

The INDEPENDENT

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Policy Forums on War and Global Trade

Recent Independent Institute policy forums addressed the pre-emptive war in Iraq and cultural trade and globalization.

• **PREEMPTIVE WAR STRATEGY: A NEW U.S. EMPIRE?** (June 25): Foreign policy experts shared their insights at this Independent Policy Forum. “There is a long history of U.S. intervention, covert action, proxy wars, and direct military intervention in the Middle East by both Democratic and Republican administrations since the end of World War II,” Stanford historian **Joel Beinin** began. “The significance of the new policy



Joel Beinin, Ivan Eland and Edward Olsen address the Independent Policy Forum on pre-emptive war.

is that because of the ideological commitments of the neoconservatives, this policy far exceeds the traditional concerns of both Republican and Democratic administrations since World War I, which have been primarily to secure the political stability and control of the oil of the Persian Gulf.”

Long-term control of the Middle East is beyond the reach of the United States, Beinin said, but “this is obscured from the view of

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Recently in *The Independent Review*

The Independent Institute’s quarterly journal *The Independent Review* continues to publish path-breaking articles and reviews (individual subscriptions: \$28.95 per year).

• Ireland is one of the great economic success stories of the last decade. In the mid-1980s, unemployment reached 17 percent, emigration had soared, and government deficits grew so large that IMF intervention became a real pros-



The Independent Review, Summer 2003.

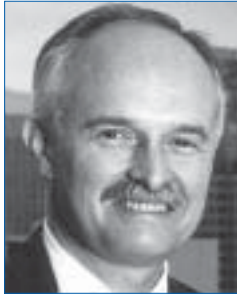
pect. But by the end of 2000, Ireland had reversed its course—economic growth had reached 10 percent per year in the late 1990s and tens of thousands of emigrants returned home to new jobs.

James B. Burnham (Prof. of Business, Duquesne U.) explains the reasons for Ireland’s change of fortune in an insightful article, “Why Ireland Boomed,” from *The Independent Review* (Spring 2003).

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President's Letter:

A Revolt Against Political Power?

Is the recent landslide victory of Arnold Schwarzenegger in California's historic recall election a manifestation of a new anti-political revolt against entrenched interests beginning to take hold? The corrupt and incompetent Gray Davis was certainly widely disliked, but the real issues are that government deficits, spending, and controls have reached unprecedented and onerous records. Federal deficits are now projected at nearly \$400 billion and California is facing a record \$38 billion deficit, larger than the combined deficits of all other states. The state's budget of about \$100 billion has grown in size by 40 percent in just the past five years.

Yet, despite the economic stagnation created by the burden of federal and state power, including from the "War on Terrorism," politicians and interest groups clamor for even more taxes, regulations and other powers for an ever-expanding array of problems, most of which are of their own making.

With the stunning recall, what should now be done to overcome the enormity of problems facing California and elsewhere? In articles in the *Los Angeles Times* and elsewhere, Independent Institute Research Fellow **William Shughart II** (editor of the Institute's book, *Taxing Choice*) has shown the way, proposing the liquidation of the huge and wasted assets held by governments. In California, for example, the state owns more than 1 million acres of land in fifteen high-priced counties. A bill in the California Senate has since been submitted to begin the process, an approach which, if adopted, could easily cover deficit costs as well as allow for major tax reductions. Concurrently, economic liberalization and the protection of civil liberties should be rigorously pursued.

Such change will depend on whether the citizenry can see past the usual interest-group propaganda. The Institute's web sites such as **OnPower.org** (p. 8), publications (pp. 1, 5), events (p. 1), and media programs (p. 4) provide the needed difference.

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New Report on What the EPA Isn't Telling Us

The Bush Administration has recently announced a \$103 million 10-year plan to study global warming, while the federal government already spends over \$2 billion per year on climate research. Despite this enormous funding, the Environmental Protection Agency (EPA) and the United Nations have been using old data and bad science on which to base their policies. As a result, the Independent Institute held a July 28th news conference in Washington, D.C., featuring some of the nation's leading climate scientists, to unveil the Institute's report, *New Perspectives in Climate Change: What the EPA Isn't Telling Us*.

