

# The INDEPENDENT

NEWSLETTER OF  
THE INDEPENDENT INSTITUTE

VOLUME XIV, NUMBER 2

## Exposing Government Scams

The Independent Institute recently held Independent Policy Forum events on government scams, the USA PATRIOT Act, and medical marijuana.

• **CONFESSIONS OF A MEDIA MAVERICK: Exposing Hucksters, Cheats, and Scam Artists** (Jan. 30): Television journalist **John Stossel** (Host, ABC-TV's "20/20" and "John Stossel Specials") shared his insights about consumer protection, government failure, reckless lawsuits, and media bias, drawing upon his best-selling book, *Give Me a Break*.



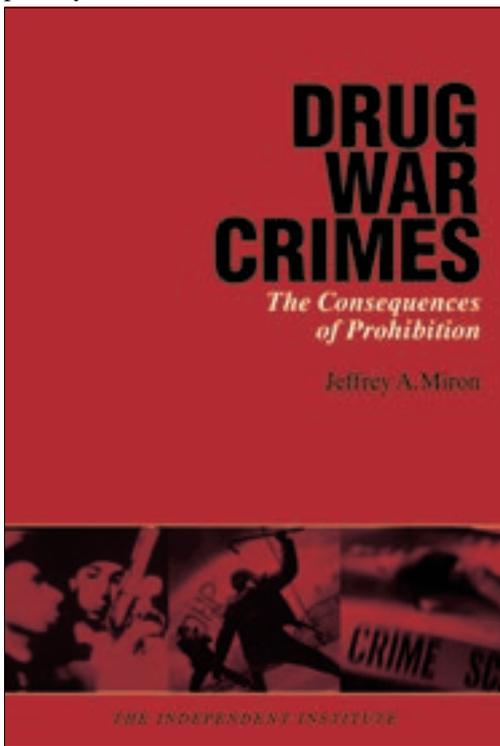
ABC-TV's **John Stossel** addresses the Independent Policy Forum on hucksters, cheats and scam artists.

Stossel recounted his evolution from an Emmy-award-winning consumer-affairs reporter to America's best-known skeptic of government regulation. What seems strange to him

(continued on page 3)

## New Books on the Drug War & Tenure

The U.S. government spends more than \$33 billion and arrests 1.5 million people annually to enforce drug prohibition. Drug prohibition, its advocates say, is worth the cost because they believe it reduces health problems, traffic accidents, industrial accidents, crime and poverty. But, is this accurate?

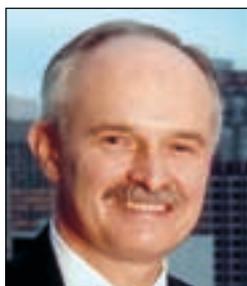


According to economist **Jeffrey Miron** (Boston University) most of the ills typically attributed to drug consumption are due not to drugs per se but to drug *prohibition*. In his new Independent Institute book, *Drug War Crimes: The Consequences of Prohibition*, Miron shows that prohibition exacerbates many of the problems it allegedly solves—by increasing violence, creating new health risks for drug users, enriching criminals, and diminishing civil liberties. Prohibition, he argues, is a poor method of reducing drug use and not an appropriate goal for government policy.

(continued on page 3)

## IN THIS ISSUE:

Independent Policy Forum .....	1
New Books: <i>Drug War Crimes</i> and <i>Faulty Towers</i> .....	1
President's Letter .....	2
Independent Institute in the News ...	4
<i>The Independent Review</i> .....	5
Alvaro Vargas Llosa Honored .....	8



President's Letter:

## We Were the First to Tell You So

Has the "Era of *Really* Big Government" now arrived? Since 2001, despite low inflation, federal spending has increased by a massive 28.8%—with *non-defense* discretionary growth of 35.7%—producing the largest deficits in U.S. history and the highest rate of government growth since the Vietnam War—era presidencies of Nixon and Lyndon Johnson.

