

# The INDEPENDENT

NEWSLETTER OF  
THE INDEPENDENT INSTITUTE



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## Lessons for Obama and the U.S. Economy

In keeping with today's headlines, U.S. presidential power and the economic malaise were the topics of two recent events held at the Independent Institute's conference center in Oakland, California.

### Lessons for Obama

On April 7, Independent Institute Senior Fellow **Ivan Eland** and Stanford University political



KURK WUEST

Senior Fellow **Ivan Eland** addresses the Independent Policy Forum on lessons for President Obama.

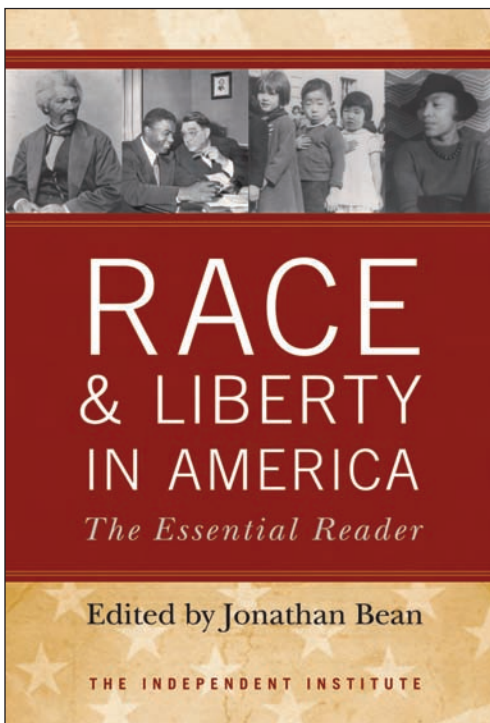
scientist **Andrew Rutten** reviewed the record of previous U.S. presidents in order to offer lessons for the newest occupant of the White House, at the Independent Policy Forum, "Assessing Bush, Obama, and Presidential Power."

Although historians and pundits often evaluate presidents on the basis of leadership styles

*(continued on page 7)*

## New Books on Race & Liberty, Housing Crisis

The Independent Institute is delighted to have co-published two books this past quarter. The first one shows how principled individualists fought for racial equality before the law. The second examines public policies that have distorted the U.S. housing market, including programs that facilitated the recent housing boom and bust.



### Race and Liberty in America

From 1776 until well into the twentieth century, classical liberals led the struggle for racial freedom. Relying on the ethical precepts of principled individualism, they fought slavery, lynching, segregation, and racial distinctions in the law. As immigration advocates, they defended the "natural right" of migration to America. Unfortunately, classical liberalism has not received due recognition because it does not fit easily under the contemporary labels of "liberal" or "conservative."

*(continued on page 5)*

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## President's Letter

## Race and Liberty

Does the historic election of the first African-American as President of the United States reflect a post-racial American era in which racial discrimination is widely rejected while individual merit and opportunity are championed? Unfortunately, the polarizing police incident involving Harvard professor Henry Louis Gates and the Supreme Court nomination of Sonia Sotomayor reveal that race-based identity-politics very much remain a major mindset by those who champion greatly expanded and intrusive government power to address racial issues.



Such views would benefit from a more accurate "historical compass," as is provided in our new book, *Race and Liberty in America*, edited by Jonathan Bean (see p. 1). Assembling a wealth of 100 primary sources representing true racial equality that embraces inalienable rights, individual liberty, colorblind law, and market-based entrepreneurship, *Race and Liberty in America* spans all of U.S. race history and takes the reader beyond the usual "liberal" and "conservative" interpretation of race relations. From the Declaration of Independence to the debates of the 21st century, the writers featured in this book fought slavery, lynching, Jim Crow, imperialism, Chinese exclusion, Japanese internment, and other racial distinctions in the law. This stunning book recaptures this lively, anti-racist, classical-liberal tradition through the writings of men and women both well-known, such as Thomas Jefferson, Louis Marshall, Frederick Douglass, and Booker T. Washington, and those missing from other books and heretofore lost to history. Whether famous or forgotten, rediscovering their contributions is essential to our understanding of race and liberty for the future.

