

# The INDEPENDENT

NEWSLETTER OF  
THE INDEPENDENT INSTITUTE



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WINTER 2009

## A Gala for Liberty Honors Tutu, Garcia, and Bowes

More than 300 people attended “A Gala for Liberty,” a formal Independent Institute dinner celebrating the achievements of Archbishop **Desmond Tutu**, actor and filmmaker **Andy Garcia**, and venture capitalist and philanthropist **William K. Bowes, Jr.**, held at the St. Regis Hotel in San Francisco on September 16. Each received the Institute’s Alexis de Tocqueville Award for his contributions to the cause of freedom.



KIRK WURST

Archbishop **Desmond Tutu**, **Andy Garcia**, and **William K. Bowes, Jr.** were honored by the Independent Institute at A Gala for Liberty.

After President **David J. Theroux** gave his welcoming remarks, Rev. **Alan Jones** (Dean, Grace Cathedral, San Francisco) gave the invocation that stressed the universality of the human desire for liberty.

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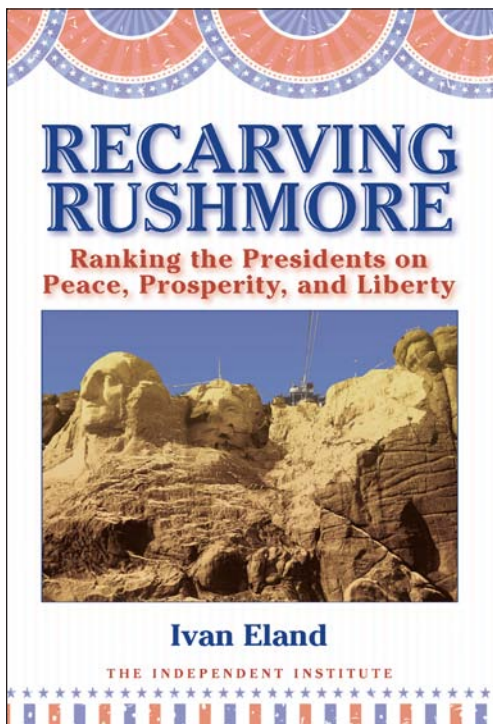
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## New Books Rank Presidents and Examine Vietnam

The Independent Institute published two important books this season—one evaluating all U.S. presidents and one examining Vietnam’s market-based economic surge.

### Ranking U.S. Presidents

Presidents are often judged by their personal charisma, intellect, oratory skills, or management style—but should we judge them primarily by these traits? Couldn’t a smart, well-spoken, charming taskmaster, who served during a national crisis, be considered a counterproductive president



if his policies undermined freedom, hampered economic progress, and made the country less safe? And couldn’t a boring president with average intellect and unexceptional skills excel in the Oval Office if he possessed other qualities in

(continued on page 5)

## President's Letter:

## How About Real Change?

In the aftermath of a hotly contested election for “change,” how can we evaluate what a new President Barack Obama might bring? To assess the real issues at stake, our very timely new book, *Recarving Rushmore* (see p. 1) by Independent Institute Senior Fellow **Ivan Eland**, illuminates the pros and cons of past U.S. presidents by ranking them based on the principles of peace, prosperity, and liberty.



Sound, principled, practical ideas have the power to transform the world. But to do so, the tired old fallacies that produce “financial meltdowns,” misguided wars, fear-mongering, political pork, and demagoguery must be abandoned. For those seeking something better, the Independent Institute remains an essential and principled guide in stormy times.

Since 1986 we have seen many ups and downs in the enduring struggle to nurture a society of free, secure, prosperous, and responsible individuals. And despite the recent election, we’re seeing now a growing movement toward broader acceptance of the principles of liberty at home and abroad.

Yes, the country has crashed headfirst into a financial crisis and an ensuing panic-driven federal bailout campaign—yet another irresponsible, political “fix” from the very culprits who created the crises. As Research Fellow **Stan J. Liebowitz** (see p. 6) and Senior Fellow **Robert Higgs** have clearly shown, federal intervention created this mess to begin with, and continued or expanded government largess will only deepen the problem!

