

Higgs Receives Szasz Award on Liberty

December 6, 2006, was the occasion of a special Independent Policy Forum, “Liberty and Leviathan,” featuring Independent Institute Senior Fellow **Robert Higgs**, who discussed his new book *Depression, War, and Cold War* (Oxford University Press: cloth, \$35.00). Prior to Higgs’s presentation, Andrea Millen Rich, president of the Center for Independent

where he believes most historians have gone wrong in their analysis of the Great Depression. Most, he said, do not think it necessary to address three questions together, as inter-related parts of a larger complex phenomenon. The questions are: What made the Depression last so long? Was the U.S. economy prosperous during World War II? Why was the U.S.



(L to R) Forum participants **Robert Higgs**, **Thomas Szasz**, and **Robert Spillane**. (Far right) Dr. Szasz congratulates Dr. Higgs on receiving the Szasz award.

Thought, presented the **2006 Thomas S. Szasz Awards for Outstanding Contributions to the Cause of Liberty** to Dr. Higgs and to **Robert Spillane**, a psychologist and management professor at Macquarie Graduate School in Sydney, Australia.

“It’s a great honor for me to receive this award,” said Higgs. “The award, of course, serves most of all to commemorate the life and work of Dr. Szasz, and it’s that aspect of it that makes me so proud to be one of the recipients.”

After the award ceremony, Higgs explained

economy generally prosperous in the decades after the war?

As the 1930s dragged on, Higgs explained, Roosevelt increasingly viewed the business community with suspicion, as if it had blocked an economic recovery in order to embarrass him. Feeling political pressure from populist demagogues, Roosevelt became one himself. With his anti-business rhetoric and grand schemes to pack the Supreme Court and reorganize the government, he fostered uncertainty among business leaders and investors, which contributed to a depression within a depression in 1937.

His domestic popularity falling, Roosevelt turned his attention to foreign affairs. He began to make his peace with big business, enticed business leaders to join his administration to run the war mobilization effort, and passed laws designed to shift business risks from munitions producers to the taxpayers.

Government spending for the war, combined with a military draft that abolished unemployment, gave people the illusion of “wartime prosperity.” In reality, people could not buy

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President's Letter:

Record Profligacy

The White House has released the 2008 Federal Budget with a whopping cost of \$2.9 trillion! The largest expenditure is Social Security, followed closely by national defense at \$605.5 billion. Third is interest on the national debt, which is projected at \$261.3 billion, almost 10 percent of federal spending. These interest costs are the fastest-rising expenditure because federal debt has risen from \$5.6 trillion in 2000 to the current \$8.6 trillion and is still rising.

According to the White House Budget Office, in the last 25 years, "mandatory spending"—Social Security, Medicare, Medicaid, retirement benefits—has grown from 26 percent of all federal spending to 53 percent and growing. If federal spending simply remains steady as a percentage of GDP, mandatory spending plus the interest on the national debt will consume 100 percent of federal revenues by 2040!

This would be quite a legacy for any administration to leave, but don't expect the Democrats in control of Congress (or their Republican counterparts) to lessen the burden. The Republicans had already achieved the dubious distinction for the highest increase in spending since the New Deal. Now having been out of power for the six years, the Democrats have a long list of special-interest projects they wish to push.

So, how are Americans to learn that government bureaucracy and special-interest politics cannot solve their problems; and, more importantly, that there are innovative alternatives? With the widespread confusion over this explosion of government power and profligacy, the need for the Independent Institute's work in pioneering meaningful alternatives is greater than ever! As the Institute has shown, the best solutions to public problems come from private innovators who are able to tackle these challenges when freed of burdening taxes and bureaucracy.

Institute books (see p. 5), *The Independent Review* (p. 3), events (pp. 1, 7), media projects (p. 4), and other programs are providing the crucial difference. Your tax-deductible support as an **Independent Associate** makes this work possible, while providing you with our new studies plus other benefits (see enclosed envelope). Please join with us!

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The Independent Review

Gold Standard • Mass Murder • Property Rights

Articles in the Winter 2007 issue of *The Independent Review* forge new paths in scholarship on U.S. monetary history, mass murder by government, and the future of property rights.

