Established with the entrepreneurial spirit of its home in Silicon Valley, the non-profit, non-partisan Independent Institute employs innovative thinking to boldly advance peaceful, prosperous, and free societies grounded in a commitment to human worth and dignity.

Independent applies time-tested natural-law principles of individual liberty, personal responsibility, free markets, and the rule of law to generate innovative yet practical market-based solutions to national and international problems ranging from healthcare, education, and technological advancement to areas of defense and national security.

Independent’s pioneering solutions have an annual reach of nearly 7 billion people across generations and backgrounds, through award-winning publications, including Independent’s peer-reviewed journal, The Independent Review, placements in mainstream, top-tier print and online and broadcast outlets, popular multimedia programs such as its hit millennial video series Love Gov: From First Date to Mandate, hundreds of appearances at local, national, and international events, and testimony before legislatures and higher court proceedings.

By spreading the compelling message that liberty best provides opportunity, equity, and prosperity, even in the age of technology, Independent is building bridges across generational and political divides, and uniting individuals with a vision for the future of liberty, prosperity, and opportunity, unleashing a future of unparalleled human flourishing in peaceful, prosperous, and free societies.
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Dear Friend,

Thank you for joining with us to build bridges for the future of liberty.

What am I talking about?

With the recent spate of natural disasters we again saw individuals coming together and self-organizing to aid their communities, often in the face of governmental barriers and dysfunction.

These episodes bring to mind the true American tradition, detailed in Alexis de Tocqueville’s *Democracy in America*, and our own books such as *The Voluntary City* and *Entrepreneurial Economics*, each full of examples of individuals living in associations providing for every human need. Time and again, these well-functioning societies produced invaluable goods ranging from affordable state-of-the-art and accessible healthcare to education, assistance with unemployment and disasters, and security services. Over time these traditions have unfortunately been forgotten, yet the spirit remains strong, ready to be unleashed.

Independent stands as a beacon to unite you and countless others around the timeless practices and ideas of personal responsibility, civic virtue, and individuals acting in community to solve our every need.

I am pleased to provide this report on how your partnership has enabled the Independent Institute to reach a growing audience with our shared vision of real solutions to our most challenging problems.
This year:

- **We expanded and improved our outreach to millennials** through an ambitious media campaign that built on the success of our award-winning video series *Love Gov: From First Date to Mandate* (see pp. 14–15).

- **We inaugurated the New Bridges to Liberty event series**, which gathered hundreds in Dallas and San Francisco to discuss applications of the principles of liberty and invigorate networks to promote liberty in their own communities (see p. 13).

- **Our Center on Entrepreneurial Innovation also launched its latest initiative**, *Innovating for People, Prosperity, and Liberty*, setting the stage for a compelling exploration and presentation of the most powerful examples of innovation and new technology that transcend failing government programs and alleviate poverty by opening opportunities leading to upward mobility around the world (see pp. 12–13).

And as I said, you are building these bridges for the future of liberty. Everything we do is made possible by our supporters’ passion and generosity. It is truly you who are touching millennials with the message of liberty. You are inspiring and mobilizing community leaders to make a difference in their neighborhoods, cities, and states, and you are disseminating persuasive examples of independent thinking in technology, education, healthcare, and a vast array of other areas. You are sharing the compelling message that liberty is the surest way to prosperity. I hope you will enjoy this overview of what your support produced this past year.

*Thank you!*

“Independent stands as a beacon to unite you and countless others around the timeless practices and ideas of personal responsibility, civic virtue, and individuals acting in community to solve our every need.”
How We Build Bridges to Create Communities of Impact

**PEOPLE SHARE IDEAS**

**INDEPENDENT INSTITUTE GENERATES IDEAS**

**BOOKS EXPRESS THOSE IDEAS**

**IDEAS ARE SHARED**

INDEPENDENT INSTITUTE

GENERATES IDEAS

PEOPLE SHARE IDEAS

BOOKS EXPRESS THOSE IDEAS

IDEAS ARE SHARED
INDIVIDUALS AND THOUGHT LEADERS IN NETWORKS FORM COMMUNITIES

BY INTEGRATING AND ACTING ON THESE IDEAS, THESE INDIVIDUALS CREATE POSITIVE CHANGE IN THEIR COMMUNITIES, AND AROUND THE WORLD.
While many policy organizations focus on litigation, lobbying, and popular advocacy to advance freedom, such initiatives alone are insufficient to bring about meaningful, sustained reform. To achieve lasting change, we must first win the battle of ideas, shifting the culture and influencing the principles that inform and motivate leaders in academia, business, the media, religion, entertainment, and the general public. That is where the Independent Institute stands apart.