Thomas Paine insightfully stated that, “When men yield up the privilege of thinking, the last shadow of liberty quits the horizon.” Hence, we welcome you to join with us and share the insights of liberty with your friends, family, colleagues, and neighbors. There is no more important time than now.

As this calendar year comes to a close, mixing the uncertainties for the future with the joys of the holidays, please join with us as an Independent Associate Member in whatever level you can to help ensure a real future for freedom.

With your tax-deductible membership, you can receive a FREE copy of *Recarving Rushmore*, as well as copies of other new publications, including *The Independent Review* (see p. 3), plus other benefits (please see attached reply envelope).

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## The Independent Review

### Hurricanes • Private Equity • Keynes and Liberalism

**T**he *Independent Review* continues its solid scholarship on a wide variety of important topics. Below are some highlights from the Fall 2008 issue.

#### Government Subsidies Worsen Hurricane Damage

Government policies that subsidize the cost of construction and repairs along the coast of the southeastern United States have inadvertently increased the economic destruction caused by hurricanes and severe storms, according to **Jeffrey J. Pompe** and **James R. Rinehart** (Francis Marion University).

In “Property Insurance for Coastal Residents: Governments’ ‘Ill Wind,’” Pompe and Rinehart argue that the federal National Flood Insurance Program (NFIP), the state-run Windstorm Underwriters Associations, and various government policies designed to artificially lower the construction costs associated with hurricanes and floods have discouraged southeastern U.S. coastal residents and business owners from exercising greater care when deciding where to live and work.

Government policies should not play a counterproductive role by making it artificially less expensive for people to build and re-build along vulnerable coastal areas or flood planes. “Instead,” Pompe and Rinehart write, “they should play a secondary role in dealing with the problem, allowing the market to nudge individuals in the right direction (in response to higher insurance premiums and increased building costs).”

See [www.independent.org/publications/tir/article.asp?a=705](http://www.independent.org/publications/tir/article.asp?a=705).

#### In Defense of Private Equity

Private-equity partnerships, especially leveraged buyout (LBO) firms, have grown rapidly in recent years. Unfortunately, ignorance about what they do, the threat they pose to incompetent corporate and poor money managers, and biases against highly profitable financial enterprises may provoke a legal and regulatory backlash that would reduce the economic benefits they bring, argues **David Haarmeyer** in “Private Equity: Capitalism’s Misunderstood Entrepreneurs and Catalysts for Value Creation.”

“Many in the financial press, politicians, and even some financially astute investors believe that private equity provides little if any net value to the



#### The Independent Review, Fall 2008

economy,” writes Haarmeyer. “In reality, private equity and LBOs create economic value by curbing the resource waste and corporate malfeasance that can hold back or sink public companies.”

See [www.independent.org/publications/tir/article.asp?a=708](http://www.independent.org/publications/tir/article.asp?a=708).

#### Was Keynes a Liberal?

Influential British economist John Maynard Keynes always *called* himself a liberal, and he endorsed broad cultural values, such as tolerance and rationality, often referred to as “liberal,” but this hardly suffices to establish Keynes’s credentials as a genuine liberal, explains historian **Ralph Raico** (Buffalo State College) in “Was Keynes a Liberal?” Keynes parted company with liberalism on core issues such as its adherence to the rule of law, as well as its general prescription of laissez-faire. Moreover, he called for the state to impose on society his version of utopia. His sympathy for the economic policy “experiments” of the Nazis, Fascists, and Stalinist Communists is surprising in a supposed model liberal thinker, argues Raico.