*Starting with our prophetic 9/14/01 press release*, Independent Institute Senior Fellow **Robert Higgs**, author of such key books as *Crisis and Leviathan* and our new *Against Leviathan*, predicted such an explosion of government power in the aftermath of 9/11, as politicians have again taken full advantage of a frightened American public.

During this period, President Bush has become the first full-term president since John Quincy Adams (1825–1829) *not* to have vetoed a *single* bill! Yet, in response, John Kerry has been calling for *even higher* taxes and spending. The result is that we now have record pork and corporate welfare in agriculture, education, Medicare, energy, etc. At the same time, federal agencies have been given new powers to secretly search *anyone's* property and intercept phone, Internet, and other communications, as well as all health and financial records (for example, see details of the USA PATRIOT Act, p. 3).

Meanwhile, there has been near silence from most think tanks and the media. According to former Congressional Budget Office director Rudolph Penner, "I don't remember a time when there's been so little commentary on it, and I can't really explain it."

Throughout, the Independent Institute has spoken out uniquely and consistently in major events (p. 1), publications (pp. 1, 5), and media programs (p. 4) on real solutions to Washington's latest power-and-money grab. Finally, we are now seeing the climate of opinion change as polls show that the country is beginning to awaken to the truth regarding politicians' profligate spending and abuse of liberties.

Now, there is *real* reason for hope—if we can continue to expand the impact of our cutting-edge program. Please help us do so by joining with us as an **Independent Associate Member** (please see the attached envelope).

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## Independent Policy Forums: Government Scams • Patriot Act • Medical Marijuana

(continued from page 1)

in hindsight is not that he came to have more confidence in the market's protection of consumers than in consumer protection laws, but that his awakening took as long as it did.

"The more I watched the market work, the more puzzled I was that it seemed to protect us even in areas where I wouldn't intuitively think it would," he said. For example, Stossel addressed legal and illegal drugs and the FDA.

He discussed his travails with "consumer-activists" who once had embraced him and now disdain him for "selling out" to big business. "Industry doesn't like free markets either. Industry half the time tries to game the system to screw their competitors. They want to partner with government to hurt their competitors. They're not necessarily friends of free markets. And also, I'm no longer a consumer advocate if I'm reporting on government? Doesn't government screw consumers, too? You bet."

For the transcript of "Confessions of Media Maverick: Exposing Hucksters, Cheats, and Scam Artists," see <http://www.independent.org/tii/forums/040130ipfTrans.html>.

● **PATRIOT ACTS I & II: The New Assault on Liberty?** (Nov. 13): To examine how the war on terrorism has affected civil liberties at home, **David Cole** (Professor of Law, Georgetown University; author, *Enemy Aliens and Terrorism and the Constitution*) argued that if American citizens wish to protect their own rights, they must work to ensure that non-citizens receive equal protection. Immigrants, he explained, often have been the first to be



(Clockwise from upper left) **David Cole**, **Margaret Russell**, **James Bovard** and **Ivan Eland**.

victimized by U.S. government assaults on civil liberties during wartime; restrictions on the rights of citizens follow.

**Margaret Russell** (Prof. of Law, Santa Clara U.; past Chair, Northern Calif. ACLU) argued that the USA PATRIOT Act has reduced freedom of speech in the United States. A recent lawsuit, she explained, challenges Section 215 of the PATRIOT Act under the First, Fourth, and Fifth Amendments. Section 215 allows the FBI to obtain a wide variety of private documents and possessions even if their owner is not a criminal suspect, so long as the FBI certifies to a special judge the seizure's necessity in an ongoing intelligence or terrorism investigation.

(continued on page 6)

## New Books: Drug War Crimes • Faulty Towers

(continued from page 1)

Miron arrives at this conclusion by carefully examining two questions central to the debate. First, does drug prohibition significantly reduce consumption? Second, does it reduce violence?

