

## Charting the New Path of Liberty for Latin America

Latin America’s political culture appears chaotic on the surface, but the deeper truth is that it is characterized by stability: The same fundamental (and fundamentally stifling) institutions have ruled for centuries, as Senior Fellow **Alvaro Vargas Llosa** explained at the Independent Policy Forum on May 3 in a talk based on his recent book, *Liberty for Latin America: How to Undo Five Hundred Years of State Oppression* (\$25.00 cloth).

“We’ve preserved the same way of doing things, of organizing society, organizing power,



*Independent Institute Senior Fellow Alvaro Vargas Llosa addresses the Independent Policy Forum.*

organizing institutions, so that all these changes and all that instability is extremely superficial,” Vargas Llosa said.

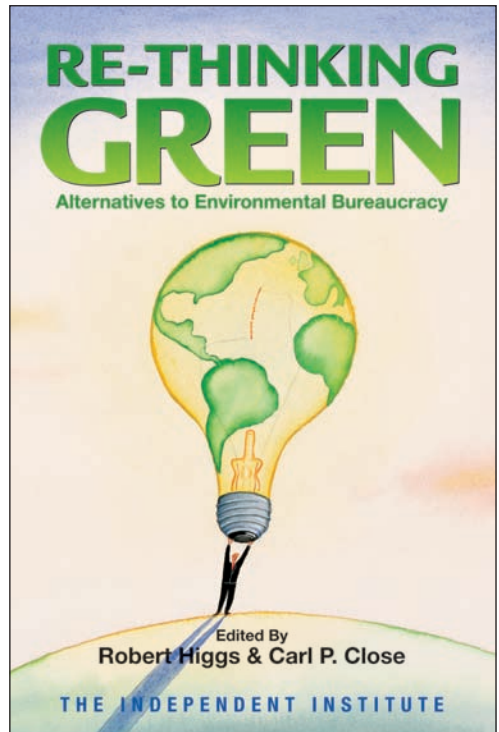
He then described five enduring institutions that have plagued Latin America since pre-colonial days—corporatism, state mercantil-

*(continued on page 3)*

## Alternatives to Environmental Bureaucracy

Two new Independent Institute books critique environmental policy and agricultural policy in depth.

- Environmental quality has been a major public concern since the first Earth Day in 1970, yet the maze of environmental laws and regulations enacted since then has fostered huge government bureaucracies better known for waste and failure than for innovation and success. In *Re-Thinking Green: Alternatives to Environmental Bureaucracy* (\$22.95 paperback), edited by **Robert Higgs** (Senior Fellow,



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The Independent Institute) and **Carl P. Close** (Academic Affairs Director, The Independent Institute), 22 economists, political scientists, and philosophers show how environmental quality can be enhanced more effectively by relying less on government agencies that are

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*President's Letter:*

## Government Failure

The catastrophe in New Orleans is a tragic story of government failure. The city dodged major damage by Katrina, but no sooner had the hurricane passed than the disaster began when the Army Corps' levees broke and 80% of the city flooded.

The real heroes of this story have been the many individuals who, despite their own losses, aided their neighbors. Meanwhile, the promises by FEMA and other agencies, based upon disaster drills and aid plans, evaporated and no relief arrived for days. As reported widely in the media from *Newsday* to *National Geographic*, the levees were known to be unsafe for a Category 4+ storm, and a "ten-year project" from 1965 to build the levees to Category 3 remained incomplete after 40 years. Ironically, the levee that collapsed was one that *had* been completed.

Martial law was declared; private rescue transportation into the city was banned; the Red Cross and Salvation Army were ordered *not* to enter the city—their aid "would keep people from leaving"; the police kept thousands in hellholes at the Convention Center and in the Superdome; sheriffs shot at hundreds trying to leave the city on foot, confiscating their food and water; fleets of school buses planned for evacuations were left idle in parking lots; without relief, looting and violence spread; gasoline prices sky-rocketed; and America's busiest port shut.

Government command-and-control of crisis management and public infrastructure means that no one has a stake in the outcome or is held accountable. Instead, the public is held hostage to bureaucratic error *and* then is forced to pay for the clean-up, while the failed agencies receive greater budgets and powers.