As a result, Dr. Bean's book demonstrates how classical-liberal ideas were crucial to the movements against racism in America and why educating the public about this history is irreplaceable in order to end racial disputes and establish race-neutral law.

Today's debates over such fundamental issues of liberty afford the Independent Institute continued opportunity to expand its impact, and we invite you to join as an Independent Associate Member. With your tax-deductible membership, you can receive a FREE copy of *Race and Liberty in America*, as well as other publications, including our quarterly *The Independent Review* (p. 3), plus other benefits (see attached envelope).

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## The Independent Review

### Dictators • Health Care • U.S.-Mexico Immigration

Summer 2009 issue of *The Independent Review* features a wide range of topics, including articles that address entrepreneurship in Latin America, slave auctions in the antebellum South, and the concept of “spontaneous order.” Here are some highlights.

#### Aiding the World’s Worst Dictators

The road to hell, someone once said, is paved with good intentions. This person could have been talking about government-to-government development assistance. By 2007, the wealthiest countries had given the world’s worst dictators \$105 billion in development aid, but that “investment” had yielded zero return in terms of meaningful economic, social, or political progress. Worse, development assistance has solidified dictators in their position of power, according to **Christopher J. Coyne** and **Matt E. Ryan** (“With Friends Like These, Who Needs Enemies? Aiding the World’s Worst Dictators”).

Take the case of Sudan. Its government, ruled by dictator Omar al-Bashir, is infamous for its corruption, violence, and violations of basic rights, especially in Darfur. Nevertheless, the developed countries gave al-Bashir nearly \$7 billion in development assistance from 1989 to 2006, including about \$2.7 billion from the U.S. government, according to Coyne and Ryan. Moreover, although Sudan remains on the U.S. State Department’s list of countries that sponsor international terrorism, donor governments have pledged an additional \$7 billion.

“It is difficult to argue that the significant aid provided to the Sudanese government has had any positive impact,” write Coyne and Ryan. “The country is still ruled by a brutal dictator, and its political institutions remain unreformed. . . . The bottom line is that if developed countries’ goal is to foster liberal economic, political, and social institutions abroad, they should stop providing aid to the world’s worst dictators.”

See [www.independent.org/publications/tir/article.asp?a=739](http://www.independent.org/publications/tir/article.asp?a=739).

#### The Modern Health Care Maze

The current crisis in health care in the United States has been fueled by diminishing access, dubious quality, and spiraling costs. Although many critics blame “free-market” medicine for these problems, a long chain of federal legislation has disabled free-market mechanisms. The most crippling incursions have been tax laws that

have created a labyrinthine system of employment-based health care, according to **Charles Kroncke** and **Ronald F. White** (“The Modern Health Care Maze: Development and Effects of the Four-Party System”).

Comprised of patients, health care providers, third-party payers such as private insurers and Medicare, and employers, this four-party system is a relentless juggernaut driven by perverse incentives that push costs higher and higher, Kroncke and White argue.

Doctors and hospitals, for example, have incentives to charge what insurers can pay, rather than



#### The Independent Review, Summer 2009

what patients can afford. Insurers have incentives to deny coverage. Facing ever-rising premiums, employers have incentives to choose increasingly lower-quality insurance products with less coverage or to drop out of the system altogether. Young, healthy employees have incentives to avoid purchasing increasingly unpopular health plans, which puts further upward pressure on premiums.

The only way to reform the health care system successfully, according to Kroncke and White, is to scrap the four-party system and allow a free market to emerge. “Until we reduce government’s ability to surreptitiously distort the market forces that drive the health care industry, the juggernaut and

(continued on page 6)

## The Independent Institute in the News

• **Center on Entrepreneurial Innovation:** Senior Fellow **Robert Higgs** was featured in a three-hour special interview on C-SPAN2 *In Depth*, and was interviewed on *Reason.tv* and WSKY radio about *The Decline of American Liberalism*. He wrote commentaries in the *Pittsburgh Tribune-Review*, *Star-Exponent*, *Alexandria Daily Town Talk*, and *The Freeman*, and was cited online at *Forbes.com*, *National Review Online*, and the *Huffington Post*. The *Orange County Register*