Drug-law enforcement impacts the lives of millions of Americans but is ineffective at reducing drug consumption. U.S. homicide rates over the past century suggest that drug prohibition increases violence: people in the drug trade settle their disputes by substituting guns for lawyers. Evidence from other countries also indicates that vigorous enforcement of prohibition is associated with higher, rather than lower, rates of violence, contrary to the standard defenses of prohibitionists.

If drug prohibition increases violence without significantly reducing drug use, what alter-

(continued on page 7)

### Praise for *Drug War Crimes*

"Powerful economic analysis."

—**JOSEPH D. MCNAMARA**, former Police Chief, San Jose and Kansas City

"Lucid, well-reasoned, and powerful."

—**MARGARET RUSSELL**, former V.P., ACLU, Prof. of Law, Santa Clara U.

"*Drug War Crimes* is a totally honest book that has been needed for a very long time."

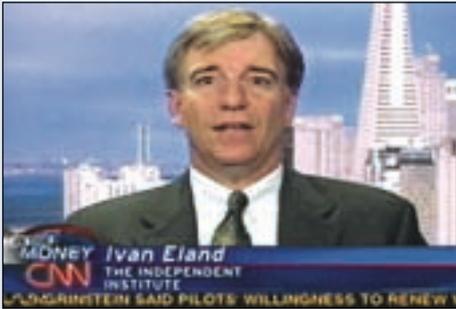
—**JOHN L. KANE, Jr.**, Senior Judge, U.S. District Court

"*Drug War Crimes* is thoughtful, solidly researched and dispassionate."

—**HUBERT WILLIAMS**, President, Police Foundation

## The Independent Institute in the News

- Senior Fellow **Ivan Eland** discussed the war in Iraq on MSNBC's "Scarborough Country" (12/9), CNN's "Lou Dobbs Tonight" (10/30, 12/24), Fox News's "Your World with Neal Cavuto," CNN International, and CNNfn's "Market Call." He was also quoted in news stories in *Agence France-Presse*, *Boston Globe* (1/2), *Chicago Tribune* (4/13, 4/19), *Christian Science Monitor* (8/28, 10/1), *Congressional Quarterly* (Feb.), *Dallas Morning News* (10/25), *Hartford Courant* (2/8), *Lima News* (10/7, 11/8), *National Zeitung* (1/13), *Orange County Register* (9/14, 9/22, 10/2, 11/4), *Orlando (FL) Sun Herald* (12/14, 4/7), *Portland Oregonian* (12/26), *Providence Journal* (2/28), *St. Petersburg Times* (8/21), *San Francisco Chronicle* (11/4, 1/2), *South China Morning Post* (5/8), and *Washington Post* (8/19). His articles appeared on *Aljazeera* (3/17), CBS



MarketWatch (4/7), *Common Dreams* (1/21), *Detroit Free Press* (2/25), *Finance Canada* (4/7), *Mediterranean Quarterly* (Fall), *Middle East Times* (10/10, 10/27, 11/17), *Palestine Chronicle* (11/3, 11/19, 12/4, 12/29, 1/5, 4/3), *Providence Journal* (9/26) and *USA Today*.