Grounded in the scholarly rigor of peer review, Independent has a proven record of producing over 200 books and other publications that stand the test of time in shaping ideas and making lasting change possible.

For example, Independent’s quarterly, peer-reviewed journal *The Independent Review* provides an ideal forum for thoughtful, in-depth discussion of key issues and concerns. Now in its twentieth year, *The Independent Review* is reaching over double the circulation of comparable academic journals, with path-breaking articles and reviews by many of the world’s finest scholars in economics, law, history, political science, philosophy, and other fields.

Symposia from two issues produced such widespread impact that we selected them for expansion into more far-reaching books. “The Future of the Economy” provided the basis for Independent’s recent book, *Future: Economic Peril or Prosperity?* And “The Economics of Pope Francis” was enriched with a foreword by the late Michael Novak and conclusion by Robert P. Murphy to become the widely acclaimed book, *Pope Francis and the Caring Society*.

To achieve lasting change, we must first win the battle of ideas ...
This year we released four groundbreaking books addressing ongoing challenges including technological advancement, constitutionalism, and economic development.


*China’s Great Migration: How the Poor Built a Prosperous Nation*, the new book by Research Fellow Bradley M. Gardner, examines one of the most crucial but least discussed forces driving China’s economic development, and its lessons for economic growth in the United States and around the world: how freedom of movement can prompt economic and civil freedoms.

Other new titles include:

*Eleven Presidents: Promises vs. Results in Achieving Limited Government*
By Senior Fellow Ivan Eland

*Care for America: A Better Social Safety Net*
By Senior Fellow John C. Goodman
Since our Founding

200+ BOOKS AND REPORTS PUBLISHED

13,000+ OP-EDS PLACED

68 AWARDS RECEIVED

4,000+ INTERVIEWS GIVEN

4,000+ INTERVIEWS GIVEN

86 ISSUES OF THE INDEPENDENT REVIEW PUBLISHED

7.4 MILLION COMBINED LOVE GOV VIEWS, 98% FROM TARGET MILLENNIAL AUDIENCE

FELLOWS SPOKE AT 1,300+ EVENTS

18 LAURELDS

86 ISSUES OF THE INDEPENDENT REVIEW PUBLISHED

10 AWARDS

8 OFFICIAL SELECTIONS FOR LOVE GOV

8.2 MILLION VIEWS & 522 VIDEOS ON

YouTube
Fiscal Year 2017

2.7 MILLION YOUTUBE VIEWS

302 INTERVIEWS GIVEN

FELLOWS SPOKE AT 70 EVENTS

641 OP-ED PLACEMENTS

30,000 ARTICLE DOWNLOADS PER MONTH

2.7 MILLION YOUTUBE VIEWS

172%

38%

20,100

446,973 SOCIAL MEDIA AUDIENCE & 6.8 BILLION MEDIA REACH

10 AWARDS

86 ISSUES OF THE INDEPENDENT REVIEW

86 AWARDS

30,000 ARTICLES DOWNLOADED PER MONTH

18 LAURELS

641 OP-ED PLACEMENTS
From transportation to global poverty, the Independent Institute’s Center on Entrepreneurial Innovation identifies areas where we can bridge the immense needs of our nation and world with groundbreaking, tech-forward solutions, promoting a future of enterprise, freedom, innovation, and prosperity.

Our fellows have identified compelling examples of government programs in need of being replaced or reformed with innovative, market-based thinking. This year, Lawrence J. McQuillan, Director of the Center on Entrepreneurial Innovation, launched the quarterly California Golden Fleece® Award spotlighting waste and wrongdoing in California’s state agencies, and showing how services could be better and more affordably provided through privatization and competitive bidding.

National debt as well as the environment could be better addressed with creative, market-based solutions, as Independent Research Director William F. Shughart II and Research Fellow Carl P. Close argue in *Liquidating Federal Assets: A Promising Tool for Ending the U.S. Debt Crisis*, and Research Fellow Ryan M. Yonk demonstrates in *Five Ways Trump Can Improve Environmental Policy*.