*Independent Institute Senior Fellow Robert Higgs on C-Span2 In Depth.*

reviewed *Depression, War, and Cold War*. Senior Fellow **William F. Shughart II** wrote op-eds in the *Free-Lance Star*, *National Post*, and *San Francisco Examiner*. His commentary on a proposed federal excise tax on soft drinks ran in the *BusinessWeek.com Debate Room* and was distributed by the McClatchy-Tribune News Service. Ron Paul cited Shughart's work at the *New York Times* blog *Room for Debate*. Research Director **Alexander Tabarrok** wrote about transplant organ shortages at *Forbes.com*. Senior Fellow **Richard Vedder** wrote about the stimulus plan in the *Bucks County Courier Times*, while Adjunct Fellow **Art Carden** wrote for *Forbes.com*, *ForeignPolicy.com*, *Tennessean*, and *Alexandria Daily Town Talk*. Research Fellow **Gabriel Roth** wrote on private road-financing for the *Crookston Daily Times* and the *Tifton Gazette*. Research Fellow **Dominick T. Armentano's** commentaries appeared in the *St. Paul Pioneer Press*, *Crookston Daily Times*, *Buffalo News*, *Houston Business Journal*, *Austin Business Journal*, and the online *Christian Science Monitor*. *Good Money* by Research Fellow **George Selgin** was reviewed in *Books and Culture*, and three chapters from *Housing America* were excerpted in the *Washington Examiner*.

• **Center on Global Prosperity:** After he was detained at the Caracas airport, Senior Fellow **Alvaro Vargas Llosa** garnered mentions in As-

sociated Press and Agence France-Press news wires, *Miami Herald*, *El Nuevo Herald*, *Libre*, *Al D'a*, CNN en Español, and dozens of South American newspaper, radio, and television appearances. He was interviewed on April's Summit of the Americas on *KQED Forum* and CNN en Español. He wrote two commentaries for *ForeignPolicy.com*, and his op-ed in the *New York Times* on Honduras's military coup sparked responses at *Slate*, *Huffington Post*, *The Nation*, and *Daily Kos*, and led to a video interview at *TNR.com*. Research Fellow **William Ratliff** wrote on the U.S. trade embargo on Cuba in the *Los Angeles Times*, and was interviewed about the Summit of the Americas on KGO.

• **Center on Law and Justice:** Research Fellow **Don Kates** wrote on the pitfalls of gun control in the *San Francisco Examiner*, and President **David Theroux** was quoted in a *Reuters* story on FDA regulation of Cheerios. Research Fellow **Jonathan Bean** wrote commentaries for *National Review Online* and the *Providence Journal*, and was quoted as author of *Race & Liberty in America* in the *St. Louis Post-Dispatch*.



*Independent Institute Senior Vice President Mary Theroux on Comcast Newsmakers.*

• **Center on Peace and Liberty:** Director **Ivan Eland** wrote on Obama's first 100 days in the *Washington Times*, and Ron Paul interviewed him about *Recarving Rushmore* on C-SPAN2 *After Words*. The *Washington Times* reviewed *Recarving Rushmore*, the *Orange County Register* reviewed *Partitioning for Peace*, and *Political Science Quarterly* reviewed *Twilight War*. Research Analyst **Anthony Gregory** wrote a McClatchy-Tribune op-ed against a mileage-based gasoline tax.

• **Independent Scholarship Fund:** Vice-President **Mary Theroux** was interviewed on *Comcast Newsmakers* about the Independent Scholarship Fund. •

## New Books: *Race & Liberty in America* • *Housing America*

(continued from page 1)

*Race & Liberty in America: The Essential Reader*, edited by **Jonathan Bean**, explains the major themes of the anti-racist, classical-liberal tradition of individual liberty, and shows how it contributed to social progress. The book offers nearly 100 documents—from the Declaration of Independence to the 2006 Open Letter on Immigration and beyond, as well as government statutes, party platforms, and speeches—that demonstrate how classical liberalism was at the forefront of the fight to change America’s racial inequality. Each chapter investigates a specific time period in American history, including the abolitionist movement, post–Civil War reconstruction, Progressive Era, Republican era of the 1920s, Great Depression and World War II, and Civil Rights era.