The Institute's report uses groundbreaking satellite data to show that the climate's change is less than previously thought. The report shows that the climate of the last millennium has fluctuated significantly, including a "Medieval Warm Period" (1000–1200 AD) and "Little Ice Age" (1300–1850 AD). Moreover, the report shows that the 20th century is not the warmest nor a unique climatic period; 28 major U.S. cities have exhibited declining heat-related deaths.

Chaired by Research Director **Alexander Tabarrok**, the event was covered by CNN, *Los Angeles Times*, Greenwire, Knight-Ridder, and Scripps-Howard and featured **John Christy** (Dir.,



(Clockwise from upper left) **John Christy**, **Robert Davis**, **Wendy Novikoff**, **S. Fred Singer**, **David Legates**, and **Alexander Tabarrok**.

Earth System Science Center, U. of Alabama, Huntsville), **Robert Davis** (Prof. of Climatology, U. of Virginia), **David Legates** (Director, Center for Climate Research, U. of Delaware), **Wendy Novikoff** (Prof. of Health Evaluation Sciences, U. of Virginia), and **S. Fred Singer** (Research Fellow, The Independent Institute).

Copies of *New Perspectives in Climate Change: What the EPA Isn't Telling Us* are available for \$10.00 (add \$3 for shipping, California residents add appropriate sales tax). See www.independent.org/tii/news/030728story.html. ●

Independent Policy Forums: Pre-emptive War and Global Trade

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Washington policymakers today because of their ideological commitments, just as those commitments impeded an accurate assessment of intelligence regarding weapons of mass destruction, the sort of reception American troops would receive in Iraq, and the prospects for democracy in post-war Iraq.”

Next, **Edward Olsen** of the Naval Postgraduate School explained that the pre-emptive war doctrine may bring unintended consequences. “For allies of the U.S. to emulate the preemptive principle behind the U.S. strategy as an expression of their support, what’s to prevent one or more of them from launching a unilateral preemptive military strike against a perceived threat? Would such an attack, if it’s considered legitimate by an ally using the U.S.’s logic, obligate the U.S. to stand by the ally? If the answer is yes, then Americans had better reappraise the nature of the U.S. ally, and how their geopolitical context could entangle Americans in wars that are not of their choosing. If the answer is no, then why should those allies be expected to stand by the U.S. in the context of any preemptive American attack?”

Finally, **Ivan Eland**, Senior Fellow and Director of the Independent Institute’s Center on Peace & Liberty, argued that the Bush doctrine is at odds with the principles laid down by the nation’s founders and will likely produce results that Americans will come to regret.

“My policy, in short, is that we should revert to the policy of the Founders, use a lot of restraint in our military interventions overseas, and we should dismantle the empire,” said Eland. “We won’t overextend ourselves. We won’t be so inclined to have terrorism on our home soil or anywhere else. And also, probably the most important thing is that we won’t throw away all of our liberty.

“So I think we should be very careful when we intervene militarily because it creates all these unintended consequences, and we’ve seen that in Afghanistan over the years.”

For a copy of the transcript of “Preemptive War Strategy: A New U.S. Empire?” featuring Joel Beinin, Edward Olsen, and Ivan Eland, see www.independent.org/tii/forums/030625ipfTrans.html.

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The Independent Institute in the News

- When the electricity went out in the U.S. Northeast, research fellow **Robert Michaels** appeared on Fox News *The O'Reilly Factor* (8/14), CNN (8/14), CNN Radio (8/14), CNBC (8/14), MSNBC (8/14, 15, 16), and ABC *Nightline* (8/18), and in the *Baltimore Sun* (8/20), *Dallas Morning News* (8/16), *Australian Financial Review* (8/15), and *Deseret Morning News* (8/16).
- Senior fellow **Ivan Eland** discussed the U.S. in Iraq on MSNBC (7/9), CNN (7/11), NPR (5/20), WNWS-FM (7/10; Jackson, TN), WBLM-AM (7/16; Boston), KSFO-AM (8/12; San Francisco), WBT-AM (8/19; Charlotte), WAMC (5/20; Albany), KNWZ-AM (8/1, Palm Springs), KTAR-AM (7/21; Phoenix, AZ), WSPD-AM (6/4, Toledo), ABC News Radio (5/13), WBT-AM (8/19; Charlotte), and WNYC (5/20; New York). His op-eds appeared for UPI (5/9, 5/15, 6/3), *Reason* (Au-