To overcome such social, economic, and environmental failures, we are charting real solutions in our books: *The Voluntary City, Re-Thinking Green* (p. 1), and *Plowshares & Pork Barrels* (p. 6), as well as in our journal *The Independent Review* (p. 5) and in our conference and media projects (p. 4). As a result, we hope that you will join us as an **Independent Associate Member** and receive a FREE copy of *Re-Thinking Green* (please see attached envelope).

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THE INDEPENDENT (ISSN 1047-7969): newsletter of The Independent Institute.  
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## *Independent Policy Forum: Charting New Path of Liberty for Latin America*

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ism, privilege, wealth transfer, and political law—and showed their continuing pernicious influence. Mexico’s \$70 billion financial crisis of the 1990s, for example, had its roots in government-created monopoly powers in banking.

Similarly, in Brazil in the 1990s when hundreds of state enterprises were sold to the private sector, the new owners were given exclusive monopoly privileges; they were exempt from having to compete. Although many of the businesses were run a little better than under the government, the prices they charged were far higher than they would have been had individual rights—including the right to compete against a newly “privatized” company—prevailed. In addition, many Latin Americans now associate privatization with government corruption. The phenomenon of government-created monopoly privileges, tight labor laws, and weak and corrupt judiciaries that don’t (or can’t) enforce property rights is repeated in country after country.

Everything Latin American governments do “tends to do exactly the opposite of what they

purport to do,” said Vargas Llosa. “It creates a system of disincentives whereby anybody who’s in a position to create anything, to contribute anything to society, is immediately dissuaded from doing so, because the system is corporatist, mercantilist, privilege-ridden, and wealth transferring, and is dominated by political law. The only way to move ahead in society is to be close to power, to be in a position of privilege, to exclude others from competition, from entry into any market.”

Despite Latin America’s deep-seated problems, Vargas Llosa said the turnaround of several countries in other parts of the world made him very optimistic. New Zealand lifted itself from poverty by seeking to abolish government-created privileges throughout its economy, and Ireland, Slovakia, and Estonia have blossomed over the past 15 years by embracing economic freedom.

For a transcript of the Independent Policy Forum, “*Liberty For Latin America: How to Undo Five Hundred Years of State Oppression*,” featuring **Alvaro Vargas Llosa** (5/3/05), see <http://www.independent.org/events>.●

## *New Books: Re-Thinking Green • Plowshares & Pork Barrels*

(continued from page 1)

increasingly politicized, bureaucratized, and unaccountable and more on environmental entrepreneurship and the strict enforcement of private-property rights.

“Environmental policy in the United States is not entirely without success stories, but for the most part it has been unexpectedly costly, corrosive to America’s liberal political and legal traditions, and not very effective in enhancing environmental quality,” write Higgs and Close in the book’s introduction. “These failures are rooted in the bureaucratic, top-down approach that has characterized environmental policy.”

*Re-Thinking Green* examines some of today’s most hotly debated environmental issues, including oil drilling in the Arctic National Wildlife Refuge, population growth, global warming, endangered species, land use, coastal waters, air quality, urban planning, transportation, sustainable development, and regulation by litigation.

Among the book’s many findings are the following:

- By 1990, 25 years of regulations enforced by the U.S. Environmental Protection Agency had cost the U.S. economy an estimated 22 percent of the manufacturing output that otherwise would have been produced.

### **Praise for *Re-Thinking Green***

“A complete guide to environmental policy.”—**Paul H. Rubin**, Professor of Economics and Law, Emory University

“Forces readers to re-think both the accomplishments of environmental policy and the most effective policy strategies.”

—**W. Kip Viscusi**, Professor of Law and Economics, Harvard University

“A remarkable book that clearly shows the shortcomings of the status quo in which government agencies advance a power agenda.”

—**Robert C. Balling, Jr.**, Professor of Geography, Arizona State University

“Those whose primary commitment is to a better environment are especially advised to read this book.”

