



# The INDEPENDENT

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## Forums: Big Box Stores, Nuclear Iran

In the May 8 Independent Policy Forum debate about the world's largest retailer, "Is Wal-Mart Good or Bad for America?", Independent Institute Senior Fellow **Richard Vedder** (co-author, *The Wal-Mart Revolution*) and **Ken Jacobs** (Chair, U.C. Berkeley Labor Center) left little doubt that the answer hinges both on empirical economic issues and on one's ethical assumptions.



*Richard Vedder and Ken Jacobs address the Independent Policy Forum debate.*

Vedder addressed common criticisms made against Wal-Mart. The retail giant doesn't destroy jobs, he said; on balance it creates them: one year after a Wal-Mart store has opened in a community, employment is higher than before. Also, Wal-Mart pays wages and health benefits comparable to those paid by similar stores, he said. While some businesses must close after a new Wal-Mart store has opened, it

*(continued on page 5)*

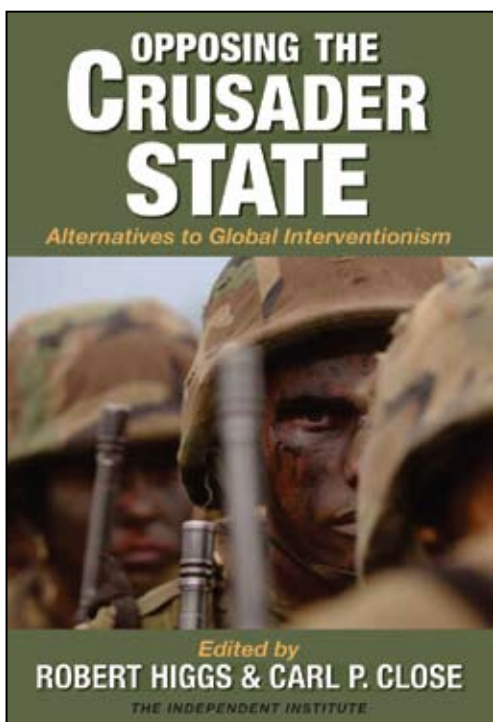
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## New Book on Noninterventionism

For more than a century U.S. foreign policy, whether conducted by Democrats or Republicans, liberals or conservatives, has been based on the assumption that Americans' interests are served best by intervening abroad to secure open markets for U.S. exports, to fight potential enemies far from American shores, or to engage in democratic nation-building.

Before the 20th century, however, a foreign policy of nonintervention was widely considered more desirable, and Washington's and Jefferson's advice that the republic avoid foreign entanglements was largely heeded.



*Opposing the Crusader State: Alternatives to Global Interventionism*, edited by **Robert Higgs** and **Carl P. Close** (Senior Fellow and Academic Affairs Director, respectively, of the Independent Institute) examines the history of

*(continued on page 7)*



## President's Letter:

### Opposing Leviathan

Michael Moore's Academy Award-winning documentary *Fahrenheit 9/11* questioned the honesty, reliability, and effectiveness of federal officials and government agencies in protecting Americans from terrorism. In his most recent film, *Sicko*, he similarly recounts many serious bureaucratic problems, in this case pertaining to healthcare services. Yet, somehow for Moore and many Americans, both liberal and conservative, the very same Leviathan that brought us the political lies, corruption, and disastrous war in Iraq, the warrantless spying, the torture, and killing of innocents, the record government spending and deficits, etc., somehow now qualifies unaccountable bureaucracies to be given complete control over the health choices of 300 million Americans.

The Summer 2007 issue of *The Independent Review* features the cover article, "Starve the Beast," by former U.S. Treasury official Bruce Bartlett (see p. 3), who has become an outspoken critic of the White House's profligacy, recklessness, and power mongering. The article critiques federal spending, taxes, and debt in the aftermath of 9/11.

Our new book, *Opposing the Crusader State*, edited by Robert Higgs and Carl Close (see p. 1), reveals the folly of U.S. global interventionism, which has been the driving force of Leviathan statism in America. The book shows that such measures enrich politicians, bureaucracies, and contractors, while creating new enemies worldwide, eroding our liberties, and costing trillions.