gust), *Atlanta Journal-Constitution* (7/8) and *USA Today* (7/23), and he appeared on Fox News' "Hannity & Colmes" and was quoted in the *Washington Post* (8/15), *Christian Science Monitor* (6/10, 6/13), *Youngstown Vindicator* (6/13), *St. Petersburg Times* (8/21), TomPaine.com (7/24), CNS News (7/15), *Colorado Springs Gazette* (7/29), *Pittsburg Post-Gazette* (8/3), *Monitor* (7/24; McAllen, TX), and *La Opinion* (7/16).

- Op-eds by senior fellow **Robert Higgs** (editor, *The Independent Review*) appeared in the *San Francisco Chronicle* (6/23, 7/6), and he was quoted in *WorldNetDaily* (7/25). *The Independent Review* articles: **Roger Roots**'s critique of the FAA appeared in *Aero-News* (6/3) and *Landings* (6/9), and **Paul Cleveland** and **Jared Price** on airline safety was reprinted in *Air Safety Week* (6/30).
- Research fellow **Fred Singer** (author, *Hot Talk, Cold Science*) appeared on Fox News (7/3), CNN (6/27), KTAR-AM (5/18; Phoenix), WREL-AM (7/15; Lexington), and KSFO-AM (8/4; San Francisco), he was quoted in the *Los Angeles Times* (8/2) and *WorldNetDaily* (6/10), and his op-eds appeared in the *Washington Times* (7/7, 8/10).
- Research fellow **Alvaro Vargas Llosa** critiqued Latin American policies in the *San Francisco Chronicle* (7/27), *Diario Las Americas* (7/2), *El Observador* (Uruguay; 7/2), *Analitica* (Venezuela; 7/3), *Opinion* (7/4), *El Panama America* (7/4), *ABC Digital* (Paraguay; 7/6), *La Prensa* (Nicaragua; 7/6), *Libertad* (Spain; 7/7), *La Gaceta* (Argentina; 8/1), and *Todito* (Mexico; 7/14). He was quoted in the *Pittsburgh Post-Gazette* (6/22) and *Vista USA* (6/1).
- **Research Fellows:** **Wendy McElroy** continued her weekly FoxNews.com column and was quoted in *The Australian* (8/13) on marriage and the *Washington Times* (8/13) on college speech codes. **Andrew Kleit**'s op-ed on California's electricity crisis appeared in the *Orange County Register* (7/2). **John Merrifield**'s Institute book, *School Choices*, was reviewed in *Teachers College Record* (6/4), and **Jeffrey Miron** was quoted in the *San Francisco Chronicle* (6/6). **Paul Craig Roberts**'s article on pre-emptive war appeared in *Insight* (5/2), **Pierre Lemieux**'s articles appeared in the *Montreal Gazette* (7/5, 9/17) and *Financial Post* (10/3), and **John Sommer** (editor, *The Academy in Crisis*) critiqued college quotas on KDKA-AM (6/24; Pittsburgh), WTVN-AM (6/25; Columbus) and WCUB-AM (6/30; Green Bay).
- Research director **Alexander Tabarrok** (editor, *Entrepreneurial Economics*) was quoted in *Silicon Strategies* (6/6, 6/26), *American Daily* (6/30), *BestWire* (6/19), *Corporate Legal Times* (5/1), *TechWeb* (6/6), *Il Riformista* (8/14), UPI (5/22), and *Pittsburgh Live* (5/30) and was interviewed on C-SPAN (6/4) and *CBS MarketWatch* (8/8).
- Based on a *Los Angeles Times* op-ed (5/5) by research fellow **William Shughart II** (editor, *Taxing Choice*) on liquidating state assets, Institute president **David Theroux** was quoted in the *Los Angeles Business Journal* (7/14), *Oakland Tribune* (7/6), *San Mateo Times*, *Alameda Times-Star*, *Tri-Valley Herald*, and *Argus*, and he was featured on KAOS-AM (6/14; Austin), Talk Radio America (7/3), and KGO-TV (8/3; ABC, San Francisco). Theroux was also interviewed for PBS on world hunger and critiqued banning car cell-phones on KERC-AM (6/5; Los Angeles) and MSNBC's "Scarborough Country" (6/25).
- Senior fellow **Richard Vedder** was quoted in the *San Francisco Chronicle* (5/3), *Seattle Post-Intelligencer* (8/12), *Florida Times-Union* (6/19), *Chronicle-Telegram* (5/6; Elyria, OH), *Greenwich Times* (5/9), *Stamford Advocate* (5/9), *Oakland Tribune* (5/11), *Vancouver Columbian* (5/11), *Jacksonville Florida Times-Union* (6/17), and *Alamance News* (6/26), and interviewed on WAMC-AM (5/4; Albany), KOA-AM (7/3), WSPD-AM (7/9), and WNYC (5/4; New York). ●