Building on our 30 years of experience in Silicon Valley, Independent also examines what a technologically advanced future might look like from the perspective of today’s top market-based economists in our recent book, *Future: Economic Peril or Prosperity?*
In light of the enormous value of innovation identified in *Future*, Independent’s Center on Entrepreneurial Innovation launched a new project, *Innovating for People, Prosperity, and Liberty*, an initiative disseminating powerful case studies on how innovation and new technologies can reduce poverty with entrepreneurship and upward mobility, and replace government intervention, war, and political conflict with voluntary, private solutions.

To better shape these ideas, and others like them, into reality, Independent also hosted two regional seminars resulting in invigorating discussion around the future of our economy. This *New Bridges to Liberty* event series united people of diverse backgrounds, generations, and political perspectives around our vision of liberty, and inspired them to unleash their own potential for realizing the benefits of liberty in their own communities.

“A better model is for government to be less involved in the infrastructure business and encourage entrepreneurs to get more involved. Other countries can provide a successful roadmap.”

—LAWRENCE J. MCQUILLAN
Senior Fellow and Director of the Center on Entrepreneurial Innovation, Independent Institute
The millennial generation of 83 million 20–36 year-olds comprises the largest segment of America’s population today, and is rapidly becoming the key influence on our economy and society. However, polls have shown that millennials remain unsettled in their own worldviews and unsure of which political ideology to own. Recognizing a tremendous opportunity to introduce these young seekers to the ideas of liberty and free markets, Independent created *Love Gov: From First Date to Mandate*, a satirical, 5-part video series that speaks directly to this generation.

With light-hearted humor, *Love Gov* encourages millennials to consider how overbearing government adversely affects key areas of concern in their lives including student debt, unemployment, housing and healthcare costs, government surveillance, and privacy.

Since its launch in 2015, *Love Gov* has received an overwhelmingly positive response:

- Over 7.4 million combined views on YouTube, 98 percent by the millennial target audience
- Ten film awards, 18 laurels, 8 official selections, and screenings at film festivals across the U.S.
- Entire programs on Fox News and Fox Business News devoted to *Love Gov*
- 9,000 new subscribers to Independent’s YouTube channel, an increase of more than 310 percent

And *Love Gov* continues to receive accolades. This year *Love Gov* received two additional film awards, acquired hundreds of thousands of new millennial views across social media, and was translated into Spanish, Portuguese, Bulgarian, Polish, and Lithuanian to reach international audiences.

In light of millennials’ overwhelmingly positive response to *Love Gov*, Independent is laying the groundwork for *Love Gov* Season 2 with our latest initiative, *Freeing a Generation: Engaging Millennials for Liberty*. *Love Gov 2* will build upon the proven-effective lessons learned from the first season, to expand its message for further impact and engagement.

We are also developing a content-rich news and entertainment platform tightly targeted to millennials, laying the groundwork to become a leading resource that shapes the rising generation and kindles a culture that encourages and rewards enterprise and voluntary action over government mandates, prescriptions, and constrained choice.

Independent also impacted millennials with our *Learning to Lead Internship Program* this year, hosting college students at our Oakland headquarters throughout the year for hands-on learning in development, acquisitions, marketing and communications, and research. Students participated in weekly seminars on how to become more effective ambassadors for freedom and attended professional development events.
“This is a must see. Love Gov is hilarious and sad at the same time. It shows our government in a new light: it is not the politicians but the bureaucracy. They control us and they can’t be fired.”

—TIMOTHY C. DRAPER, Founder and Managing Director, Draper Fisher Jurvetson; Founder, Draper University
American students today rank among the lowest in international achievement standards. Recent research finds that the achievement gaps between American students and their international peers, as well as achievement gaps for low-income, Hispanic, and African-American students, are “the economic equivalent of a permanent national recession.”

In response to the failures of America’s education system the Independent Institute established its Center on Educational Excellence to inform leaders in academia, business, religion, the media, and the interested general public of the importance of competitive, responsive, and innovative educational choices.

This year, Research Fellow James Tooley applied fifteen years of research on school choice among the world’s poor to develop his upcoming book, *Emancipating Education: What America Can Learn from Real School Choice in the Developing World*.

In 2016, Independent published *Failure: The Federal “Misedukation” of America’s Children*, by Research Fellow Vicki E. Alger, a thorough critique of the U.S. Department of Education’s shortcomings, complete with an innovative blueprint for reform in both K-12 and higher education.

This year we employed an extensive multimedia campaign aimed at informing educators, business and civic leaders, policymakers, and the public of *Failure*’s findings and recommendations to introduce real choice and opportunity into education.