Polls indicate that most people now overwhelmingly oppose the war in Iraq and increasingly distrust political power. But, will they finally see through the fog of politics that has hidden the special-interest basis of Leviathan, or as with Moore, will they simply turn around again and blindly worship government power?

To help redefine and redirect public debate to oppose the folly of Leviathan, we invite you to join with us. As an **Independent Associate Member** (see enclosed envelope), you can receive copies of our new books, such as *Opposing the Crusader State*, *The Independent Review* (p. 3), and much more regarding events (pp. 1, 6), media projects (p. 4), and other programs. Your tax-deductible support helps make this crucial and far-reaching work possible!

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## The Independent Review

# Tax Cuts • Freedom of the Press • Milton Friedman

The Summer 2007 issue of the Institute's quarterly journal features numerous cutting-edge articles.

### Tax Cuts and Spending Cuts

Do tax cuts force the federal government to reduce wasteful spending? That was the premise behind the conservative fiscal strategy affectionately known as “starving the beast.” But the growth of spending and deficits even in the face of large tax cuts has worn down some of its former supporters, according to syndicated columnist and former U.S. Treasury official **Bruce Bartlett**.

“There is now a growing fear among [many of its former supporters] that the ultimate result of relying on starving the beast to support tax cuts may be to make future tax increases inevitable,” writes Bartlett (“‘Starve the Beast’: Origins and Development of a Budgetary Metaphor”). “Whether, on balance, taxpayers are ultimately better off than they would have been without the tax cuts remains to be seen, but there is at least a reasonable chance that they will be worse off.”

What does the future portend for the growth of government spending? “Perhaps a future fiscal crisis will provide political cover for massive cuts in entitlement programs that would be politically impossible except in such dire circumstances,” Bartlett continues. “However, many analysts now think as I do that the more likely result of such a crisis will be massive tax increases that will move the tax/GDP ratio in the United States closer to that in Europe.”

See [www.independent.org/publications/tir/article.asp?issueID=50&articleID=641](http://www.independent.org/publications/tir/article.asp?issueID=50&articleID=641).

### How Not to Argue in Favor of a Free Press

The murder of Russian journalist Anna Politkovskaya and the Danish cartoon controversy (among other recent events) have sparked a public outcry about freedom of the press. Much to the astonishment of civil libertarians, this clamor is not completely supportive of a free press: opinion polls in Europe and the United States reveal that large segments of the public believe that the right of free speech is overrated, and some wish to curtail it.

This trend is the result, at least in part, of the widespread belief that a free press owes its justification to its contribution to the democratic process, according to economic journalist **Karen Horn** (“A Market Like Any Other: Against the Double Standard in Judging the Media”).

Because freedom of the press is vital for the

proper function of a democracy, the argument goes, the news media must be held to a different standard than are the suppliers of other goods and services. In contrast, Horn argues that this is a dangerous non sequitur: although a free press is integral to the democratic process, attempting to justify it on this basis, rather than grounding it on individual rights, invites slippery-slope “market failure” and “public good” arguments for its curtailment.



“Even though the importance of a free press for the proper functioning of democracy cannot be denied, this correlation should not be ‘sanctified,’” writes Horn. “Much more crucially, the free press, as a realization of the individual right of free speech, is not a mere tool; it has its own proper dignity.”

See [www.independent.org/publications/tir/article.asp?issueID=50&articleID=642](http://www.independent.org/publications/tir/article.asp?issueID=50&articleID=642).

### Milton Friedman: Friend of Liberty

Milton Friedman will long be remembered as an influential public intellectual and devoted friend of liberty. But had he never appeared on television, co-authored the influential best-seller *Free to Choose*, or written a long-running column in *Newsweek*, the late Nobel laureate would still have left a towering legacy—albeit one limited to the ivory tower, explains **Julio H. Cole** (“Milton Friedman, 1912–2006”).