Gold Standards

- Many writers have blamed “the gold standard” for the inability of the Federal Reserve System to implement countercyclical policies in 1929–33 and thus to prevent the Great Depression. Their blame is misplaced, however, because the self-regulating classical gold standard was abandoned during World War I and replaced by the government-managed gold-exchange standard. These writers seem unaware that the two systems operated very differently. Worse, they have failed to identify the true culprit in the monetary system of that era—the fallacious real bills doctrine, which guided Fed policy.

Richard H. Timberlake Jr. (University of Georgia) sets the record straight in “Gold Standards and the Real Bills Doctrine in U.S. Monetary Policy.”

“The authentic gold standard provided long-term stability not matched by any other monetary system before or since,” he writes. “In the interwar period, however, managing gold, as the central bankers tried to do, proved to be a disaster. The gold standard did not succeed; neither did it fail. The issue is not even moot, because the gold standard was not functional. What failed was the theory—the real bills doctrine—that U.S. central bankers used in its place to guide monetary policy into the monetary disequilibrium that never ended.”

The classical gold standard succeeded precisely because it was self-regulating and not susceptible to the mismanagement of central planners, according to Timberlake, an expert on the intellectual and institutional history of U.S. monetary policy.

See www.independent.org/publications/tir/article.asp?issueID=48&articleID=612.

Stealing and Killing by Government

- About 292 million civilians were killed by

governments in the 20th century, according to R. J. Rummel, a University of Hawaii political scientist who has spent decades studying the scope and causes of the carnage. Rummel attributes “democide,” as he calls it, to the type of government in power (e.g., authoritarian vs. democratic). However, an alternative theory—one that focuses on violations of property rights—may offer a more precise and powerful explanation, according to independent scholar **Stephen W. Carson**, who outlines such a theory in “Stealing and Killing: A Property-Rights



Theory of Mass Murder.”

Focusing on private-property violations as the most important factor common to democides, Carson argues, offers the advantage of helping us to understand cycles of mass murder under the same regime type. It explains why, for example, democide intensifies when property is collectivized and lessens during retreats

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Independent Policy Forum: Liberty and Leviathan

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much during the war years: few houses, cars, or other consumer durables were produced. In contrast, real and rapid economic progress began immediately after the war ended, as resources were moved to the civilian economy.

“In one single year, the production of private

goods and services increased by at least 30 percent,” Higgs said. “There was never anything like that before or after—never even anything half that big before or after.”

A transcript of “Liberty and Leviathan” is available at www.independent.org/store/events/. •

The Independent Institute in the News

Sample coverage our scholars and their works have received in the media over the past quarter includes:

- **Opinion:** **Alvaro Vargas Llosa**, Director of the **Center on Global Prosperity**, wrote on Pinochet and Ortega in the *Wall Street Journal* and the *New York Times*. Syndication of his weekly Washington Post Writers Group column continues to climb, with a worldwide circulation of more than 5 million. Research Director **Alex Tabarrok's** op-ed on the death of Milton Friedman appeared in *S.F. Business Times* and *Portland Business Journal*. Director **Benjamin Powell**, Director of the **Center on Entrepreneurial Innovation**, examined the trade deficit and California's oil tax proposition in *East Bay Business Times*, *Silicon Valley Business Journal*, and *Orange County Register*. Research Fellow **Dominick Armentano's** prediction of a 2007 recession was picked up by *Columbus Business First*, *East Bay Business Times*, and *TC Palm* (FL). **Ivan Eland**, Director of the **Center on Peace and Liberty**, wrote about Iraq, Somalia, and homeland security in the *San Francisco Chronicle*, *American Muslim*, and *Latin Business Chronicle*.



Independent Institute Senior Fellow Charles Peña is interviewed on MSNBC.

Research Fellow **Edward Stringham** wrote on self-regulation for the *Globe & Mail*. Research Fellow **Pierre Lemieux's** op-ed on Sarbanes-Oxley was published in Canada's *Financial Post*. Senior Fellow **Robert Higgs's** work appeared in *San Francisco Examiner*, and *Palestine Chronicle*. Adjunct Fellow **William Ratliff** wrote on Chavez and Chile for *National Interest* and *Globe & Mail*.