—**Sam Peltzman**, Professor of Economics, University of Chicago

- Unlike in the U.S., where the Endangered Species Act has failed abysmally, in parts of Africa wildlife is managed successfully by allowing residents to benefit economically from it.
- Property rights approaches to conservation have helped the sensitive shorelines of South

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## The Independent Institute in the News

• **Opinion:** **Alvaro Vargas Llosa** wrote a feature story on Che Guevara for *The New Republic* and several op eds for *The New York Times*, *Dallas Morning News*, *International Herald Tribune*, *Clarín* (Argentina), *Analitica* (Venezuela), *Diario Las Americas* (Miami), *Libertad Digital* (Spain), *La Tercera* (Chile), and *El Ibero Americano*. **Benjamin Powell** covered such issues as the housing market, foreign aid, farm subsidies, and immigration for *Investor's Business Daily*, *Providence Journal*, *San Diego Union-Tribune*, *San Francisco Business Times*, *Phoenix Business Journal*, *Silicon Valley/San Jose Business Journal*, *The Orlando Business Journal*, *Calgary Herald*, *East Valley Tribune*, *Scottsdale Tribune*, *Daily News of Los Angeles*, and Chicago's *Star*. **Glen Whitman's** coverage of the wine-shipping cases before the Supreme Court ran in the *Orlando Business Journal*, *San Francisco Business Times*, and *East Bay Business Times*. **William Watkins, Jr.** wrote on eminent domain for *Columbus Business First*, *East Bay Business Times*, and *Silicon Valley/San Jose Business Journal*. **Wendy McElroy** continues her weekly column with Fox News and also placed pieces with *Union Leader* and Washington's *Sunday Times*.



*Independent Institute President David Theroux on KTVU Channel 2 (Fox Affiliate).*

Additional placements by Institute fellows included **Ivan Eland** in *Chronicles*, *San Diego Union-Tribune*, and Pakistan's *Daily Times*, **Alex Tabarrok** in Chicago's *Star*, **S. Fred Singer** in *Jerusalem Post*, **Michael Krauss** in *Washington Times*, and **Pierre Lemieux** in Canada's *Financial Post*.

• **Book Reviews:** *Liberty for Latin America* continues to generate major attention and was reviewed in *Latin Trade*, *Weekly Standard*, *Los Angeles Times*, *Criticas*, *Law*

and *Politics Books Review*, and *Harvard Crimson*, and was included in a Hispanic round-up. The newly released *Restoring Free Speech and Liberty on Campus* was reviewed by *Policy Review*; *American Conservative* reviewed *Against Leviathan*; *The Empire Has No Clothes* received attention in *Libertarian Party News* and *The Free Liberal*; *Strange Brew* was reviewed in *New England Wine Gazette*; and *The Freeman* reviewed *Drug War Crimes*.

• **Radio:** **Ivan Eland** was invited back to the nationally syndicated *Savage Nation*, and was also a guest on Iranian State Radio in Tehran and several domestic regional stations and programs such as Wisconsin Public Radio, KCBS, and WHJJ. **Benjamin Powell** discussed the economy on San Francisco's KCBS, and **Glen Whitman** was interviewed on the Supreme Court ruling in the wine-shipping cases on KVVN in Napa Valley, Calif. **Alvaro Vargas Llosa** was interviewed on KCBS, National Australian Radio, KGO, KQED, WEEK, KPFT, and Wisconsin Public Radio.

• **Television:** **Alvaro Vargas Llosa** was interviewed on *The NewsHour with Jim Lehrer*, which airs on PBS; Univision with Jorge Ramos as well as Univision Houston; and C-SPAN2's *BookTV*. President and founder **David Theroux** appeared twice on KTVU Channel 2 (Fox Affiliate, Oakland) to discuss income taxes and the war on terror as well as on KPIX Channel 5 (CBS Affiliate, San Francisco) to discourage the regulation of drivers who use cellular phones.