Although Friedman’s interests in rigorously grasping the world around him were evident

(continued on page 8)

## The Independent Institute in the News

- **Opinion:** Research Analyst **Anthony Gregory** wrote on gun control in the *Panama City News-Herald* (FL). Senior Fellow **Ivan Eland**'s articles on nonintervention, nuclear weapons, Syria, Afghanistan, Pakistan, Iran, and Iraq ran in the *S.F. Examiner*, *Washington Examiner*, *Providence Journal*, *Sacramento Bee*, *Press-Enterprise* (CA), and *Sun-Sentinel* (FL). **Alvaro Vargas Llosa** wrote on Latin American leaders for *Foreign Policy*. Research Fellows **Dominick Armentano** wrote on insurance in the *Jacksonville Business Journal*, and **Jonathan Bean** on abolitionism in the *Daily Sun* (IN) and *Daily Observer* (Canada). Research Director **Alex Tabarrok** wrote on microcredit in *Used Car News*. Research Fellow **Pierre Lemieux**'s op-ed on gun control ran in the *Washington Times*. Research Fellow **George Nicholson** wrote about integration in the *Free Lance-Star* (VA), *Star-Gazette* (NY), and *Connecticut Post*. Research Fellow **Benjamin Powell** wrote on Ireland and free trade in *East Valley Tribune* (AZ). Adjunct Fellow **William Ratliff** wrote on Hugo Chavez in *Latin*



Independent Institute Research Fellow **Benjamin Powell** on *KQED-TV*.

*Business Chronicle*. Research Fellows **Gabriel Roth** wrote on traffic congestion in the *New York Times* and *Washington Examiner*, and **Fred Singer** on global warming in the *Windsor Star* (Canada). Research Fellow **Edward Stringham** wrote on justice in the *Washington Times* and *Times Herald-Record* (NY). Senior Fellow **Charles Peña** wrote on missile defense in the *San Diego Union-Tribune*.

- **Books:** **Edward Stringham** was interviewed on KKUP (CA) about his book, *Anarchy and the Law*, which was also reviewed in *Public Choice*. *Electric Choices* was reviewed in *Choice* and *Regulation*. *Judge and Jury* was reviewed in *Law & Politics Book Review*. *Re-Thinking Green*

was reviewed in the *Journal of Environmental Quality*. *Street Smart* was reviewed in *Planning*.

- **Broadcast:** **Ivan Eland** discussed Syria, NATO, Iraq, and defense on al-Jazeera, Arab Television News, CTV (Canada), Washington Post Radio Network, Iranian World Service Radio, AP Radio, and about 50 U.S. radio stations. Research Analyst **Gabriel Gasave** was interviewed on Radio America, Radio City, Radio Morena, and Radio Tropicana. **Benjamin Powell** was featured on immigration in a KQED-TV (S.F.) documentary and on KGO (S.F.), **Alvaro Vargas Llosa** on al-Jazeera and Radio 10 (Argentina), and Research Fellow **Wendy McElroy** on the Duke case on KGO. **Charles Peña** offered military analysis on KCUB (AZ) and WGNU (Denver); **Fred Singer** spoke on global warming on 570 News (Canada); and **Edward Stringham** was cited on CBS Radio's "Osgood File."

- **Print:** **Alvaro Vargas Llosa** was quoted on Peru's debt by the *International Herald Tribune* and *Houston Chronicle*; on ethanol by the *Daily News* (NY); and on Latin American leaders in the *Washington Times*, *Arts & Letters Daily*, and *Morning Call*. **Ivan Eland** was quoted on Iraq by UPI, *Brownsville Herald* (TX), and *Pittsburgh Tribune-Review* (PA); on Musharraf in Pakistan, India, and Malaysia; on Europe's defense by AP; on Iran by Iranian World Service and *El Mercurio* (Chile); on China by *Le Figaro* (France); on Syria by *Orange County Register*, *S.F. Examiner*, and *Pittsburgh Tribune-Review*; on Korea in *Turkish Daily News*; and by *Washington Times* on nonproliferation. Research Fellow **Richard Vedder** was interviewed by *East Bay Business Times* on big box stores. Senior Fellow **Robert Higgs** was quoted in the *Washington Post* and *New York Sun* on war's economic impact. Research Fellow **Wendy McElroy**'s interviews on the Duke case ran in the *Atlanta Journal-Constitution* and *Knoxville News-Sentinel* (TN). **Alex Tabarrok** was quoted on fuel pricing in the *Baltimore Sun*, and debt in the *Wall Street Journal* and *Rocky Mountain News*. **Charles Peña** was quoted in the *Toronto Star* on war terminology; at UPI and in *Washington Times* and *Space & Missile Defense Report* on nukes; and by *Deerfield Valley News* (VT) on terrorism. **Gabriel Roth** was quoted in *World Trade* and *Washington Post*. •

## *Independent Policy Forums: Big Box Stores, Nuclear Iran and North Korea*

(continued from page 1)

is important to keep in mind that it is consumers' choices—as reflected in their spending decisions—that determine which firms flourish and which founder, he argued.