Citing such influential Americans as Thomas Jefferson, Louis Marshall, and Frederick Douglass, Bean demonstrates the major impact of classical liberal thought on race relations and investigates how it has helped shape both law and public opinion.

To order this book, see envelope or go to [www.independent.org/store/book\\_detail.asp?bookID=80](http://www.independent.org/store/book_detail.asp?bookID=80).

### Praise for

#### *Race & Liberty in America*

*“This terrific book dispels any notion that civil rights are synonymous with racial preferences or that immigration restriction promotes liberty.”*

—**Linda Chavez**, Chairman, Center for Equal Opportunity

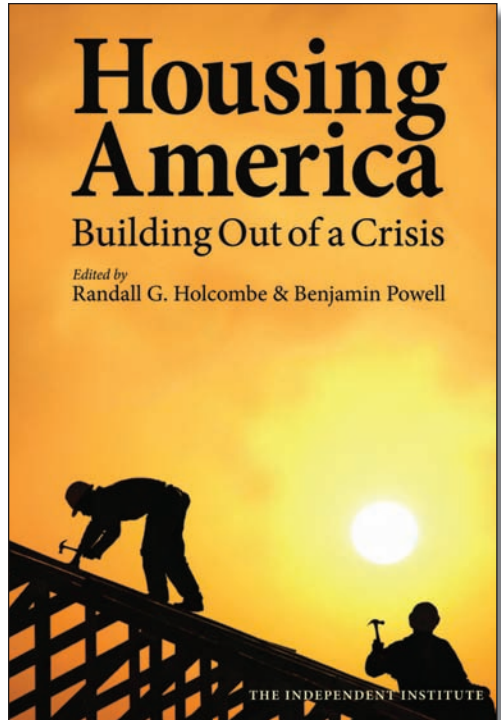
*“Race and Liberty in America deserves a wide audience.”*

—**Stephan Thernstrom**, Winthrop Research Professor of History, Harvard University

### Housing America

Housing policies and land-use planning are supposed to enhance human welfare, but how well do they live up to this promise? How exactly have they affected the quantity, quality, and affordability of housing? And what can be done to make housing markets work better?

*Housing America: Building Out of a Crisis*, edited by Randall G. Holcombe and Benjamin Powell, addresses these questions by examining specific policies that affect housing markets—including zoning, building codes, land-use planning, affordable-housing mandates, government housing assistance, rent control, eminent domain, impact fees, and federal financial policies.



Many government policies, the book shows, have worsened the problems they were supposed to fix. Affordable-housing mandates, for example, have driven up housing prices by discouraging construction. In some cities, such mandates imposed an equivalent tax of more than \$100,000 per house. Similarly, growth-management policies in some regions have pushed up house prices by six to twelve times the rate of inflation.

*Housing America* also examines government policies that led to the current recession. Two insightful chapters show how the Federal Reserve’s loose monetary policy, and federal pressures on lenders to weaken mortgage underwriting standards, fostered an unsustainable housing boom. To order this book, go to [www.independent.org/store/book\\_detail.asp?bookID=76](http://www.independent.org/store/book_detail.asp?bookID=76).

### Praise for

#### *Housing America*

*“This superb book would provide an outstanding guide for a graduate seminar on housing economics.”*

—**G. Donald Jud**, Professor Emeritus of Economics, UNC, Greensboro

*“Housing America is a welcome collection of essays by skeptics of government interventions in housing markets.”*

—**Robert C. Ellickson**, Walter E. Meyer Professor of Property and Urban Law, Yale University

## 2010 Sir John M. Templeton Fellowships Essay Contest

The Independent Institute is pleased to announce the 2010 Sir John M. Templeton Fellowships Essay Contest. The Independent Institute, in cooperation with the John M. Templeton Foundation, will award a total of \$26,500 in prize money to the contest winners.

The essay topic for the 2010 contest pertains to a quotation from the French political economist Frederic Bastiat:

*“Everyone wants to live at the expense of the state. They forget that the state wants to live at the expense of everyone.”*

—Frederic Bastiat (1801–1850)

Assuming Bastiat is correct, what ideas or reforms could be developed to make people better aware that government wants to live at their expense?