Among its successes, the campaign achieved the following:

- **Placed 47 articles drawing** on *Failure* in publications such as *The Washington Times*, *Boston Herald*, *The Wall Street Journal*, *National Review*, *USA Today*, *Forbes*, *The Daily Caller*, and *The San Francisco Chronicle*.
- **Sparked 72 interviews with Dr. Alger** in such media outlets as *C-SPAN*, *The Blaze*, and *Fox News*.
- **Prompted a multi-state speaking tour** with speaking engagements before over 30 influential organizations including the Heritage Foundation, Cato Institute, Heartland Institute, Oklahoma Council on Public Affairs, Texas Public Policy Foundation, Conservative Forum of Silicon Valley, and State Policy Network, among others.
- **Yielded speaking engagements** with meetings of education industry leaders, policymakers, economists, and others involved in education issues.
- **Shaped partnerships** between Independent and organizations in Texas, Nebraska, California, Oklahoma, Nevada, and elsewhere to motivate state-specific educational choice reforms.
- **Published** *Education Savings Accounts for Texas: How Educational Choice through ESAs Creates Greater Innovation and Quality*, a Briefing jointly produced by the Independent Institute and the Texas Public Policy Foundation, making the case for why Texas ought to adopt ESAs.
- **Initiated legislative testimony** before members of the Texas Senate on SB-3, legislation introducing Education Savings Accounts in Texas.
- **Gave written legislative testimony** on tax-credit scholarship legislation.

**JAMES TOOLEY**
Research Fellow, Independent Institute
“To be sure, there is no silver bullet when it comes to improving academic achievement for all American students. But one thing is clear: Washington, D.C., does not know best when it comes to educating other people’s children.”

—VICKI E. ALGER
Research Fellow
Independent Institute
As healthcare costs continue to skyrocket and policymakers flounder, Independent continues to lead in the creation and promotion of practical, yet innovative, market-based solutions to this crisis. In our book *A Better Choice: Healthcare Solutions for America*, Senior Fellow John C. Goodman outlines why the Affordable Care Act is failing and, most importantly, offers innovative solutions to move towards an equitable and responsive healthcare system.

This year in our Center on Health and the Environment, we expanded on the success of *A Better Choice* with our Health Choices promotional campaign designed to advance true market-based healthcare reform. Thus far, our campaign has made widespread impact:

- **Over 1.5 billion views** across radio, print, TV, and web platforms including respected outlets such as *Forbes*, *Fox Business News*, and *CNBC*
- **More than 250 op-ed placements**
- **Testimonies before Congress**

Dr. Goodman has worked closely in testifying before and advising congressional leadership in multiple attempts to craft legislative solutions to the Affordable Care Act meltdown. Dr. Goodman and now-former Independent Senior Fellow John Graham have continuously provided ongoing analysis and recommendations receiving broad media attention. Dr. Graham is now serving as principal Deputy Assistant Secretary for Planning & Evaluation at the U.S. Department of Health and Human Services.

Broadening our work in this existentially important area of entitlements, Dr. Goodman’s forthcoming Independent book, *Care for America: A Better Social Safety Net*, addresses the key area of entitlements, and offers innovating solutions to the spending crisis and runaway entitlements programs grounded in innovative, market-based alternatives.
“...The ACA starts from the premise that the federal government knows best when it comes to the provision of healthcare. John Goodman shows the pitfalls of this premise and how the market can be harnessed to align consumer choice and provider incentives to more effectively resolve the issues of resource use and financing of healthcare...”

—JUNE E. O’NEILL, Wollman Distinguished Professor of Economics and Director of the Center for the Study of Business and Government, Baruch College; former Director, Congressional Budget Office

John C. Goodman, Senior Fellow, Independent Institute
In a world in which the threat and fear of terrorism is increasingly pervasive, government power has grown enormously in size and scope, intruding more and more into civil liberties and privacy. Our Center on Peace and Liberty promotes solutions for security and peace in keeping with the preservation of individual freedoms and constitutional restrictions on government power.

This year, Research Fellow William J. Watkins, Jr. offered innovative solutions to critical issues including runaway federal spending, inadequate representation, and crass cronyism in his book, *Crossroads for Liberty: Recovering the Anti-Federalist Values of America’s First Constitution*. Watkins’s compelling analysis received extensive praise, including the prestigious 2017 Benjamin Franklin Gold Award for Best Book, reviews in the *Harvard Law Review*, *Chronicles*, and *Library of Law and Liberty*. Watkins’ findings were also published in such widely respected outlets as *The Wall Street Journal*, *Washington Examiner*, *Dallas Morning News*, and *The Hill*.

