

# The INDEPENDENT

Newsletter of The Independent Institute

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## An “Abolitionist” Approach to Federal Spending by Emily C. Skarbek



The federal government is drowning the American people in debt. In a statement following the release of the new budget proposals, President Obama declared, “Rather than fight the same tired battles that have dominated Washington for decades, it’s time to try something new. Let’s invest in our people without leaving them a mountain of debt.”

It seems clear that the divorce between rhetoric and reality has finally hit an all-time high.

The fiscal year 2012 budget shows the 2011 deficit hitting a new record of \$1.645 trillion and the national debt rising from \$14 to \$26.3 trillion by the end of 2021. The proposed cuts in spending come by redefining and reclassifying spending items such as Pell grants and transportation spending as mandatory rather than actual reductions in areas of discretionary spending. Unfortunately,

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these accounting classifications do nothing to remedy the spending problems that government faces, but only serve to increase the scope of federal powers by making what used to be budgetary items that could more easily be reduced harder to cut in the future.

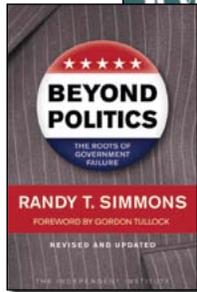
In just the past two years, the national debt has increased by 43 percent. Since 2001, the gap between median household incomes and government spending has widened tremendously—with government spending per household far outpacing what the economy can afford. As the President prepares to heap further fiscal burdens on taxpayers, the discussion should turn on real and substantial cuts to the federal budget.

A principled “Abolitionist” stance aims at wholesale elimination of many programs that the federal government currently funds. Thus, the Independent Institute has outlined a number of ways to save billions of dollars in light of the recent shifts in public opinion toward the reduction of federal spending.

Entitlement programs, including Medicare, Medicaid and Social Security, constitute almost half of the total budget. Fortunately, history demonstrates that the market is adept at providing these goods: mainly healthcare, savings accounts, and charitable donations to those in need. If the government increases the eligibility age for these programs to 70, the annual deficit would fall over time by nearly a trillion dollars. These rule changes could be coupled with structured opt-out programs that allow individuals to choose how to save for their future and care for their health.

The war and defense budget constitutes 20 percent of federal spending. Immediate with-

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## President's Letter

## Let's Bring Liberty to Life!

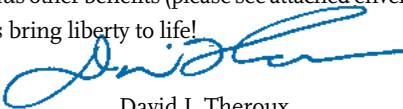
With many populations rising up to oppose tyranny in Africa and Asia, hopefully such developments will produce *real* changes toward liberty and self-government and not greater harm for the many people seeking to break free of government burdens to create better lives.

In this regard, will the growing rebellion in the U.S. against Big Government produce a second American Revolution—and, if so, how can we make sure it's a change for the *good*?

We at the Independent Institute believe that we're at a pivotal moment in history. We see causes for optimism from the increasing demands for spending within our means, a truly humble foreign policy, and less government intrusion into our lives. But, frankly, we're also dealing with a citizenry that has lived in a state of denial for many, many years, and reestablishing a moral and cultural imperative that supports the rights of individuals over collective force and holds politicians to the severe restrictions our Founders intended requires principled ideas, applied practically and attractively communicated.

And this is precisely why this year at the Independent Institute's 25th Anniversary, our track record has never been more important. With the economic malaise, government profligacy and debt, unemployment, and ongoing wars all top priorities, the Institute's work is at the cutting edge of public debate. Our **Government Cost Calculator** (p. 1) is dramatically personalizing the costs of runaway spending for any American, and our books, events, and media programs are all leveraging debate against the abuse of Leviathan statism.

The Institute broadens and deepens understanding of the Founders' principles—the ideals from which we have never strayed. To boldly advance this essential influence now, we urge you to become an **Independent Associate** Member. With your tax-deductible membership, you can receive a **FREE** copy of *The Pursuit of Justice* (p. 5) or *The New Holy Wars* (p. 5) and other publications, including our quarterly journal, *The Independent Review* (p. 3), plus other benefits (please see attached envelope). Let's bring liberty to life!



David J. Theroux



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## The Independent Review

### Predatory Politics • Nuclear Power

The Winter 2011 issue of *The Independent Review* covers higher education, economic development, Adam Smith, “just war” theory, Paul Samuelson’s economic legacy, the CB radio craze of the 1970s and more. Here are two highlights.