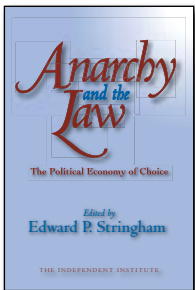
- **Books:** *Judge and Jury* was reviewed in *Midwest Book Review*. *Re-Thinking Green*

was reviewed in *Abstracts of Public Administration, Development, and Environment*. Research Fellow Gabriel Roth continued his radio phone tour for *Street Smart* on WFLA (FL), KDKA (PA), WBAL (MD), WBHM (AL), and WLXM (CT); that book was named one of the Top Ten Books of 2007 by Planetizen: The Planning and Development Network; was reviewed in *Regulation*, *Midwest Book Review*, and *Journal of Transportation Law, Logistics & Policy*; and was discussed in the *New York Sun*. Robert Higgs was interviewed on KPFA (CA) about his book, *Depression, War, and Cold War*.

- **Broadcast:** **Ivan Eland** discussed the mid-term elections, Iraq, and national security on NPR, Wisconsin Public Radio, al-Jazeera, CTV (Canada), CBS-5 (CA), Newsweek On Air, CNN Radio, WUSA-TV (DC), Air America's *Al Franken Show*, nationally syndicated *Todd Feinburg Show*, Radio America, and USA Radio Network. Senior Fellow **Charles Peña** continued to offer military analysis on MSNBC, CTV, BBC News 24, al-Jazeera, Newsweek On Air, RTV (Ireland), BBC Radio, and ABC Radio. **Alvaro Vargas Llosa** was interviewed on VOA, CHQR (Canada), CNN Spanish, and more than 40 NPR affiliates nationwide. **Benjamin Powell** offered his 2007 economic outlook on KFAX (AZ). Research Fellow and *Hot Talk, Cold Science* author **S. Fred Singer** discussed global warming at KVI-570 (Seattle).

- **Print:** **Charles Peña** was quoted in the *Toronto Star* on Bush; in *USA Today* and *Financial Times* (U.S.) about Gates and Rumsfeld; and in the *Denver Post*, UPI, and *Globe & Mail* on the Middle East. **Ivan Eland** was quoted by *Christian Science Monitor* on the military draft; by *Air Force Times* on China's military; and by *National Journal* on hegemony. *Poder Magazine* (Miami), and *El Diario De Hoy* and *La Prensa* (El Salvador) ran interviews with **Alvaro Vargas Llosa**, who also was quoted by the *Wall Street Journal*, *New Statesman*, *Miami Herald*, *Politiken* (Denmark), and *De Telegraaf* (The Netherlands). **Robert Higgs** was quoted by *New West Politics* (CO) and **Alexander Tabarrok's** economics blog, *Marginal Revolution*, was featured in the *Los Angeles Times*. •

New Books from The Independent Institute

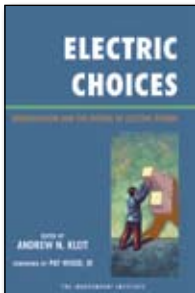


ANARCHY AND THE LAW: *The Political Economy of Choice*

Edited by Edward P. Stringham

\$29.95 paper, 720 pages

Could society function without a state providing courts and police? *Anarchy and the Law* assembles for the first time in one volume the most important studies exploring and debating non-state legal and political systems, especially involving the tradition of natural law and private contracts. Part 1 shows how recent advocates of non-state legal systems have argued their case. In part 2, philosophers and economists debate the merits of non-state legal systems. Part 3 looks at the history of non-statist thought and includes classic writings. Part 4 examines non-state legal systems in medieval England, Ireland, and Iceland; the Law Merchant; and dispute resolution during the settlement of the American West and elsewhere.