• **Additional Media Highlights:** Several international and domestic papers featured articles on **Alvaro Vargas Llosa** such as *Miami Herald*, *San Francisco Chronicle*, *El Mundo*, *Washington Hispanic*, *La Información*, *La Oferta*, *Peoria Journal Star*, and EFE News Services, and he was also quoted in *La Opinión*, *El País*, *Het Financieele Dagblad*, *Investor's Business Daily*, *El Tiempo Latino*, *Bajo El Sol*, *Deutsche Presse-Agentur*, and *Science and Theology News*. Additionally, Independent Institute research has been recently showcased in *Wall Street Journal*, *Washington Post*, *Pittsburgh Tribune-Review*, *Los Angeles Times*, *New York Sun*, *Reuters*, *Christian Science Monitor*, *National Post*, *Ventura County Star*, and United Press International. •

## The Independent Review

# Loving Government • Islam and a Free Society

*The Independent Review* continues to blaze new trails. The Summer 2005 issue features articles on the recurring theme of government popularity and the timely issue of Islam and the institutions of a free society.

### Loving Government

- Why do some people avoid supporting a free-market proposal even when they think it would plainly benefit society, especially the least well off? On its surface, the question seems absurd: why would anyone disfavor a proposal they thought would work best?

Yet economist **Daniel Klein** (George Mason University) met one such individual, a Nobel laureate economist who expressed such a preference at a national conference, and the encounter encouraged Klein to investigate the phenomenon he calls “the people’s romance” (TPR), which is the widely held notion that collective political action is noble because it means “we’re all working together.”

“When people think of society at large as the group to which they belong—when they think of having ‘citizenship,’ whether it be in a town, a county, or a country—the logic of coordination leads directly to government as the focal point,” writes Klein in the summer issue of *The Independent Review*.

The language of TPR has long been invoked by interventionists to rally support for nonessential government programs. The former head of the U.S. Postal Services used it to rationalize the existence of his agency, as did the director of the 2000 U.S. Census. Notions of community “togetherness” may make us feel warm and fuzzy during a parade on Main Street, but they can also create a climate in which political demagogues can trample individual rights in the name of some mythical collective good.

Can a “People’s Romance” be based on liberty? Klein doesn’t think so: “To refrain from violating others’ liberty, from extorting and bullying, is not the realization of a lofty aspiration, but a minimal requirement of decency. Whereas TPR needs to supply a positive story of action and achievement, the basic laws of justice do not project any dramatic endeavor.” In other words, justice itself—and not a romantic myth about society and allegedly more noble collective aspiration—is sufficient to achieve a free society.

This is perhaps why economists have often been unpopular: Their argument that social harmony is achieved in a market economy through individuals pursuing their self-interest privately—Adam Smith’s “invisible hand”—seems

to discount political decision-making. It also suggests that some economists may be too intimidated by TPR to propound the laissez-faire implications of economic principles.

See “The People’s Romance: Why People Love Government (as Much as They Do),” by **Daniel B. Klein**, at <http://www.independent.org/publications/tir>.

### Islam and a Free Society

- Are Islamic values compatible with a free society? What are the prospects for liberty in predominantly Muslim countries? These questions have been asked frequently since 9/11, and the answers given have spanned the extremes—ranging from the claim that authoritarianism is inevitable in Muslim countries to the claim that a robust freedom would emerge in the absence of a Western presence.

According to economist **Stefan Voigt** (University of Kassel), one helpful method for addressing these questions is to examine the health of the key institutions of a free society



### *The Independent Review*, Summer 2005

in the Islamic world, determine the extent that these outcomes are due to Islamic values, and see whether opinion polls show strong or weak support for these institutions.

Voigt examined the status in Muslim countries of the rule of law, constitutional democracy, and the market economy and “found that a number of severe impediments make the establishment of these core institutions less

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## New Books: Re-Thinking Green • Plowshares & Pork Barrels

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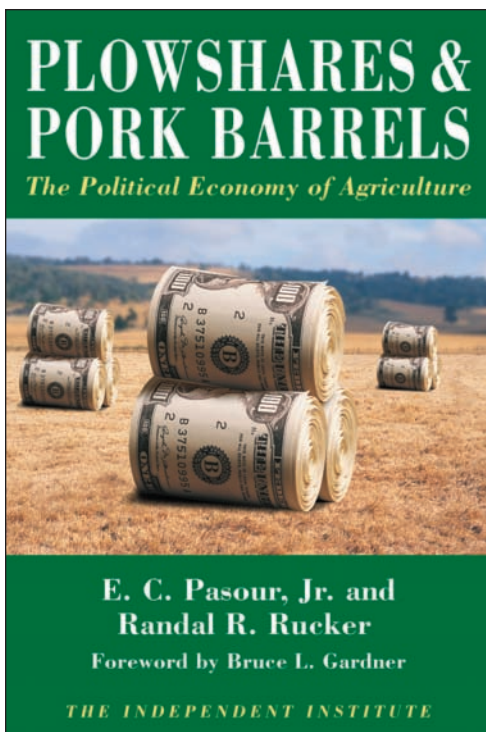
Carolina's coastal barrier islands and elsewhere.