- Op-eds by Senior Fellow **Robert Higgs** appeared in the *San Francisco Chronicle* (12/7) (1/18), and in the *Palestine Chronicle* (4/19). He was quoted in the *San Francisco Chronicle* (9/14), *Wheeling News-Register* (10/7), *Christian Science Monitor* (2/23), *Washington Times* (9/26, 11/3), *New York Sun* (11/4), *PHX News* (12/29, 1/19), and *Mother Jones* (1/26), and he was interviewed in the *Congressional Quarterly* (Dec.).
- Research Director **Alexander Tabarrok** was featured in the *Wall Street Journal* (12/4), quoted on CBS MarketWatch on globalization (8/8) and the FDA (10/2), and cited in *Pharmaceutical & Medical Device Law Bulletin* (11/11), *Wall Street Journal* (12/4) and *Washington Times* (1/12).
- Senior Fellow **Richard Vedder** was interviewed on unemployment in the *Christian Science Monitor* (7/7), and *New Hampshire Union Leader* (2/28). His op-eds appeared in *Newsday* (9/14), *Greenwich (CT) Times* (9/18), *Pittsburgh Tribune-Review* (9/29), *Orange County Register* (9/24), *Valley News* (W. Lebanon, NH: 9/22), and Harrisburg (VA) *Daily News-Record* (1/24). Vedder was cited in the *San Antonio Express-News* (4/24), *Atlanta Journal-Constitution* (3/15), *Village Voice* (11/19), *Florida Times-Union* (12/10), *Courier* (12/17) and *Christian Science Monitor* (1/4).
- **Alvaro Vargas Llosa's** article about Brazil appeared in *New Perspectives Quarterly* (Jan.), *Libertad Digital* (1/12), *Perfiles del Siglo* (1/12), and *Global Economic Viewpoint* (1/12). *Time* (1/23) and *Selecta Magazine* (3/1) also featured him, and he has been cited in the *New York Times* (April), *El Vocero de Puerto Rico* (10/4), *Que Ondo!* (10/16, 1/1), *El Diario* (2/28), CBS MarketWatch (11/12), *Diario Las Americas* (12/19, 12/31), and *Abu Saleh America* (1/12). His op-eds have appeared in *Analitica* (11/18), *Correo* (12/14), *Diario Las Americas* (11/19, 12/7), *El Panama America Espasa* (11/18), *La Prensa* (11/20), *Libertad Digital* (11/17), TechCentralStation (11/18), *Tiempos del Mundo* (12/4), and *Todito Economico* (11/21, 11/28).
- **Wendy McElroy** continues her column on FoxNews.com, and was quoted in columns by David Limbaugh (8/16) and Michelle Malkin (1/14). **Brigid O'Neil's** op-eds on the PATRIOT Act appeared in the *Detroit News* (9/15), on the José Padilla case was quoted in *Mother Jones* (12/22), and the U.S. Guantanamo prison in *Pravda* (12/16). **Gabriel Gasave's** op-ed on transit visas was published in *El Nuevo Herald* (11/1) and *Miami Herald* (11/1). Senior Fellow **Bruce Benson** was interviewed by the *Columbus Dispatch* on limiting lawsuits (2/7), and he was cited on CNN Money.
- **Op-eds by Fellows: Roger Meiners'** "Forests for the People, Not Politicians," ran in the *Orange County Register* (12/1); **Robert Nelson's** "Scorched Earth Policies," ran in the *Wall Street Journal* (11/3); **Shirley Svorny's** critiquing bans of WalMart appeared in *The Los Angeles Times* (1/31); **William Marina's** on the war in Iraq on *Common Dreams* (4/15) and in the Asheville (NC) *Citizen Times* (4/17); **William Watkins's** on slave reparations appeared in the *Phoenix News* (2/4) and *Front Page* (2/6); **David Legates's** on global warming appeared on TechCentralStation (11/19, 2/6, 3/23); **Pierre Lemieux's** in *National Post* (8/6, 8/21, 8/28, 10/3, 12/5, 3/11), *Financial Post* (12/5, 3/11), *Regulation* (Winter), *Montreal Gazette* (9/17) and *Wall Street Journal* (4/23).
- **S. Fred Singer's** commentaries on climate change appeared in *Science* (8/03), *Pittsburgh Tribune Review* (10/15), *Washington Times* (8/10, 8/24), *Wall Street Journal* (11/10), *Financial Times* (12/30) and *Insight* (4/21). ●

*The Independent Review:***Environmental Discrimination • Economic Freedom**

The Independent Institute's quarterly journal, *The Independent Review*, continues to publish pioneering articles and reviews (individual subscriptions: \$28.95 per year).

- In 1994, President Bill Clinton issued an executive order instructing all federal agencies to be on the lookout for "environmental discrimination." Industrial polluters and state agencies were put on alert: no longer were minority communities to bear the brunt of pollution.