“Viewing Keynes as perhaps ‘the model liberal of the twentieth century,’ or as any authentic liberal at all, can only render an indispensable historical concept incoherent,” Raico concludes. See [www.independent.org/publications/tir/article.asp?a=704](http://www.independent.org/publications/tir/article.asp?a=704).●

## The Independent Institute in the News

• **Center on Entrepreneurial Innovation:** Senior Fellow **William F. Shughart II** wrote on the financial crisis in the *Detroit Free Press* and on the federal deficit for the *Washington Times*. He wrote about Fannie Mae and Freddie Mac for the *Providence Journal*, *Austin Business Journal*, and *North County Times*. Broadcast interviews included Fox Business TV, the BBC, and Radio Free Europe. Research Fellow **Dominick T. Armentano** wrote on U.S. monetary policy for the *Providence Journal*, *Houston Business Journal*, and *Boston Business Journal*, while Research Director **Alexander Tabarrok** was quoted in a front page *USA Today* story on the bailout package. His commentary on the financial crisis was cited by *Forbes.com*, *National Review Online*, and *U.S. News & World Report Online*. Research Fellow **Michael Reksulak** wrote on the California State budget for the *Los Angeles Business Journal*, Research Fellow **Edgar K. Browning** wrote on social security and the welfare state for the *Baltimore Examiner*, and the *Washington Examiner* featured an op-ed by Research Fellow **Donald A. Downs** on the federal budget. Adjunct Fellow **Art Carden** wrote on the fast food moratorium in the *Los Angeles Business Journal*, gas prices in the *Tennessean*, and speculation in the airline industry for the *Havre Daily News*.



*Independent Institute Senior Fellow Alvaro Vargas Llosa on Univision.*

• **Center on Global Prosperity:** Director **Alvaro Vargas Llosa** continued his internationally syndicated weekly column for the *Washington Post* Writers Group, reviewed Tom Gjelten's new book on the Bacardi Family in the *Wall Street Journal*, and wrote a special commentary for *Barron's* on third world entrepreneurship. His book, **Lessons From the Poor**, was reviewed by the *Futurist*, *Midwest Book Review*, and Cascade Policy Institute and cited by in the *Miami Herald*, *El Nuevo*

*Herald*, and *Voz Libre*. Research Analyst **Gabriel Gasave** was quoted on U.S./Latin American relations in the *Jornal do Brasil*.



*Independent Institute Senior Fellow Charles Peña on BBC.*

• **Center on Law and Justice:** Research Fellow **Stephen P. Halbrook** was quoted in two Associated Press articles on the Supreme Court's decision in *Heller v. D.C.*, was interviewed on CNN, and cited in the *Washington Post*, *Christian Science Monitor*, *Washington Times*, and *Washington Examiner*. His new book received glowing reviews in *National Review*, *New American*, and *New Gun Week*. Research Fellow **Don B. Kates, Jr.** also opined on the decision in his *New York Post* op-ed as well as in a TV interview with San Francisco's KRON-4. Research Fellow **Roger Koppl** wrote on the use of forensic evidence in court for the *Star-Ledger*. *Vision Hispana* published an article by President **David J. Theroux** on Oakland's Guardian Angels.

• **Center on Peace and Liberty:** Director **Ivan Eland** wrote about a return to non-interventionism in U.S. foreign policy in the *National Interest* and was interviewed by Bloomberg, Al Jazeera, KGO, and Radio Free Europe. Senior Fellow **Charles Peña** covered habeas corpus in the *Naples Daily News* and Research Fellow **J. Victor Marshall** wrote about the Russia/Georgia conflict for the *Providence Journal* and *San Francisco Bay Guardian Online*. *Choice Magazine* and the *Federal Lawyer* reviewed Senior Fellow Robert Higgs's **Opposing the Crusader State**, while Research Fellow **Mike Moore's** book **Twilight War** was reviewed in the *Futurist*, *Issues in Science and Technology*, and the *High Frontier*. Research Analyst **Anthony Gregory** wrote on FISA for the *San Diego Union-Tribune* and on the California cell phone ban for the *North County Times*. •

## New Books: *Recarving Rushmore* • *Vietnam Rising*

(continued from page 1)

abundance, such as a firm commitment to the principles behind the Constitution?