New Book Assails Alcohol Monopoly

No sooner had the 21st Amendment repealed prohibition than government began to regulate the production and distribution of alcohol. Among the most important regulations is the Federal Alcohol Administration Act, which prohibits suppliers from distributing alcohol, and includes numerous “franchise termination laws,” which make it difficult for suppliers to terminate their contracts with their wholesalers.

Although ostensibly meant to protect the public, these laws have turned wholesalers into virtual monopolies, sheltering them from competition and allowing them to charge higher prices with relative impunity, as **Douglas Glen Whitman** explains in his new Independent Institute book, *Strange Brew: Alcohol and Government Monopoly*.

Almost every state in the union has taken steps to create a three-tier distribution system consisting of separate suppliers (brewers, vintners, and importers), wholesalers (distributors), and retailers (liquor stores, restaurants). This has greatly expanded the role (and profits) of wholesalers and has led to higher prices, reduced output, and reduced consumer welfare. Consumers pay more and buy less because two groups of decision-making entities add a markup to their costs—suppliers and wholesalers—instead of one vertically integrated entity.

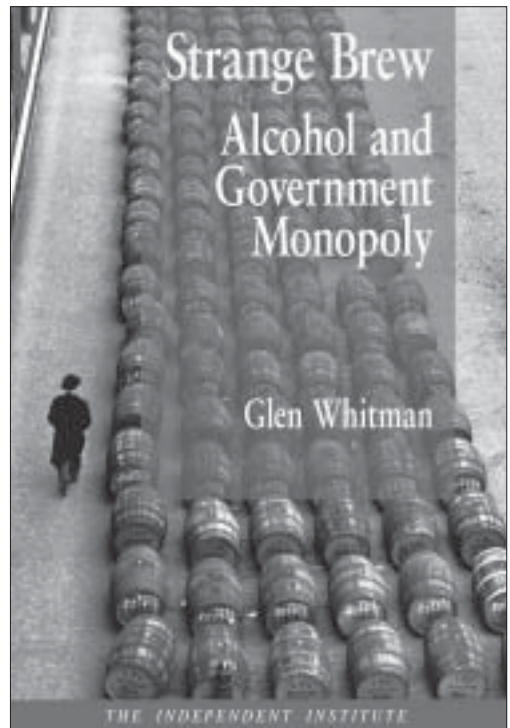
Suppliers would like to prevent this problem because markups added by wholesalers reduce the quantity purchased by consumers and thus reduce the supplier’s revenue. The usual solution would be for suppliers to impose contractual obligations on wholesalers, such as allowing the supplier to determine maximum resale prices or to specify a minimum sales quota for the wholesaler. However, franchise termination laws short-circuit the contractual solution to the double markup problem by making it difficult for a supplier to sever its relationship with a wholesaler.

In addition, suppliers are required by many states to grant exclusive territories to wholesalers. On the one hand, territorial exclusivity gives wholesalers incentives to promote a product without incurring the risk that local competitors would reap some of the benefits. On the other hand, it can also lead to higher prices and reduced consumer welfare when consumers don’t have affordable substitutes.