Ken Jacobs, in contrast, claimed that Wal-Mart offers lower wages and fewer health benefits than other large retailers. Jacobs defended “living wage” ordinances and restrictions on the opening of Wal-Mart stores. “[Some] communities will decide they will accept big-box retailers if they meet certain community standards,” said Jacobs. “Others will decide to keep them out altogether. And that’s the beauty of democracy in America.”

A transcript of this event is available at [www.independent.org/store/events](http://www.independent.org/store/events).

• **Living with a Nuclear Iran and North Korea:** If efforts to prevent North Korea and Iran from obtaining nuclear weapons fail, what policies should the U.S. adopt?

“Lots of people avoid this subject, both on the left and the right, and I think we should start thinking about it,” said Independent Institute Senior Fellow **Ivan Eland**, Director, Center on Peace & Liberty, in his opening remarks at the Independent Policy Forum, “Living with a Nuclear Iran and North Korea,” held June 21 at the Institute’s Washington, D.C., office.

Independent Institute Senior Fellow **Charles Peña** kicked off the panel discussion by recapping his recent policy report, “Nuclear Nonproliferation in the Post-9/11 World” (see p. 6).

The most worrisome country isn’t Iran or North Korea, Peña said, but Pakistan, which possesses nuclear weapons that could quickly come under the control of radical Islamists if the military regime were to collapse. Working with Islamabad and other weak governments to create fail-safe systems that would render their WMDs powerless in case of radical regime change, terrorist acquisition, or accident would be highly desirable, the panelists agreed.

Peña also opined that the Non-Proliferation Treaty is fatally flawed because it gives countries strong incentives to pursue nuclear weapons clandestinely, and enforcing the treaty against a country that has acquired nukes while other countries have abandoned them would be problematic.

**Trita Parsi**, author, *Treacherous Triangle: The Secret Dealings of Iran, Israel and the United States*, stressed the urgency of bringing Iran and the U.S. to the bargaining table. Iran had only 164 uranium enrichment centrifuges when Washington first offered to join talks—provided Tehran first end all enrichment activities. But within a year, Iran had

1,800 centrifuges. That number will likely exceed 3,000 by the end of 2007 unless a freeze is agreed upon.

“As long as negotiations are not taking place, the Iranians are building more centrifuges, which strengthens their negotiating position,” Parsi said.

**Doug Bandow**, Vice President, Citizen Outreach, focused on U.S. policy with respect to North Korea. “There are lots of good reasons to want to dissuade North Korea from building nuclear weapons,” he said. Unfortunately, some



(Clockwise from upper left) Independent Policy Forum participants **Charles V. Peña**, **Ivan Eland**, **Doug Bandow** and **Trita Parsi**.

of the most discussed approaches for doing so are not very good, he argued. Military strikes, which Clinton reportedly contemplated, might have brought severe retaliation against South Korea. And economic sanctions have not brought desired changes, since Kim Jong-Il has shown a willingness to let half a million people starve.

Bandow proposed that the U.S. establish diplomatic relations with North Korea, allowing the U.S. to better learn how the regime operates. He also suggested that the U.S. pull troops out of South Korea, which has significant conventional forces to defend itself. The U.S. must also make clear that nuclear proliferation by North Korea would have serious consequences for the regime.

“Living with a nuclear North Korea is likely to be very unpleasant, but it might not be the worst alternative that we face,” concluded Bandow.