Whereas academics and pundits often lionize “war heroes” and presidents who have expanded the powers of that office, Independent Institute Senior Fellow **Ivan Eland** takes a distinctly new approach. In *Recarving Rushmore: Ranking the Presidents on Peace, Prosperity, and Liberty*, Eland profiles every president from George Washington to George W. Bush, analyzes each one’s policy decisions, and ranks them based on the core principles of peace, prosperity, and liberty.

“Throughout this book, readers will find constant reminders that the executive branch has vastly increased its power—more than what the nation’s Founders, in drafting the Constitution, ever envisioned,” writes Eland.

### Praise for *Recarving Rushmore*

*“This insightful and crucial book provides an inspiring vision for both conservatives and liberals on the crucial need to rein in White House power.”*

—**Ron Paul**, U. S. Congressman

*“Ivan Eland shatters the grand illusion that great presidents are those who wage war or deprive people of their liberty, either here or abroad.”*

—**Jonathan Bean**, Professor of History,  
Southern Illinois University

Eland shows that, figuratively speaking, the “recarving” of Mount Rushmore is overdue. Of the four presidents represented on that mountain, Eland considers only Washington “good.” He rates Teddy Roosevelt as “poor,” and rates Lincoln and Jefferson as “bad.” Ironically, presidents who deserve our highest praise—John Tyler, Grover Cleveland, Martin Van Buren, and Rutherford B. Hayes—are among the least known today.

“Most of the ‘excellent’ presidents are remembered as bland men with gray personalities, but they largely respected the Constitution’s intention of limiting government and restraining executive power, especially in regard to war,” Eland writes. To order this book, see the enclosed envelope or go to [www.independent.org/store/book\\_detail.asp?bookID=77](http://www.independent.org/store/book_detail.asp?bookID=77).

#### Vietnam’s Reforms

Vietnam, a country once known for food shortages, is on the rise. At the heart of this transformation are market-based reforms that Vietnam Communist Party officials insist merely “renovate” the economy while maintaining a commitment to socialism.

### Praise for *Vietnam Rising*

*“Vietnam Rising is an informed, wide-ranging, eye-opening survey of economic policies and practices in Vietnam since 1986, when the program of economic reform or Doi Moi was launched.”*

—**Robert A. Packenham**, Professor of Political Science Emeritus, Stanford University

*“This accessible and comprehensive book is a must read for anyone interested in economic growth and this increasingly important economy.”*

—**James D. Gwartney**, Professor of Economics and Director, Gus A. Stavros Center for Economic Education, Florida State University

In *Vietnam Rising: Culture and Change in Asia’s Tiger Cub*, East Asia historian and Independent Institute Research Fellow **William Ratliff** examines the nature and extent of these reforms and provides insights on the further changes that must occur for Vietnam to fulfill its potential as a dynamic, emerging economy.

“While for many years I have averaged about two months annually in China, I have also continued periodic trips to Vietnam, as an academic, journalist, and tourist,” writes Ratliff in the book’s preface. “Each time I visit the country I am more impressed by the spirit and dynamism of the people and by their determination to transform their lives and thus bring the long-embattled, stagnant, and repressed land into the modern world.”

To order this book, go to [www.independent.org/store/book\\_detail.asp?bookID=78](http://www.independent.org/store/book_detail.asp?bookID=78).

## VIETNAM RISING



Culture and Change  
in Asia’s Tiger Cub

William Ratliff

THE INDEPENDENT INSTITUTE

## What Has Caused the Mortgage Meltdown?

Sloppy press coverage about the financial crisis has spawned a host of myths. Take, for example, one popular name for it—the subprime mortgage meltdown. This is a misnomer: houses financed by subprime and prime mortgages were foreclosed upon at equal rates and at the same time, according to Independent Institute Research Fellow **Stan J. Liebowitz**. The crucial distinction, he argues, is between adjustable-rate mortgages and fixed-rate mortgages.