The contest is open to college students (undergrads and grad students) and untenured college teachers from around the world. All entrants must be under 36 years old on May 3, 2010, the contest deadline.

Junior Faculty Division:	Student Division:
1st Prize: \$10,000	1st Prize: \$2,500
2nd Prize: \$7,500	2nd Prize: \$1,500
3rd Prize: \$4,000	3rd Prize: \$1,000

In addition to the cash prizes, winners will receive assistance in getting their papers published and two-year subscriptions to *The Independent*

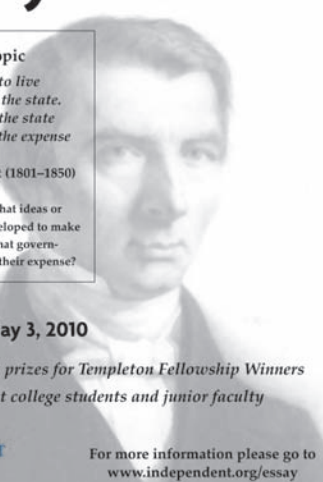
### 2010 Sir John M. Templeton Fellowships Essay Contest

**Essay Topic**

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—Frederic Bastiat (1801–1850)

If Bastiat is correct, what ideas or reforms could be developed to make people better aware that government wants to live at their expense?



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*Review.* Selected winners will be given assistance to present their papers at a professional meeting or other public forum. The winners will be announced in October 2010. (Winners of the 2009 Templeton Fellowships Essay Contest will be announced on our website in October 2009.)

For eligibility requirements, bibliography, and examples of winning essays, see [www.independent.org/essay/](http://www.independent.org/essay/).

### **The Independent Review: Healthcare • Immigration and U.S.-Mexico Border** (continued from page 3)

other dysfunctional arrangements will continue to plague the system,” they conclude.

See [www.independent.org/publications/tir/article.asp?a=740](http://www.independent.org/publications/tir/article.asp?a=740).

#### **Immigration and the U.S.-Mexico Border**

Despite deep concerns about illegal immigration into the United States from Mexico, U.S. lawmakers have avoided enacting strong measures to address the issue. This disconnect suggests that fresh insights are needed.

One way to reduce illegal immigration is to open the U.S.-Mexico border, allowing Mexican nationals to cross it freely, subject to ordinary law-enforcement controls.

Although many Americans assume that opening the border would create chaos, they might change their minds if they understood how well free migration works within the European Union, according to Jacques Delacroix and Sergey Niki-forov (“If Mexicans and Americans Could Cross the Border Freely”).

The effectiveness of the union’s policy, Delacroix and Niki-forov argue, is evident across Europe, from a café in France run by an English couple, to Parisian hotels with Portuguese concierges, to the ubiquitous Italian restaurants run by real Italians. “This kind of smooth integration,” they write, “is remarkable given that several of the member countries suffered grievously at the hands of other member countries within living memory. Nothing approaching such a legacy of hostility exists between the United States and Mexico.”

On balance, opening the U.S.-Mexico border would help both countries, Delacroix and Niki-forov conclude. For example, the structural problems that plague Social Security and Medicare might be alleviated rapidly by an influx of highly skilled Mexican workers into the U.S. labor market and an acceleration of the trend of American seniors retiring south of the border.

See [www.independent.org/publications/tir/article.asp?a=740](http://www.independent.org/publications/tir/article.asp?a=740).

## Assessing Bush, Obama, and Presidential Power • Today's Economy

(continued from page 1)

or charisma, what matters most is a president's actions and results, argued Eland, author of the Institute's new book *Recarving Rushmore: Ranking the Presidents on Peace, Prosperity, and Liberty*.

Most surprisingly, perhaps, Eland mentioned similarities between Obama and Nixon in foreign policy. Comparisons with recent presidents suggest that executive power will continue to grow under Obama, causing even greater problems.

Whereas Eland lamented the rise of the imperial presidency, Rutten spoke of imperial government as a whole. Presidents are often "uniters"



KURK WUEST

*Stanford University political scientist Andrew Rutten addresses the Independent Policy Forum on "Assessing Bush, Obama, and Presidential Power."*

or "dividers" depending on whether or not their party controls Congress, and the pragmatic Obama is unlikely to be an exception to that rule, he concluded.