#### Lessons from Political Matchmakers

Politics makes strange bedfellows—including alliances of idealists and opportunists who lobby for the same regulations, but for vastly different reasons. The classic example is that of bootleggers and Baptists, both of whom supported local laws to stop the sale of alcohol on Sundays, but scholars have examined similar coalitions, including lobbies that promoted NAFTA, tobacco restrictions, and the Clean Air Act.

Typically, “unholy alliances” are formed by an outsider—a political entrepreneur who is alert to political opportunities and plays matchmaker to moralists and profiteers, according to **Randy Simmons**, **Ryan Yonk**, and **Diana Thomas** (all of Utah State University).

Here are two strategies political entrepreneurs employ, followed by examples.

- *Announce a threat to someone’s interests, then collect the payoff.* In the 1980s, members of Congress received donations (averaging \$1,800) from the American Medical Association and the American Dental Association for supporting a bill to exempt doctors and dentists from FTC regulations. The bill fostered lobbying by those who stood to gain financially and those who favored it on moral grounds.
- *Support noble-sounding goals that can’t possibly be achieved.* In 1998, Shell Oil, Mobil Oil and other groups that had opposed the Kyoto Protocol began to support it. Why? An amendment to the Clean Air Act would have compensated them for voluntarily reducing their carbon emissions early on. (For example, Mobil stood to gain \$300 million.)

“Bootleggers, Baptists, and Political Entrepreneurs” is available for free at [www.independent.org/publications/tir/article.asp?a=816](http://www.independent.org/publications/tir/article.asp?a=816).

#### What Happened to Nuclear Power?

Nuclear power in the United States may soon undergo a revival. The White House has pledged to triple federal loan guarantees for the construction of new reactors; and the Department of Energy has said that if big reactors are too costly to build, it would support smaller, cheaper ones designed to serve local communities and businesses. This prospect raises a basic question: Why did nuclear power languish for three decades?

The answer may have little to do with standard explanations, such as the accident at Three Mile Island in 1979 and concerns about waste disposal. According to sociologist **William Beaver** (Robert Morris University), the seeds of the industry’s demise were planted in the 1950s, when federal policy-

makers jumpstarted commercial nuclear power with lavish subsidies. By 1960, federal subsidies to the industry totaled about \$7 billion in today’s dollars.

Initially, utility companies were ambivalent about unproven nuclear technology. The Eisenhower administration and others, however, were eager to promote cheap energy and to defeat the Soviets in a race to develop “atoms for peace.” The second goal was met (U.S. light-water reactors eventually dominated in Europe), but the first goal was a moving target. Ongoing technical advances created costly regulatory challenges.

The government scramble bypassed the development of *economical* nuclear power, which required time to mature and become a routine industrial process. Had the federal role been more limited, General Electric, Westinghouse, and other manufacturers would have developed commercial reactors, but at a much slower pace.

“The Failure of Nuclear Power” is available for free at [www.independent.org/publications/tir/article.asp?a=814](http://www.independent.org/publications/tir/article.asp?a=814).



The Independent Review, Winter 2011

# The Independent Institute in the News

## Center on Global Prosperity

“The story of the West is that stability only came when a modicum of justice was achieved. The peaceful order was threatened, in these nations, every time a generation perceived that justice was somehow eroded in the name of stability.” —Senior Fellow **Alvaro Vargas Llosa** on Egypt for the Washington Post Writers Group



Research Fellow **Emily C. Skarbek** on *International Press TV* discussing the U.S. spending crisis.

“The driving principle of my father’s life has been that there is no shortcut to accomplishment. Although things are changing in Latin America, development and prosperity for those in my generation were not expected to be the children of effort but of poetic justice.” —Senior Fellow **Alvaro Vargas Llosa** on his father, Mario Vargas Llosa’s 2010 Nobel Prize for Literature, Washington Post Writers Group