“The main driver of foreclosures was adjustable-rate mortgages, both prime and subprime” writes Liebowitz in the new Independent Policy Report, *Anatomy of a Train Wreck: Causes of the Mortgage Meltdown*, an adaptation of his chapter in a forthcoming Institute book, *Housing America: Building Out of a Crisis*, edited by Randall Holcombe and Benjamin Powell.

Adjustable-rate mortgages (and mortgages requiring smaller down payments and no income verification—so-called “no doc” loans and “liar loans”) were the combustible raw ingredients that

served as kindling for a financial meltdown ignited by the end of the surge in home prices. Lenders promoted these “innovative” loans ceaselessly—but not without a big push from the federal government.

At the behest of Congress, Fannie Mae and Freddie Mac concocted a profitable but risky scheme to promote increased homeownership. Predictably, the status of Fannie and Freddie as government-sponsored enterprises sent a false signal to borrowers, lenders, and investors that these loans were safe, and so the usual precautions were tossed out the window.

The full report is available at [www.independent.org/publications/policy\\_reports](http://www.independent.org/publications/policy_reports).•



## Templeton Fellowship Essay Contest Winners Announced

The Independent Institute is pleased to announce the winners of the **2008 Sir John M. Templeton Fellowships Essay Contest**. This year’s essay topic was the relationship between property rights and human rights.

“We congratulate this year’s winners for tackling an extremely challenging topic,” said Academic Affairs Director **Carl Close**. “At the same time, we are encouraged that their efforts will lead to a growing recognition of the role of property rights in fostering a more just, peaceful, and prosperous society. In fact, all of this year’s

contestants deserve our respect and gratitude for putting so much effort into writing essays on a crucial subject that has long been neglected.”

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

The 2008 contest drew applicants from Argentina, Armenia, Australia, Belgium, Brazil, Canada, China, Costa Rica, Germany, Ghana, Guatemala, Haiti, India, Iran, Israel, Kenya, Nigeria, the Philippines, Singapore, South Africa, Spain, Sweden, and the United States. An independent panel of scholars judged each submission.

*The Independent Institute is now accepting applications for the 2009 contest.* Contestants must submit essays on the following topic:

Benjamin Franklin wrote, “Only a virtuous people are capable of freedom. As nations become corrupt and vicious, they have more need of masters.” Which virtues contribute the most toward achieving freedom, and how can the institutions of civil society encourage the exercise of those virtues?

Winning essays and details of the 2009 Templeton Essay Contest are available at [www.independent.org/students/essay](http://www.independent.org/students/essay).•

### Templeton Essay Contest Winners

#### Faculty Division

First: (\$10,000):

**Daniel Pellerin**, National University of Singapore

Second (\$5,000):

**Philipp Bagus**, Rey Juan Carlos University

Third (\$1,500):

**Gregory Randolph**, Southern New Hampshire U.

#### Student Division

First (\$2,500):

**Michaël Bauwens**, University of Ghent

Second (\$1,500):

**David Howden**, Rey Juan Carlos University

Third (\$1,000):

**Kai Jäger**, San José State University

## A Gala for Liberty Honors Tutu, Garcia, and Bowes

(continued from page 7)



From left to right: Independent Institute President David Theroux presents the Alexis de Tocqueville Award to Desmond Tutu, Andy Garcia, and William K. Bowes.

In his presentation of the first award of the evening, economist **Michael Boskin** (Stanford University) described Bowes as a soft-spoken but supremely effective financier who uses market-based approaches to enhance people's welfare worldwide.

In his acceptance speech, Bowes described the satisfaction he enjoys by supporting budding entrepreneurs, such as one who awarded 300 mini-grants to "starving" artists this year and another whose scholarship program led 3,000 college graduates to teach for two years in tough schools. Finding entrepreneurs, said Bowes, is "more fun than golf, and it's more fun than toys."

Next, Senior Fellow **Alvaro Vargas Llosa** highlighted the career accomplishments of actor and filmmaker Andy Garcia, emphasizing his two films set during the Cuban revolution.

