlements, thanks to laws designed to shield bureaucrats and politicians from being held accountable for their actions.

Abuses Exposed

In California, nearly 150 women—from lawmakers to lobbyists—signed an open letter in October 2017 decrying the "pervasive" culture of sexual harassment in state politics and across all industries. After intense pressure from accusers and the media, the legislature in February 2018 released information on 18 alleged incidents since 2006.

Government officials have been reluctant to release complete information to the public, but lawmakers from both sides of the aisle have been named as subjects of investigations. Following charges of repeat offenses, some lawmakers resigned, causing legislative Democrats to temporarily lose their supermajority in the California Assembly in 2017 and lose their Senate supermajority in early 2018.

Socializing the Costs

Amid the allegations came news that California lawmakers, state agencies, and public universities secretly settled sexual misconduct claims using taxpayer money—about \$21.3 million over the past three fiscal years. Payouts ranged from \$500 to \$10 million for 92 sexual harassment settlements involving 24 state agencies and 10 university campuses.

Thirty-six settlements exceeded \$100,000, and seven exceeded half a million dollars. The Department of Corrections and Rehabilitation paid out the lion's share of settlement costs at \$15 million, with state prison inmates filing 1,150 complaints in 2017. The University of California was responsible for the second highest total payout of \$3.4 million.

California's legislature has its own history of misconduct

complaints and taxpayer-funded settlements. Over the past 25 years it paid out at least \$2.8 million (in 2017 dollars), according to Tuple Legal, a nonprofit law and political research firm.

Hiding the Truth

Because the legislature shelters many of its records from public disclosure, the above numbers likely underestimate the true total. Victims of sexual harassment were required to sign nondisclosure agreements to settle claims. Lawmakers escape public accountability because the Legislative Open Records Act of 1975 exempts public disclosure of investigations and complaints against the legislature.

State lawmakers have acquiesced somewhat to public pressure for disclosure, but only for investigations of "high-level" staff members.

The lack of transparency is not unique to California. At the federal level, a law ironically named the Congressional Accountability Act established an account in 1995 to pay sexual harassment settlements and shielded lawmakers from personal financial responsibility.

Righting Institutional Wrongs

To correct the injustices, the California Golden Fleece® Award report makes several recommendations, including:

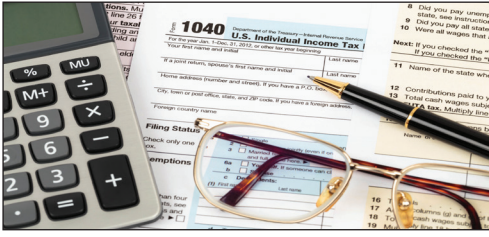
- Hiring outside independent investigators and guaranteeing due process for both sides;
- Banning the use of taxpayer money to settle sexual misconduct cases in order to ensure that incentives align with personal accountability;
- Banning mandatory nondisclosure agreements to improve transparency;
- Reallocating state spending to eliminate the staggering backlog of untested rape kits.

Thus far, the #MeToo movement has not resulted in the significant changes to California laws that are required to bring transparency and accountability to sexual misconduct allegations. It's past time to clean house and close institutional loopholes that protect sexual misconduct by public servants at taxpayer expense.

The sixth California Golden Fleece® Award report is written by Independent Institute Senior Fellow **Lawrence J. McQuillan** and Policy Researcher **Hayeon Carol Park** and is available at www.independent.org/cagoldenfleece/.



Yes, It Still Pays to Be Charitable



The future of society—including the prospects for freedom, peace, and material abundance—depends largely on the generosity of people who invest in making change happen. People like you!

Will your end-of-year charitable giving look different in 2018 due last year's passage of tax reform? Probably not.

Perceptions were much different before tax professionals and nonprofit groups fully digested the final version of the Tax Cuts and Jobs Act of 2017. Many feared it would discourage charitable giving, with some predicting the number of donors who itemize on their tax returns would plummet to less than 5 percent. With over 80 percent of charitable gifts made by taxpayers who itemize, many in the philanthropic community expected total charitable giving to decline by billions.

We've since learned that Congress left the charitable deductions untouched. Moreover, for America's

most generous donors, the new tax law actually expands the charitable deduction!

Even for taxpayers who will no longer need to itemize thanks to the newly doubled standard deduction, "many will ... enjoy increased discretionary income that can be ... donated to charity," writes the Sharpe Group, a nationwide nonprofit consultancy.

Additionally, no changes were made to remainder trusts, charitable annuities, or other types of tax-qualified deferred gifts, preserving these opportunities as appealing methods of leaving a legacy.

With the elimination of the "death tax" for nearly all Americans and no changes to IRA rollovers, current and deferred charitable giving may actually be more attractive now than ever.

Your support of the Independent Institute will help us continue our research and dissemination of ideas and solutions to advance peaceful, prosperous, and free societies grounded in a commitment to human worth and dignity. It may also financially benefit your family like never before.

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