Independent shed light on the heated debate over safety, privacy, and the Fourth Amendment in the context of current developments in technology in *American Surveillance: Intelligence, Privacy, and the Fourth Amendment*, by Research Fellow Anthony Gregory. *American Surveillance* has received praise from the influential *Choice* magazine and *Business History Review*, and Mr. Gregory’s op-ed on the same topic was published in the *Washington Examiner*.

Senior Fellow Ivan Eland also received widespread attention for his scholarship on the growing concentration of power in the executive, and the implications of presidential imperial power on foreign affairs. His work generated extensive media coverage in such broad-ranging media outlets as C-SPAN, CNN.com, CNN, P.O.T.U.S. Radio, and *The Huffington Post*. Dr. Eland’s analysis and recommendations for restoring constitutional restrictions on the executive branch will be included in his new Independent book, *Eleven Presidents: Promises vs. Results in Achieving Limited Government*.

With the national debate focused on immigration and the economy, Senior Fellow Benjamin Powell also continued to gain attention for his book *The Economics of Immigration: Market-Based Approaches, Social Science, and Public Policy*. Dr. Powell’s insights into immigration appeared in the *Chicago Tribune*, *San Francisco Chronicle*, *The Hill*, *CNBC.com*, *Reason*, *Huffington Post*, *Politico*, and *Fox Business Network*.
Independent is also building bridges to a better future for millions across the globe.

Around the world, entrepreneurs have discovered groundbreaking solutions to improve the lives of the most disadvantaged. However, despite immense advances in technology and trade, many nations still suffer from crippling poverty, lack of opportunity, and suppression of human dignity, because governing institutions continue to stifle fundamental liberties.

Independent founded our Center on Global Prosperity to address these policies and provide the alternative of liberty as the surest way to prosperity. This year we shared this message of opportunity in over 200 countries in North America, Latin America, the Middle East, Europe, and Asia.

Research Fellow Gabriel Gasave and Senior Fellow Alvaro Vargas Llosa share the compelling record and promise of free-market enterprise through webinars and interviews, articles, events, and meetings with policymakers, business leaders, educators, and students in Latin America and countries around the world. Our Spanish language website, www.elindependent.org, El Instituto Independiente, Spanish blog, El Instituto Independiente Voces de Libertad, and Spanish Facebook and Twitter pages also continue to provide valuable resources for those seeking to understand how liberty and prosperity are transforming Latin America, and its promise for others. The results of this work, including increasing economic liberalization and prosperity in countries such as Argentina and Peru, provide further fuel for the spread of liberty over the failed socialist experiments in the region.

Senior Fellow Ivan Eland, Director of Independent’s Center on Peace and Liberty further shared Independent’s message with a vast international audience this year, including CNN.com, C-SPAN, Newsweek, U.S. News and World Report, and BBC Radio World Service.

Research Fellow Bradley M. Gardner provided an insightful analysis of the effects of migration on China’s economic growth, showing how it has forced the government to open the country to private enterprise and reform, and how the poor in China continue to serve as a free-market counterbalance to the government’s ongoing efforts to control and restrict economic activity. Based on interviews and firsthand experience, Gardner tells the story of 260 million Chinese migrants shaping the country’s future, and reveals how the international community can learn from China’s experience in his new Independent Institute book, China’s Great Migration: How the Poor Built a Prosperous Nation.
Tell us about your life.
I’m the second oldest of 8 kids, raised in a politically conservative, Catholic home and Catholic schools. The nuns were rock solid models of competent females. I learned good basic values early on; these have been the foundation of my behavior for life. I was fortunate to recognize early on my passion for helping youth to learn how to form independent judgements and make decisions based on good judgement.

What causes are you most passionate about?
The transformation of education. Our current system was designed for an industrial economy that provided relatively static careers for life. This system continues to require students to strive for high grades and test scores, notwithstanding that these are not correlated with success in school or careers in today’s rapidly changing ecosystems. This needs to change. I support a mentoring paradigm that teaches critical thinking and creative problem solving, which are at the heart of innovation. We don’t believe the skills of innovation can be taught, but they can be enabled, which our paradigm achieves.