Advocates of monopoly protection laws claim that they help protect consumers from themselves and each other, but Whitman notes that their arguments often rely on contradictory

premises. “One cannot simultaneously claim that that regulation of the alcohol industry is good because it lowers prices and also because it raises prices!” Whitman notes.

Increasingly, arguments for regulation rely on the notion that alcohol consumption imposes significant costs on society at large, thus rationalizing regulations that raise prices and reduce consumption. But even if this is the case, writes Whitman, “monopoly protection laws seem an odd choice of policy for achieving that outcome.” Policies that directly target irresponsible behavior such as drunken driving would be far more effective, but political considerations have trumped economic reasoning.



Concludes Whitman, “The existence of monopoly protection laws represents the victory of special-interest legislation. Consumers of alcohol do not benefit, and the benefits to the general public are questionable at best. The only clear beneficiaries are the alcohol wholesalers, who can exploit the absence of effective competition to fatten their profit margins. . . . The adoption of policies that simultaneously concentrate market power, impede quality improvements, and impair efficient distribution can be justified only on grounds of political expediency rather than on careful consideration of the merits.”

Copies of *Strange Brew* are available for \$12.95 (add \$3 for shipping, California residents add sales tax).●

Independent Policy Forums: Pre-emptive War and Global Trade

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● **GLOBALIZATION AND CULTURAL DIVERSITY: FRIENDS OR FOES?** (May 27): “Tonight’s talk is about free trade, and the main claim is that free trade is beautiful,” **Tyler Cowen** (Professor of Economics, George Mason University) told the Independent Policy Forum, based on his book, *Creative Destruction*.

“This, I think, is a somewhat surprising claim. We are used to economists telling us that free trade is efficient. . . . We have also had philosophers tell us that free trade and free exchange are moral. And I agree with those arguments. But it is this third aspect that . . . has been the theme of most of what I have written in the last ten years. And that is this claim that



Tyler Cowen addresses the Independent Policy Forum.

free trade is beautiful and that most of the beauty that we have in our lives—most of the art we consume, buy, enjoy—comes from free trade. It comes from prosperity. It comes from capi-

talism. It is enabled, encouraged, and stimulated by having a free society.”

Cowen then proceeded to illustrate this theme by drawing on the development of reggae music from Jamaica, tracing its roots in European dance music, American doo-wop of the 1950s, and rhythm and blues.

While the days of yore were more diverse culturally than today in some respects—more languages and local customs existed—the free trade that came with economic modernization has led to greater accessibility of a diverse cultural menu, Cowen argued.

“If you look at today’s world, more than ever before, people are liberated from what I call, ‘the tyranny of place,’” Cowen said. “The tyranny of place occurs when you grow up somewhere, maybe it’s a poor country, maybe it’s a rural area, maybe it’s an inner city, it depends. But you grow up somewhere and you have no choice of leaving. You cannot choose another culture. You cannot choose another language. You cannot get on a plane. You cannot travel. You cannot choose your job. That’s what I call the tyranny of place. Today the world is more liberated from the tyranny of place than ever before. And it has become so liberated precisely because, coming back to our themes, of free trade, globalization, capitalistic markets, and prosperity.”

For the transcript of “Globalization and Cultural Diversity: Friends or Foes?” featuring Tyler Cowen, see www.independent.org/tii/forums/030527ipfTrans.html. ●

The Independent Review: Why Ireland Boomed • Eco-Colonialism in Africa

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Ireland’s economic comeback resulted not from a policy revolution but from piecemeal changes in key sectors, especially deregulation in transportation and telecommunications, tax and spending cuts, and educational reform.

“In 1980, Ireland’s telecommunications system was perhaps the worst in western Europe.” Not only was the government telecom agency expensive and inefficient, it was the largest employer in the country—a fact that made full privatization a political non-starter. Nevertheless, innovations in telecommunications meant that the gains from market-oriented reform—incomplete though it was—were impressive nonetheless. About half the jobs gained during the 1990s involved international trade and financial services—industries that rely on good telecommunications.