## Center on Peace and Liberty

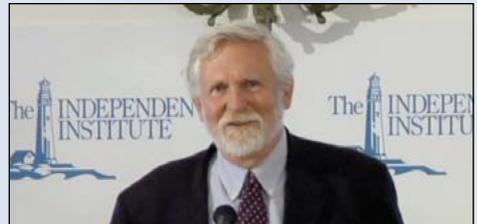
“I think what the government does is take advantage of crises to put in measures that they would like to put in anyway. Even though the incident had to do with cargo, they’re putting in these aggressive pat-downs. As a traveler pointed out, if somebody did this to me that didn’t work for the government, it would be sexual assault.” —Senior Fellow **Ivan Eland** on TSA security changes for CTV News

“Secretary of Defense Robert Gates recently announced that the Department of Defense (DoD) had found ‘at least \$100 billion in savings’... These ‘cuts,’ however, should not be confused with an actual, immediate reduction in current defense spending. The reality is that our nation could spend significantly less and still be secure.” —Senior Fellow **Charles Peña** in *The Christian Science Monitor*

## Center on Entrepreneurial Innovation

“The question that will haunt America for the next several months is whether the new 112th Congress has the will to trim back the unsustainable excesses to which Washington has become accustomed or will fall back into old, unhealthy habits. Unfortunately, what has been a relatively benign problem ... has now become the equivalent of America’s obesity crisis.” —Research Fellow and Director of the Center on Entrepreneurial Innovation **Emily Skarbek** in *The Miami Herald*

“America treated the Gulf spill almost as a religious catharsis. The message was that we have sinned against nature, and God is justly punishing us. Whatever the facts, such messages can resonate powerfully. America is unusually religious for a modern nation, and some of its religions, such as environmentalism, are secular.” —Senior Research Fellow **Robert Nelson** in *The Weekly Standard*



**Robert H. Nelson, The Independent Institute**

Senior Fellow **Robert H. Nelson** on C-SPAN’s *Book TV* on *The New Holy Wars*.

“EPA’s action amounts to rewriting the Clean Air Act to suit its own bureaucratic and ideological objectives. At a time when the Obama administration should be focused on job creation and the nation’s economic recovery, promulgating stringent new environmental rules should be its last priority.” —Research Fellow **William Shughart** in *The Washington Examiner*

## Center on Law and Justice

“Obamacare is but the latest episode of rampant commerce abuse. If the individual insurance mandate passes constitutional muster and enters the realm of precedent, then we can safely assume that no right, liberty, or inactivity is protected from the schemes of Washington’s lawgivers.” —Research Fellow **William Watkins, Jr.** in *The Christian Science Monitor*.•

## Independent Policy Forum

# Scholars Shed Light on Broken U.S. Legal System

Is the U.S. legal system broken? If so, how should it be fixed? On December 9, 2010, the Independent Institute hosted a forum at its headquarters in Oakland, Calif., to address these questions.

The event's keynote speaker, economist and Independent Institute Research Fellow **Edward J. Lopez** (editor, *The Pursuit of Justice*) explained how faulty incentives create or worsen a broad range of problems, including false imprisonment, overpriced legal services, politicized judicial decisions, eminent domain abuses, and wealth redistribution that favors the legal profession.

"By identifying those areas where decision-makers in the law have bad incentives, we can not only better explain the undesirable outcomes, but we're on better ground to recommend systemic reforms that generate better outcomes from legal services," Lopez said.

The second speaker, law professor **David Friedman** (Santa Clara University), credited Lopez and his contributors for taking the first steps toward a comprehensive account of how self-interest

distorts the legal system. He then suggested ideas for improvement.

Wrongful convictions could be reduced, he argued, by improving access to better legal representation. For example, rather than have indigent felony defendants rely on a public defender, the state could give them vouchers to hire a private attorney.

In addition, lawmaking itself would improve, according to Friedman, if people were free to choose

which set of laws would govern them (as when litigants select a private arbitrator or when businesses choose a state in which to incorporate). Competition for lawmaking would lead to better laws.

The final speaker, Chief Judge **Alex Kozinski**, U.S. Court of Appeals, Ninth Circuit, also lauded Lopez's book for blazing new trails, but he focused on what he called his quibbles. For starters, he said he was much less worried about eminent domain than was Lopez.

A worse problem, Kozinski argued, occurs when a government fails to pay property owners any compensation for "taking" their land

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Edward J. López, David Friedman, and Alex Kozinski address the Independent Policy Forum on December 9.

## Internet

# New Website Launched for *The New Holy Wars*

Building off the momentum and success of Research Fellow **Robert Nelson's** latest work, *The New Holy Wars: Economic Religion vs. Environmental Religion in America*, the Independent Institute launched a new website to engage visitors on "the deepest religious conflicts in the American public arena today."