[A transcript and an audio file of this event are available at www.independent.org/events/.](http://www.independent.org/events/)

### Understanding Today's Economy

When it comes to explaining the economic recession, most news coverage has fallen short. In addition to echoing dubious claims that corporate bailouts will revive the economy, media pundits have glossed over the ethical dimensions of Washington's response to the recession.

How can ordinary citizens make sense of the problems we face and make informed choices about how best to move forward? To shed light on these issues, the Independent Institute hosted "Understanding Today's Economy: A Preview for Homeschoolers from the Challenge of Liberty Summer Seminar," at its Oakland, Calif., headquarters on June 4. Co-sponsored by the Institute for Principle Studies and Economic Thinking, this event also introduced the homeschooling community to our educational programs.

The first presenter, **Gregory Rehmke**, Program Director of Economic Thinking, explained why grasping economics is especially important during a time of crisis. During recessions, for example, pork-barrel projects that had collected dust on Congressional shelves are pulled out and relabeled as "economic stimulus." Enacting these projects is counterproductive, Rehmke argued, because the current recession is a process of cleaning up the bad investments of an artificial boom caused by lax monetary policies and government interventions in financial markets.

**Michael Winther**, president of the Institute for Principle Studies, critiqued the auto industry bailouts. Natural-rights theory holds, among other things, that there is one set of laws that is proper for everyone. Thus, the auto industry bailouts violate natural rights because the policy implies that selected companies have a special "right" to taxpayer funds, according to Winther.

**Brian Gothberg**, chief instructor of the Challenge of Liberty Summer Seminar and instructor of history at Academy of Art University, argued the case against "energy independence"—the notion that the United States should not buy energy supplies from other countries. Contrary to the popular image of a strong, secure future, he argued, adopting this policy would decrease our standard of living, decrease national security, and harm the environment.

**José Yulo**, an Independent Institute Research Fellow who teaches philosophy and western civilization at the Academy of Art University, discussed the current relevance of Aristotle's *Politics*. In addition to examining the six requirements for Aristotle's ideal city, Yulo explained the moderate "mean" of that ideal—a city not too small to be weak in defense, and not too large as to grow cumbersome and ineffective.

**Anthony Gregory**, an Independent Institute Research Analyst, closed the event with his presentation, "Can Government Be Held Accountable?" No system of checks and balances can automatically keep government from overstepping its bounds, he argued. Thomas Paine suggested this in his famous book *Common Sense*, and subsequent U.S. history has borne him out, Gregory concluded. •

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## Seeking Your Help for More Students than Ever

The Independent Institute's **Center on Educational Excellence** was established to examine the ongoing educational crisis, and to chart a course for the achievement of educational excellence for all. To achieve this mission, the Institute has published numerous books, held policy forums, and conducted extensive media and promotional campaigns.

For many this may have been enough, but the Independent Institute felt compelled to go further and put these ideas into action. As a result, **The Independent Scholarship Fund (ISF)** was established, not only to assist children in our community by providing them an immediate alternative to the current public school crisis, but also to demonstrate that competitive, innovative, community-based approaches can revolutionize the educational system (both public *and* private), improve the quality of education that children receive, and benefit society as a whole.

Over the past ten years, ISF has changed the lives of countless children and families for the better. But now we're seeking your help to do so! While our program continues to grow and thrive, the declining economic conditions of this past year have resulted in a **65% increase in applications** for the upcoming 2009–2010 school year!

This record number of applications means *our current budget will only allow us to fund 26% of students who are seeking our support.*

**CENTER ON  
Educational  
Excellence**

Independent Scholarship Fund



So, will you help us make this number grow and consider making a gift to the Independent Scholarship Fund? Every donation helps, and giving is easy and can be done by visiting our website, [www.independent.org/students/isf/contribute.asp](http://www.independent.org/students/isf/contribute.asp). Or you can call our Development Director, JuliAnna Jelinek, at (510) 632-1366 if you would like to learn more about what you can do to help a child achieve educational success. •



*Former ISF recipient Felicity was Valedictorian of her high school class.*

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