• Entrenched businesses often support proposed regulations for reasons of competitive strategy, i.e., they have often turned “green” when they have come to believe that they would profit more under the new regulations than would their rivals.

*Re-Thinking Green* will stimulate discussion on how best to “humanize” environmental policy and inspire policymakers to seek new approaches to solving environmental problems.

### Plowshares & Pork Barrels

• The farm lobby is among the most effective interest groups in the United States, reaping billions of dollars in subsidies through a variety of programs. Some observers thought the 1996 farm bill would initiate a new era of reduced government subsidies, but the farm lobby won emergency ad hoc relief each year from 1998 through 2001. And the 2002 farm



bill, which reversed some of the 1996 changes, made massive government involvement in U.S. agriculture likely to continue into the foreseeable future.

The transfer program known as U.S. farm policy is explained thoroughly in the new Independent Institute book, *Plowshares & Pork Barrels: The Political Economy of Agriculture* (\$22.95 paperback), by **E. C. Pasour, Jr.** and **Randal R. Rucker**. The authors begin by showing how the political process differs

### Praise for

#### *Plowshares & Pork Barrels*

*“The brilliantly researched and sprightly written book, **Plowshares & Pork Barrels**, will become an encyclopedic reference source for anyone.”*

—**B. Delworth Gardner**  
Professor of Economics,  
Brigham Young University

*“This superb book is the single best guide available to the historical path and complexities of U.S. agricultural policies.”*

—**Lee Alston**, Professor of Economics,  
University of Colorado

*“**Plowshares & Pork Barrels** uniquely traces a critical assessment of the entirety of farm policy issues and will be valuable to academics and students, journalists, and the general public alike.”*

—**Bruce Gardner**, former Assistant  
Secretary of Agriculture

*“The excellent book should be read by all those interested in agricultural policy.”*

—**Dean Lueck**, Professor of Agricultural  
and Resource Economics,  
University of Arizona

from the market process—and how this difference helps explain the overspending bias in agricultural policy and the persistence of farm programs long after the nation recovered from the ruinous conditions of the 1930s that precipitated their enactment.

*Plowshares & Pork Barrels* then examines price supports, marketing orders, commodity programs, food stamp and other subsidized food programs, trade protectionism, crop insurance, subsidized credit, conservation programs, research and education programs, and taxation.

Farm programs have not only failed to achieve their stated objectives but are frequently inconsistent. Price supports and food assistance programs, for example, often serve to increase product prices, whereas subsidized credit, conservation subsidies, subsidized crop insurance, and publicly financed research and educational activities place downward pressure on product prices.

The greatest irony of all, however, may be that the object of so much popular sympathy—the small, family farmer—ultimately receives a very small proportion of government payments to farmers. Three-quarters of all government farm payments go to the largest 17 percent of U.S. farms. •



## Conference: Liberty, War and Empire

From May 5 through 8, Independent Institute President **David Theroux** and Senior Fellow **Ivan Eland** directed and participated in a Liberty Fund symposium entitled “Liberty, War and Empire,” which took place at the Claremont Resort and Spa in Berkeley, California. Historian **Peter Mentzel** from Utah State University led the six discussion sessions, which featured such distinguished conferees as Boston University professor **Andrew Bacevich**, Cato Institute senior fellow **Doug Bandow**, Columbia University professor **Richard K. Betts**, Brandeis University professor **Seyom Brown**, General **Josiah Bunting, III**, of the Harry Frank Guggenheim Foundation, European studies scholar **Laurie Calhoun** of Harvard University, U.S. Naval War College professor **Alberto Coll**, U.S. Air Force Academy professor **Martin Cook**, **Lawrence Kaplan** from *The New Republic*, **Lawrence Korb**, former Assistant Secretary of Defense, Tulane University professor **Eric Mack**, Naval Postgraduate School professor **Edward Olsen**, and Liberty Fund representatives **William Ruger** and **Rhonda Smith**.