"If it makes a reader of this book more comfortable, he or she may think of it as an examination of the 'spiritual values' of economics versus the 'spiritual values' of environmentalism," writes Robert Nelson in his introduction. "For me, though, it is a distinction without a difference."

*The New Holy Wars* probes beneath the rhetorical surface of economic and environmental religion to reveal their clashing fundamental commitments and visions. By interpreting their conflict as theological, Nelson is able to show why these creeds almost invariably talk past each other and why their conflict is likely to continue to dominate public discourse until one party or the other backs down—or until an alternative outlook arises to challenge their influence in the public arena.

Visit the new Internet home of *The New Holy Wars* at [www.independent.org/newholywars](http://www.independent.org/newholywars). •

## Internet

# Government Cost Calculator Version 2.0 Launched

**B**y now you may already be familiar with our innovative **Government Cost Calculator** at **MyGovCost.org**, which is revolutionizing the way people view government spending. The Calculator creates a detailed picture unique for each user exposing the costs of government profligacy program by program and illustrating what each individual's money could generate if it were privately invested instead. As the Internet is increasingly the source for news about the issues of greatest concern today, especially among the younger generations who will bear most of these burdens, the Calculator is a vital medium to affect change.

MyGovCost.org has obtained an unprecedented amount of success since its creation in 2010 and received coverage in a variety of newspapers and magazines and on TV/radio. Currently, more than 15,000 people are registered as Facebook fans and through networking and collaborating with other key organizations we have reached out to more than a hundred of the most influential bloggers. Since the site's launch, we

have continued to refine the Calculator and are proud to announce that Version 2.0 has been released. We now offer a “widget” that people may place on their websites enabling others to calculate their personalized costs. A smart phone app with the same functionality as the widget is being developed. The newly refined MyGovCost.org will feature educational webinars with economists speaking on topics related to government spending, present educational Policy Forums with Institute fellows and experts discussing relevant issues, and produce a series of high-quality videos on our nation's spending crisis—all aimed at generating awareness that will go viral reaching potential millions. MyGovCost.org is perhaps the best example of the Independent Institute's strategic advantage that knowledge is power. •



## Student Programs

# Summer Seminars Teach Students about Liberty

**E**xciting changes are underway for our 2011 **Challenge of Liberty Summer Seminars for Students!** This year for the first time, under the leadership of our new Seminar Director **Gregory Rehmke**, the Summer Seminars will be divided into separate sessions for high-school students (June 20–24), and college students and post-graduates (August 1–5).

The session for high-school students will continue as day sessions, held at the Independent Institute Conference Center in Oakland, Calif. The session for college students and post-grads will be held on a college campus in the San Francisco Bay Area and will include optional dormitory housing for a more collegial experience. Those staying on campus will have the opportunity to participate in nightly events in addition to having access to the various amenities offered by the college, such as athletic fields, a swimming pool, and dorm common areas.

Both sessions will offer students excellent opportunities to make lasting friendships while challenging them to think critically about important economic and ethical principles.

In addition to Mr. Rehmke (Program Director at EconomicThinking.org and past director of student programs at the Center for the American Idea, Reason Foundation, and the Foundation for Economic Education), confirmed speakers include: **Dr. James Ahiakpor** (Calif. State Univ., East Bay), **Dr. José Yulo** (Academy of Arts Univ.), **Dr. Matt Holian** (San Jose State Univ.) **Dr. Emily Skarbek** (San Jose State Univ. and the Independent Institute), **Mike Winther** (Institute for Principle Studies), **Anthony Gregory** (The Independent Institute), and **Carl Close** (The Independent Institute).

For 16 years the Independent Institute has offered summer seminars designed to educate high

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## Emily C. Skarbek: An “Abolitionist” Approach to Federal Spending

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drawal and decommissioning of troops from Afghanistan and Iraq would cut spending by over \$150 billion. Abolishing the Army Corps of Engineers and closing 750 military bases in 63 countries would reduce military and civilian personnel expenditures by another \$145 billion. Ultimately, the focus should remain on ending the war immediately, restoring families, and exploring prospects for peace at home and abroad.