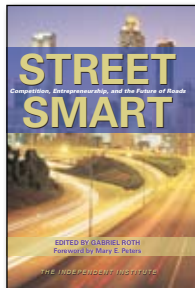
ELECTRIC CHOICES: *Deregulation and the Future of Electric Power*

Edited by Andrew N. Kleit, foreword by Pat Wood III

\$29.95 paper, 288 pages

The restructuring of the electric power industry in the 1990s had important successes (Pennsylvania) and dismal failures (California). *Electric Choices* draws lessons from those reforms and tackles the issues that will determine whether electricity will become cheaper and more reliable, or more expensive and prone to blackouts.

Opening electricity generation to competition transformed the industry, but for the benefits to be fully realized, reformers must pay greater attention to creating sound incentives, expanding consumer preferences, and promoting system-wide flexibility.



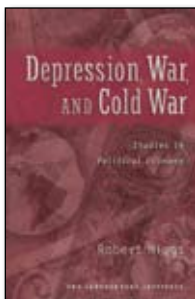
STREET SMART: *Competition, Entrepreneurship, and the Future of Roads*

Edited by Gabriel Roth, foreword by Mary E. Peters

\$29.95 paper, 576 pages

Street Smart provides an in-depth look at private, market-based alternatives for road services. The book explores four possible directions for private services: testing and licensing vehicles and drivers, management of government-owned road facilities, franchising, and outright private ownership.

It also examines the history of private roads in Great Britain and the United States and recent examples of innovation in road pricing, privatization, and commercialization in Singapore, California, Ghana, Norway, England, and elsewhere. **A Planetizen.com Top 10 Book for 2007.**



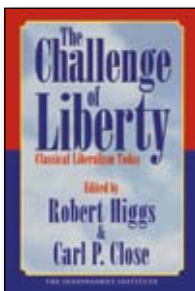
DEPRESSION, WAR, AND COLD WAR: *Studies in Political Economy*

By Robert Higgs

\$35.00 cloth, 272 pages

The long-awaited sequel to *Crisis and Leviathan*, *Depression, War, and Cold War* exposes many misconceptions about the pivotal events of 20th-century America. Higgs argues, for example, that Roosevelt's policies and appointees prolonged the Great Depression by shaking investors' confidence in the security of property rights. He also refutes the myth that World War II made civilians more prosperous.

Higgs also examines the startling impact of the Cold War on the U.S. economy, showing that defense contractors reaped windfall profits and government discretionary power grew virtually unchecked. The defense budget continues to be a major source of pork-barrel spending that members of Congress manipulate to get re-elected.



THE CHALLENGE OF LIBERTY: *Classical Liberalism Today*

Edited by Robert Higgs and Carl P. Close

\$19.95 paper, 448 pages

The Challenge of Liberty makes the case for classical liberalism (as distinct from contemporary liberalism and conservatism), showing how it supports such pillars of free societies as individual rights, human dignity, free market processes, and the rule of law.

In part 1, Nobel laureate James M. Buchanan and others offer ideas on how to increase the popular and academic appeal of classical liberalism. Part 2 argues that freedom, civil society, and commerce promote morality and responsibility. Part 3 examines the ingredients needed for constitutions to secure freedom. Part 4 exposes the challenge to individualism from public schooling, nationalism, and the therapeutic state. In part 5, classical liberals respond to criticisms by Robert Nozick and John Gray, welfare-state defender John Rawls, and socialist John Roemer.

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(Clockwise from upper left) Summer Seminar Faculty James Ahiakpor, Carl Close, Edward Lopez, José Yulo, Edward Stringham, and Fred Foldvary.

have better schools, roads, health care, and environmental quality?

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- **Inflation, Recession, and Government.**

What is inflation? What's a Bull or Bear Market? What causes recessions and unemployment?

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Summer Seminar Leader Brian Gothberg with students.

*Independent Policy Forum, Washington, D.C.***A New Strategy for the War On Terrorism**

Defeating terrorism in the post-9/11 era requires more than strengthening homeland security against future attacks and dismantling the al Qaeda terrorist network, it requires adopting a foreign policy that does not attract new terrorists.