A transcript of this event is available at [www.independent.org/store/events](http://www.independent.org/store/events). ●

## Independent Policy Reports

# Nuclear Nonproliferation • War for Oil?

The international nuclear nonproliferation system is not necessarily the most effective arrangement imaginable for curtailing the spread of nuclear weapons. In fact, significant holes exist, as the 2003 uncovering of Pakistani scientist A. Q. Khan's illicit nuclear supply network illustrates. In addition, although 188 countries are signatories to the Nonproliferation Treaty, no more than a few



Charles V. Peña

dozen have signed other agreements related to preventing the spread of nuclear weapon technology.

Even within the U.S. government, nuclear defense efforts are fragmented. Both the Defense Threat Reduction Agency and the Domestic Nuclear Detection Office, for example, engage in similar efforts to develop nuclear detection technology.

In the new Independent Policy Report, *Nuclear Nonproliferation in the Post-9/11 World* (\$10.00), Independent Institute Senior Fellow **Charles V. Peña** provides a valuable overview of U.S. and international nuclear nonproliferation efforts and evaluates their strengths and weaknesses. An important theme of Peña's report is that current nonproliferation efforts rely ultimately on military threats, which themselves can have negative unintended consequences for security.

"The only way out of this potentially endless loop is to rethink nonproliferation—not to rethink how to be better at nonproliferation efforts, but the nonproliferation paradigm itself," writes Peña. "But doing so means asking questions that the nonproliferation community may find uncomfortable, because the answers are likely to fall outside the conventional wisdom of nonproliferation."

[This Policy Report can be downloaded at www.independent.org/publications/policy\\_reports/.](http://www.independent.org/publications/policy_reports/)

### War for Oil?

Many people fear that a hostile foreign oil producer could damage Americans and, for

that reason, think that the U.S. government should ensure U.S. access to oil. Economist **David R. Henderson** (Professor of Economics, Naval Postgraduate School) examines the "oil access" argument for military intervention in the Independent Policy Report *Do We Need to Go to War for Oil?* (\$10.00)

A foreign government cannot cause Americans to line up for gasoline, Henderson explains; only price controls imposed by U.S. governments can do that—which is what happened in the 1970s. Nor, he argues, can a hostile foreign oil producer inflict more than a small amount of harm on Americans by refusing to sell oil to Americans—unless this oil producer is willing to cut its own output. If a hostile foreign oil producer maintains output but cuts exports to the United States, it initiates a game of musical chairs in which the number of chairs equals the number of players. Different buyers will be linked with different sellers than before the hostile producer cut its oil exports to the United States, with a cost to Americans of only about \$1 per person per year.

The only way a foreign oil producer can harm Americans is by cutting output, but that producer will then harm itself and will also harm all oil users, not just U.S. consumers. This harm is likely to be well under 0.5 percent of U.S. GDP. Ironically, war for oil could well drive the price of oil higher, not lower, thus costing Americans twice: as taxpayers and as oil users.

"If there is no good case for going to war to benefit oil consumers, why, then, do so many



David R. Henderson

people believe there is such a case?" writes Henderson. "My own view is that the belief is based on simple misunderstandings of how oil markets work, misunderstandings that this essay is written to counter."

[This Policy Report can be downloaded at www.independent.org/publications/policy\\_reports/.](http://www.independent.org/publications/policy_reports/)

## New Book: *Opposing the Crusader State*

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American noninterventionism and its relevance in today's world. Arguing that interventionism is not an appropriate "default setting" for U.S. foreign policy, the book's contributors clarify widespread misunderstandings about noninterventionism, question the wisdom of nation building, debate the validity of democratic-peace theory, and make the case for pursuing a peace strategy that emphasizes private-property rights and free trade.

Contributors to this volume include Joseph Stromberg, Sheldon Richman, Ralph Raico, Michael Hayes, James Payne, Jerry Sweeney, Ted Galen Carpenter, R. J. Rummel, Stephen Carson, Edward Stringham, and Erich Weede.

Among the most important contributions are James Payne's chapters assessing the historical record of attempts to transplant democracy by force of arms. From 1850 to 2006, Great Britain and the United States sent military forces abroad 51 times to engage in democratic nation building, but, according to Payne, they left behind a lasting democracy in only 14 of these



**Robert Higgs and Carl Close, editors, *Opposing The Crusader State*.**

countries—a success rate of just 27 percent. But even this statistic overstates U.S. successes, Payne argues, because it includes countries that likely would have become democratic without U.S. intervention.