Transportation deregulation also contributed significantly to Ireland’s boom—especially “the breaking of Aer Lingus’s near monopoly on cross-channel flights to England.” As with telecom reform, air transportation was not deregulated fully—but even partial deregulation had a huge positive effect. Cheaper air transportation brought an influx of financial and human capital. “English tourists and Irish immigrants in the UK alike responded to the lowered costs of transportation to Ireland; businessmen at both ends found that the cost of developing markets across the Irish Sea had been reduced suddenly and drastically.” Imagine if Ireland had deregulated fully.

See www.independent.org/tii/content/pubs/review/tir74.html.

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Extra! Extra! Extra!

The Independent Institute has certainly been in the news. **Alexander Tabarrok** discussed the economics of organ donation on C-SPAN. **Ivan Eland** has been on CNN, Fox News, MSNBC, and C-SPAN on war, peace, and public safety. **David Theroux** was a guest on MSNBC to critique proposals for anti-cell phone laws. **Fred Singer** appeared on CNN Headline News and Fox News to deconstruct EPA policies regarding global warming. **Richard Vedder** was a guest on KOA-Denver to advance true school choice. **Robert Higgs's** article on U.S. Iraq policy framed the entire Sunday "Insight" section of the *San Francisco Chronicle*. **William Shughart's** op-ed on selling off state assets to solve the California budget deficit (an idea equally applicable to *any* budget deficit) was featured in the *Los Angeles Times*.

Media outlets look more and more to the Independent Institute as an irreplaceable "top-of-mind" source for insightful commentary on major public issues. We're providing sensible alternatives to the half-measures and special-interest-driven agendas of normal public debate. We speak out with principle on all fronts:

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The Independent Review: Why Ireland Boomed • Eco-Colonialism in Africa

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● In an outstanding article in the Summer 2003 issue of *The Independent Review*, **Robert H. Nelson** (Professor of Public Affairs, University of Maryland) examines eco-colonialism in Africa and makes some startling discoveries.

Since winning independence from European colonial powers decades ago, Africans have been subjected to a subtle form of neo-colonialism from an overlooked source: the conservation movement. Under the banner of saving the African environment, local populations have been displaced and impoverished—in large part because Western conservationists misunderstand African wildlife management practices and problems.

In 1988, for example, Tanzania's Wildlife Department forcibly removed livestock and settlers from the Mkomazi Game Reserve, although the area had been used by humans as a livestock range for perhaps centuries or millennia. World conservation organizations—which pushed for the resettlement in their "wild

Africa" campaign—had claimed that the Mkomazi area was one of the zoologically richest savannas in Africa. In reality, its mammal populations were not extraordinary, and its wild mammals seemed to share habitat with domesticated livestock successfully.

Similarly, much of Tanzania's Selous Game Reserve, a national park half the size of Ohio, was also largely cleared of settlers and livestock. What conservationists failed to appreciate was that the livestock had continuously cleared the area's thick brush, the habitat of the deadly tsetse fly, which has now returned.

Fortunately, there are signs of a more humane—and effective—wildlife policy on the horizon. "Indeed, for at least a decade international conservationists based for the most part in southern and eastern Africa have led a strong movement for community-based natural resource management (CBNRM)," notes Nelson. "The CBNRM advocates have argued that successful

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New Internet Site on Government Power

The Independent Institute has launched **OnPower.org**, a website devoted to critical examination of the nature and use of government power. A project of the Institute's **Center on Peace & Liberty**, OnPower.org aims to overcome confusions about the effects of government power on liberty, war and peace, the rule of law, and economic and social welfare.

ONPOWER.org

Aimed at students, writers, policy-makers, scholars, and the general public, OnPower.org is a one-stop Internet resource featuring both scholarly and popular works and commentary on the domestic and international effects of national "crises"—including war crises that have been used to justify the growth of government.

Site Format (with introductory essays, followed by links to biographical references):

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wildlife conservation requires the assistance of local African populations and have emphasized the importance of local economic benefits in order to create positive incentives for protection of wildlife. . . . If the Selous appear today to be 'wild Africa,' it is really the product of extermination and removal of its peoples by deliberate European strategy in the twentieth century," writes Nelson. See www.independent.org/tii/content/pubs/review/tir81_nelson.html.

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