Furthermore, eliminating the Departments of Agriculture, Energy, and Commerce, among others, and privatizing Amtrak and air traffic control would render a savings of \$434 billion.

If we add to that the abolition of the 2010 healthcare package and programs such as the Affordable Housing program, Commission on Fine Arts, Consumer Product Safety Commission, the Corporation for Public Broadcasting, National Endowment for the Arts, National Endowment for the Humanities, and the State Justice Institute—American taxpayers would save an additional \$510 billion. If Congress were to approve a straightforward government payroll

freeze and federal workforce reduction of 10 percent, Americans would save another \$9 billion dollars. In total, these cuts would serve to scale back the federal government’s presence in the lives of everyday folks.

Friends of liberty and historians of political economy are perhaps pessimistic of the ability to starve the government’s appetite. These concerns are justified in light of the failure of even some of the strongest constitutional limits to curb the growth of the State. Nevertheless, proposals and popular discourse of this manner can help to influence the prevailing ideology and turn the tides of public opinion. Ideas matter and principled commitments to the ideas of liberty, freedom, and peace are necessary now more than ever.

The Abolitionist approach is required because the propensity of the government is to grow perpetually in size and scope. As Obama’s latest proposal demonstrates, any policy adopted through the political bargaining process will necessarily be a watered-down version. The time has come to put it *all* out on the table and begin cutting. •

## Student Programs: Summer Seminars Teach Students about Liberty

(continued from page 6)

school and college students to economics and the heritage of liberty. Topics have included: Crusoe Economics, Prices and Coordination, Competition, Property Rights, Freedom and Ethics, From Poverty to Prosperity, Adam Smith, Public Goods, Health Care, Immigration, Education, Monopoly and Antitrust, Environmental Protection, Energy, Transportation, Civil Liberties, War, Charity and Welfare, Federal Spending, Money and Banking, Inflation, and Business Cycles.

The seminars’ rigorous but informal environment allows students to discuss openly while being advised by leading university faculty. With our unique blend of speakers and topics, the 2011 Challenge of Liberty Summer Seminars are a great way to ensure that any student has an intellectually rewarding—and fun—summer.

For enrollment information, please visit [www.independent.org/students/seminars/](http://www.independent.org/students/seminars/). •

## Independent Policy Forum: Scholars Shed Light on Broken U.S. Legal System

(continued from page 5)

(i.e., reducing its value or limiting its use) via the enactment of a new regulation, such as a construction moratorium on private wetlands or beachfront property.

Kozinski’s comments foreshadowed a lively Q&A session devoted to topics as diverse as lawyer

licensing, paid informants, capital punishment, jury nullification, constitutional interpretation, and the scope of private-property rights.

Video, audio, and transcript of “Is U.S. Justice Broken?” are available at [www.independent.org/events/detail.asp?eventID=150](http://www.independent.org/events/detail.asp?eventID=150). •

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# An Independent Commitment to Excellence

In 1986, the Independent Institute was founded by a group of individuals who were committed to a simple idea: create a non-profit, non-partisan, scholarly research center dedicated to developing and advocating innovative solutions to public policy problems. Two and a half decades later, we continue to operate above partisan influence and fight for your liberties. Despite the challenges presented, such as nationalized health care, bailouts, trillion-dollar “stimulus” plans, and an ever-expanding interventionist foreign policy, we have persevered and remained strong in our battle to combat our nation’s ills. Without a single penny from the government, we have managed to exceed all expectations, and for a quarter of a century, donors like you have been the backbone of our success.

As we celebrate our 25<sup>th</sup> Anniversary this year, we at the Independent Institute cannot help but be proud of the accomplishments we have achieved and obstacles we have overcome. At the same time,

looking forward at the road before us, there is not an absence of difficulties to defeat. It is certain that even greater threats lie ahead. Now is the time to put forth all efforts, to reverse reckless

policies, restore economic and civil liberties, and end government meddling.

It takes dedication and heart to fight for what is right, and for the past twenty-five years, donors like you have stood with us and allowed us to reach millions with the essential

values of individual liberty and economic freedom. It is imperative that this momentum continue so that our decades of effort manifest themselves.

Together, we have brought you 25 years of affecting change, 25 years of fighting for your liberties, 25 years of a passionate dedication to advancing peaceful, prosperous, and free societies. Only with your help can we continue now to provide you with another 25 years of excellence. •



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