This diverse group of scholars, journalists, historians, and experts delved deeply into foreign policy issues such as the U.S. warfare state, imperialism, and the effects of wartime on economic and civil liberties.



*Symposium conferees (top photo) Seyom Brown, Eric Mack, Lawrence Korb, and Richard K. Betts. Pictured in the bottom photo (left to right) are Independent Institute President David Theroux, Alberto Coll, and Andrew Bacevich.*

Drawing upon a rich selection of literature, ranging from classic works by Ludwig von Mises and Felix Morley to modern studies of wartime political economy by Independent Institute Senior Fellow **Robert Higgs**, the participants launched into a multidisciplinary discussion of war, its implications for government power, republican constitutionalism, economic nationalization, the role of the

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### ***The Independent Review: Loving Government • Islam and a Free Society***

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likely in the Muslim world.” He then looked at public-opinion surveys that examined Muslim opinions on freedom and government and came to some interesting conclusions.

“Based on the attitudes expressed by its population, Jordan clearly has the least chance to establish the institutions that are preconditions for a free society; Pakistan and Bangladesh also seem highly problematic. As a region, Africa seems to have a better chance than the Asian countries polled.”

Voigt noted that opinion polls should not be overemphasized—especially when those polled may not fully grasp the consequences of living under conditions that they have never experienced. Also, although some of the attitudes Muslims express in opinion polls are

surprisingly compatible with at least some of the central preconditions for these core institutions, fundamental liberal reforms “will require decades or even centuries to be made and cannot be dictated from above.”

Voigt suggested that liberal reform movements may arise in surprising quarters, such as within the Shi’a branch of Islam. “Another possibility is that the Asian Muslim countries that are subject to other influences and that guard against domination by interpretations of Islam that originate in the Arab heartlands will embrace reforms more readily.”

See “Islam and the Institutions of a Free Society,” by Stefan Voigt (*The Independent Review*, Summer 2005) at <http://www.independent.org/publications/tir>.

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## School Choice and The Independent Institute

The Independent Institute launched the **Independent Scholarship Fund (ISF)** in 1999, in response to the urgent need of San Francisco East Bay children for a quality alternative in education. The mission of the ISF is to help disadvantaged families achieve freedom of choice in the education of their children. Since the program's inception, the Institute has provided annual tuition scholarships of \$1,500 to more than 1,100 children. In our first year, we provided 100 scholarships. This year we provided 228. For the 2004–2005 academic year, the ISF received 843 applications. Thanks to generous private funding, we were able to offer 228 qualified applicants scholarships. These scholarships are figuratively a lifeline to parents unable to provide the resources necessary to place their children in a good school.



MARCUS PHOTOGRAPHY



### INDEPENDENT SCHOLARSHIP FUND

In contrast to the failing public schools in the San Francisco East Bay, where 61 Alameda County and 44 Contra Costa County public schools face penalties for failing to meet federal test-score standards, the private schools with which ISF works continue to offer high quality, and in many cases, surprisingly affordable, educational alternatives. ISF recipients in 2004–05 earned a median GPA of 3.5 (B++). As can be seen with the growing number of qualified applicants, there is an overwhelming need for this type of program.

“National data indicate that dollar-for-dollar, private schools are more productive than their public counterparts,” said Institute President **David Theroux**. “The well-documented benefits of increased competition between public and private schools reinforce our commitment to improving access to high-quality education for young people in the Bay Area and across the country. The continued growth of this program will enable more families of modest means to choose the best education for their children.”

If you would like to support the ISF and help provide needy children with the essential foundations of a quality education, please call **John Campbell** at 510-632-1366 (jcampbell@independent.org) to find out how. See <http://www.independent.org/students/isf>.

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### *Liberty, War and Empire*

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U.S. as a superpower, terrorism, blowback, security, and domestic liberty.

Everyone who attended considered it a triumphant success in exploring the crucial issues of war and foreign policy and for unleashing ideas for future research and study.●

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