In his heartfelt acceptance speech, Garcia described what making *The Lost City* (2005) and *For Love or Country* (2000), about repression in post-revolutionary Cuba, meant to him as a Cuban refugee who fled the island two and a half years after the revolution. Unfortunately, filmmakers who have tried to depict the hardships and horrors in Cuba under Castro's rule have had little support from established movie studios and distributors, he explained.



From left to right: Desmond Tutu, Mary Theroux, Andy Garcia, and Alvaro Vargas Llosa.

In the evening's final award presentation, economist **George B. N. Ayittey** (George Washington University) described the role of Desmond Tutu in organizing the movement that led to the release of Nelson Mandela and the end of apartheid in South Africa.

"In the pantheon of African heroes, Tutu stands tall—and unique," said Ayittey, who heads the Free Africa Foundation. "His contribution transcends South Africa. He was the only [internationally prominent African] who recognized that oppression was oppression regardless of your race."

Tutu, whose acceptance speech was laced with humor, explained that he became a leader in apartheid-era South Africa almost by accident.

"I was a leader at the time really by default because our leaders were either in jail or in exile or had been restricted in one way or another," he said.

Although "truth and reconciliation" hearings were not invented in his country, Tutu said that South Africa's post-apartheid Truth and Reconciliation Committee, which he headed from 1996 to 1998, had two unique features: it held all proceedings in public and it had the power to grant amnesty to rights violators.

Tutu concluded with stories meant to show how both victims *and* perpetrators of injustice benefited, as well as society at large, from revelations uncovered at Committee hearings.

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



From left to right: Barbara Edwards, Bill Edwards, Ute Bowes, Michael Boskin, Chris Boskin, and William K. Bowes, Jr.

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## Yes We Can, but *Only* With Your Help!

After Barack Obama clinched the election on November 4th, he greeted throngs of fans and supporters in Chicago and ended his acceptance speech with the rally cry of “Yes We Can!” And while thousands in the crowd cheered him on, friends and supporters of the Independent Institute know that we’re in for a tough four years. Admittedly, Obama and friends know they have a tough four years ahead of them too, but for entirely different reasons. As we’ve already seen through the course of the hotly contested campaign season, Obama promises hope and change on the backs of the taxpayers and via increased government intervention, whereas our friends and supporters know better. We’ve seen the work of government and we want better.

So where do we go from here? Everywhere—but we need your help to do so! Now more than ever, we

must remain vigilant in our commitment to protect and preserve freedom. And, with your help, the Independent Institute is convinced that “Yes, We Can!” The Independent Institute was established more than 20 years ago for moments such as this, where rather than succumb to the wave of political fervor or fads we might serve the people as an entirely independent, non-partisan, research-based think tank able to offer sound and effective policy directions that could reshape the debate over the principles of liberty. But our work is only made possible with your support, and knowing what lies ahead, we hope you will again join with us and offer your support in whatever way that you are able, to insure a future of freedom for generations to come.

For further information on giving to the Independent Institute, contact **JuliAnna Jelinek**, Development Director, at 510-632-1366 x153, email at [JJelinek@independent.org](mailto:JJelinek@independent.org), or visit [www.independent.org/membership](http://www.independent.org/membership).



## Summer Seminars Address the Challenge of Liberty

The Independent Institute not only produces high-level research for scholars and policy-makers, but also provides educational opportunities. **The Challenge of Liberty Summer Seminars** for high school and college students have long been a centerpiece of its educational mission.

Led by **Brian Gothberg**, the five-day 2009 seminars will introduce students to the moral and economic principles of liberty and the workings of competitive markets, entrepreneurship, and property rights, along with special lectures on economic development, monopolies, inflation and depression, government failure, and foreign policy.

According to a recent seminar attendee, “The presentation of the information was engaging, fun and unusual (Brian’s movie clips), and varied (getting to hear from the perspectives of several different speakers about many subjects).”

For information about the 2009 Challenge of Liberty Summer Seminars, see [www.independent.org/students/seminars](http://www.independent.org/students/seminars).

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