In the case of post-war Germany—touted by many pundits today as a positive model for nation builders—many seem to suffer from historical amnesia; the goal of the U.S. occupation from 1945 to 1952 was not to foster reconstruction or promote democracy, but to wreck Germany's economy, deny it any war-making potential, and punish ordinary Germans. A 1949 article in *Commentary* magazine exposed "Why Democracy Is Losing in Germany."

Another key section of the book is devoted to debating the democratic-peace theory, ac-

### Praise for *Opposing the Crusader State*

"*Opposing the Crusader State* is a thought-provoking and highly readable book."

—**Price V. Fishback**, Frank and Clara Kramer Professor of Economics, Univ. of Arizona

"*Opposing the Crusader State* pulls together in one volume substantive and timely writings on why current American foreign policy is so disjointed, costly, and self-destructive."

—**Bob Barr**, Former U.S. Congressman and senior member, House Judiciary Committee

"Higgs and Close have brought commentaries on the past and present together in a clear and cogent way that will challenge even skeptical readers."

—**Richard K. Betts**, Director, Arnold A. Saltzman Institute of War and Peace Studies, Columbia University

"A zesty debunking of some of the most dangerous foreign policy frauds of our era."

—**James Bovard**, author, *Terrorism and Tyranny* and *Lost Rights*

ording to which democracies don't make war on each other because they are democracies. Noted political scientist R. J. Rummel—whose many years of empirical studies have helped shape the theory—defends it against challenges from Cato Institute foreign-policy analyst Ted Carpenter, who argues that the "democratic peace" is caused not by democracy per se, but by balance-of-power considerations.

"Readers will come away from this book with a richer understanding of the noninterventionist movements in U.S. history," write Higgs and Close in the book's introduction. "More important, they will better understand the complexities surrounding democratic nation-building and democratic-peace theory, which will enable them to evaluate better not only recent U.S. foreign policy interventions, but also legislative efforts to promote freedom abroad, such as the Advance Democracies Act of 2005. Most important, perhaps, they will have a firmer understanding of why many classical liberals embrace the strengthening of commercial ties between all countries as a means of avoiding war."

To purchase *Opposing the Crusader State*, see [www.independent.org/store](http://www.independent.org/store). •

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## Institute's Private Voucher Program Changes Lives

Franklin (not his real name) aspires to get a college degree and become a novelist. He's already working on a science fiction novel, and is characterized as "an extremely bright young man." Yet, at 17, he's still only a sophomore in high school, putting him at high risk for dropping out. Dichotomies like this are common among foster children like Franklin, and his public school teacher begs that he be helped with access to a private school education.

The Independent Institute's **Independent Scholarship Fund (ISF)** was established in 1999 in an effort to help improve K–12 education through freedom of choice for families. Since ISF's founding, more than 1,500 youth like Franklin, a new ISF recipient, have been able to attend the school best suited to their needs. And the results are startling: last year, ISF recipients graduating from high school were accepted to MIT, UCLA, CalTech, USC, and other prestigious schools. ISF recipient Felicity (pictured at right) was Valedictorian of her class!

Yet ISF can award only as much assistance



*ISF recipient Felicity was valedictorian of her class.*

as we receive in support from our donors, and demand continues to outstrip our ability to fund at a greater than 4:1 ratio. For further information or to contribute to ISF, please contact **Mary Theroux** at (510) 632-1366, or [MTheroux@independent.org](mailto:MTheroux@independent.org). •

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### *The Independent Review*: Milton Friedman

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early on, until he completed his undergraduate education he was uncertain whether he would pursue graduate study in economics or in

applied mathematics.

After summarizing Friedman's contributions to monetary economics—which included a modern restatement of the quantity theory of money, voluminous works on U.S. monetary history, and a frontal assault on the Keynesian economic orthodoxy—Cole examines Friedman's career as a public intellectual.

"I will always remember his gracious generosity, his encouragement, and his willingness to devote part of his valuable time to a young, budding academic. His kindness meant the world to me," writes Cole.

See [www.independent.org/publications/tir/article.asp?issueID=50&articleID=647](http://www.independent.org/publications/tir/article.asp?issueID=50&articleID=647). •

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