What values do you hold most dear?
Personal freedom, minimal intrusion by government, transparency, honesty, empathy and integrity.

How does one make a difference in the world?
Being thoughtful, proactive and engaged.

What is your first memory of Independent?
Holiday parties where the discourse was always above par.

What do you hope to achieve with your support of Independent? Why does this matter to you?
A return to the values that enabled this great democracy to achieve great heights because liberal values have become dominant and political correctness doesn’t allow one to challenge them as part of normal discourse.

What do you wish other people knew about Independent?
Its core values and how important it is to make sure these values are adhered to by our leaders and fellow citizens.
We are grateful for the collaboration and investment in our work by our supporters. Their help is essential to boldly advance peaceful, prosperous, and free societies grounded in a commitment to human worth and dignity.

Independent neither seeks nor accepts government funding, instead drawing support from a diverse range of individuals, foundations, and businesses that recognize the value and effectiveness of our unique and far-reaching programs. All contributions are tax-deductible under Section 501 (c)(3) of the Internal Revenue Code.

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Everything that the Independent Institute does is completed with the help of our supporters. We view this partnership as an honor, deserving of careful stewardship. To that end, Independent operates on a lean, results-driven business model, focusing resources on achieving maximum impact rather than lining executive pockets. In fact, 83 percent of our contributions go directly toward funding the programs you care about most, the researchers, writers, and community builders that make liberty a reality. You can view all of our audited financial information on our website. Independent’s efficient use of resources has earned us a Four Star Rating from Charity Navigator, and we are a Guidestar Exchange Platinum Level Participant.

Thank you to you and our other supporters for trusting us with your resources, and partnering with us to make a lasting difference in communities here and around the world.

**ASSETS**
- Cash and Equivalents ........................................ $864,644
- Pledges and Receivables .................................. $1,520,640
- Investments ..................................................... $5,717,353
- Other Assets ....................................................... $305,209
- **Total** ................................................................. $8,407,846

**OPERATING REVENUE**
- Individual Contributions ................................. $2,155,503
- Foundations ...................................................... $1,155,000
- Products and Events ......................................... $170,915
- Investment Related .......................................... $260,189
- **Total** ................................................................. $3,741,607

**OPERATING EXPENSES**
- Program ........................................................... $2,732,003
- Management .................................................... $155,441
- Fundraising ....................................................... $412,464
- **Total** ................................................................. $3,299,908
BUILDING BRIDGES TO THE FUTURE
MEET THE TEAM

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BUILDING BRIDGES TO THE FUTURE
GET INVOLVED

1. SHARE:
the vision of a future of opportunity with everyone you meet.

2. CONNECT:
with 5-15 people who share your interest in a future of opportunity and form your own Community of Impact. Independent can help provide you with readings, videos, online links, and/or speakers to help you explore the ideas you are most interested in learning about.

3. IDENTIFY:
one issue of local concern where you would like to have a positive impact. Start by asking: What can we do as a small group to make a difference? Then focus your discussion on what you need to learn to have an impact, and remember that you will learn more as you take action.

4. NETWORK:
with other groups or networks that share an interest in your concern. Even if they are people who seem very different ideologically from you, if you can likely connect on a single issue, working together you can have leveraged impact.

5. ACT:
brainstorm to come up with small steps you can take to effect change. Test, learn, and keep building! Small moves, smartly made can set very big things in motion.
The Independent Institute’s lighthouse logo was inspired by Ronald Coase’s renowned 1974 essay in the *Journal of Law and Economics*, “The Lighthouse in Economics” (reprinted in the book, *The Firm, the Market and the Law*, by Ronald Coase). Until that time, conventional wisdom from John Stuart Mill to Paul Samuelson had claimed that the lighthouse was the quintessential “public good,” which allegedly had to be provided by government due to the inherent free-riding of those who could not be charged for the services being provided. Coase showed, however, that in Britain, “contrary to the belief of many economists, a lighthouse service can be provided by private enterprise. The lighthouses were built, operated, financed, and owned by private individuals, who could sell a lighthouse or dispose of it by bequest. The role of the government was limited to the establishment and enforcement of property rights in the lighthouse.” Only later did the British government consolidate all lighthouse services under its own monopoly in order to eliminate competition and directly reap the financial benefits developed by private entrepreneurs.

In addition to exposing the fallacies of a favorite public-goods rationalization, Coase’s essay rescued the lighthouse as a symbol of courage, enlightenment, and independence.