The Independent Institute hosted a Policy Forum on September 22nd in the Dirksen U.S. Senate Building. The forum featured a discussion of the recent book by Independent Institute Senior Fellow **Charles N. Peña**, *Winning the Un-War: A New Strategy for the War on Terrorism*. **Ivan Eland**, Senior Fellow and Director of the Institute's Center on Peace and Liberty, launched the discussion with an analysis of the relatively statistical threat to America presented by terrorism.

Peña noted that the war on terrorism is unlike traditional wars with conventional battlefields and objectives; that terrorism is a tactic, not a

concrete enemy; and that intelligence and law enforcement efforts, not military action, should be the main tools used against al Qaeda. The real solution, concluded Peña, is for the United States to abandon the interventionist foreign policy that has made so many enemies.

Reflecting on Peña's insights were **Joseph Cirincione**, Senior Vice President for National Security and International Policy at the Center for American Progress, and **Roger W. Cressey**, the President of Good Harbor Consulting, LLC and Counter-Terrorism Analyst at NBC News. Cirincione remarked on the false binary choice presented to the American people between security and peace. According to Cressey, the last five years of U.S. foreign policy have been characterized by some tactical successes but strategic failures.

See www.independent.org/events/detail.asp?eventID=120.



(L to R) Forum participants *Ivan Eland, Charles N. Peña, Joseph Cirincione, and Roger W. Cressey.*

The Independent Review: Gold Standard • Future of Property Rights

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from collectivization, as the Soviet experience illustrates.

Carson notes that institutionalized stealing is a prerequisite to democide: it “disarms” the victims and empowers the aggressors by taking away resources used to sustain and defend lives. Especially destructive, he explains, is aggression against people’s means of production (e.g., farms in a primitive agricultural society). Finally, socialization of the means of production reduces people to slaves whose lives the regime has neither the incentive nor the ability to preserve.

See www.independent.org/publications/tir/article.asp?issueID=48&articleID=614.

Kelo and the Future of Property Rights

- Did the U.S. Supreme Court’s decision in

Kelo v. City of New London set off a political backlash that will ultimately strengthen property-rights protections? An examination of post-Kelo developments at state and local levels suggests that reports of the death of private-property rights may be greatly exaggerated, argue **Edward J. Lopez** and **Sasha M. Totah** in “Kelo and Its Discontents: The Worst (or Best?) Thing to Happen to Property Rights.”

The Court’s controversial 5–4 decision was denounced across the political spectrum. “Almost all of the state legislatures are considering or have passed laws that, at least ostensibly, restrict eminent domain for economic development,” write Lopez and Totah. “Many states are also requiring more careful definitions of and

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Olive W. Garvey Fellowships

Top Essays to Be Awarded

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The 2007 Olive W. Garvey Fellowships competition—an international essay contest for college students and untenured professors under age 35—is now accepting essays. This year's topic: **“Is foreign aid the solution to global poverty?”**

A 2005 United Nations report called for a doubling of foreign aid to poor countries as the means to reduce poverty. Yet the 2006 Nobel Peace Prize was awarded to a for-profit micro-loan bank and its founder, an apparent vindication of the ideas of Peter T. Bauer, Henry Hazlitt, Deepak Lal, and others. As Bauer wrote, “Development aid, far from being necessary to rescue poor societies from a vicious circle of poverty, is far more likely to keep them in that state.... Emergence from poverty requires effort, firmly established property rights, and productive investment.”

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A panel of three scholars will judge original essays on clarity, rigor, and eloquence. The essays need not be technical or demonstrate hyper-specialized scholarship, although they should be serious in content, tone, and style.

Deadline: May 1, 2007. For complete eligibility requirements, bibliography, and examples of winning essays, see www.independent.org/students/garvey/.

The Independent Review

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processes for determining blight, and a growing number of state courts are interpreting public use more narrowly.” One side benefit of stronger protection of property rights is that property would come to be used more efficiently: “The postbacklash environment will put more land-use decisions in the hands of sellers and buyers, who possess the specialized knowledge to negotiate about market prices most competently in determining a property’s highest-valued use,” write Lopez and Totah.

See www.independent.org/publications/tir/article.asp?issueID=48&articleID=615.

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