How big a problem is environmental discrimination? It may not be very prevalent, according to a study by economists **Jim Couch** (U. of N. Alabama), **Peter Williams** (U. of N. Alabama), **Jon Halvorson** (Indiana U. of Penn.), and **Keith Malone** (U. of Alabama) ("Of Racism and Rubbish: The Geography of Race and Pollution in Mississippi," Fall 2003). Although many might assume that Mississippi has among the worst pollution offenses that disproportionately harm racial minorities and the poor, their study concludes that "no positive association exists between heavy black population and large amounts of air pollution in the state of Mississippi." If anything, their study, which examines air pollution levels county by county, shows "less pollution in counties with higher black representation."

The study's authors point out, however, that "low levels of economic activity may explain why, in investigations of Mississippi county data, blacks as a group appear to be less exposed to pollution than nonblack residents." And, of course, none of this rules out the possibility of environmental discrimination elsewhere, as the authors are quick to note.

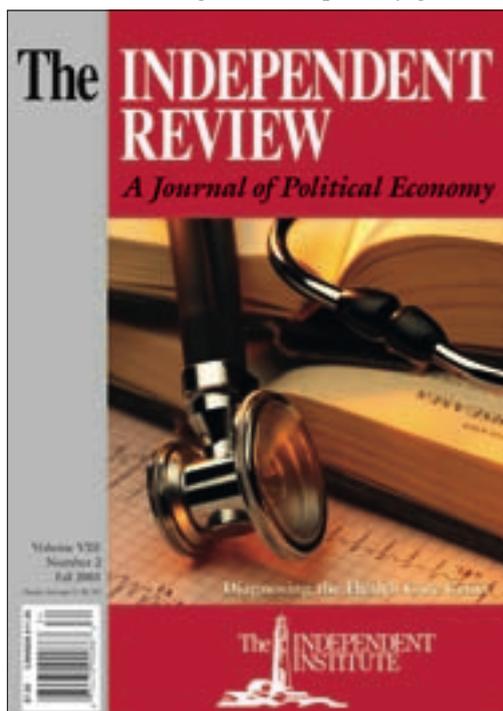
Suspensions of environmental discrimination cannot be dismissed outright—not when even the Environmental Protection Agency has, for political reasons, withheld information from the public about high pollution levels. For a sorry recent example, we have the Bush administration's directive that the EPA refrain from publicizing lower Manhattan's poor air quality in the weeks following 9/11.

Apparently, environmental discrimination is a practice that the federal government can warn others not to tolerate, but when it comes to its own pronouncements, it's politics as usual.

See "Of Racism and Rubbish: The Geography of Race and Pollution in Mississippi," (*The Independent Review*, Fall 2003): [http://www.independent.org/tii/content/pubs/review/tir82\\_couch.html](http://www.independent.org/tii/content/pubs/review/tir82_couch.html).

- Could indices that measure economic freedom across the globe tell us how to overcome poverty and foster prosperity?

In "The Benefits of Economic Freedom: A Survey," economist **Niclas Berggren** (Ratio Institute, Stockholm) surveys empirical studies on the relationship between freedom and wealth, and arrives at some important if unsurprising conclusions: small government, free markets, and a legal system that recognizes property rights contribute significantly to economic growth. "For countries with large public sectors, such as Sweden, which [by the *Economic Freedom Index*] was ranked 120 out of 123 countries in 2002, this relationship implies that a reduction of public undertakings is to be recommended to the extent that growth is a primary goal."



*The Independent Review*, Fall 2003.

By circumventing the private sector, government-provided social services can also slow economic growth. "For example, schooling and hospitals are run as government monopolies in many countries and are in most cases heavily regulated. This government activity reduces the scope for a dynamic, growth-enhancing market process in which each new business and each new way of doing something can be regarded as an experiment in trying to achieve better consumer satisfaction than existing alternatives."

Indices of economic freedom have not yet been perfected—indeed, Berggren describes some ways they can be improved—but they are very helpful nevertheless and reinforce what

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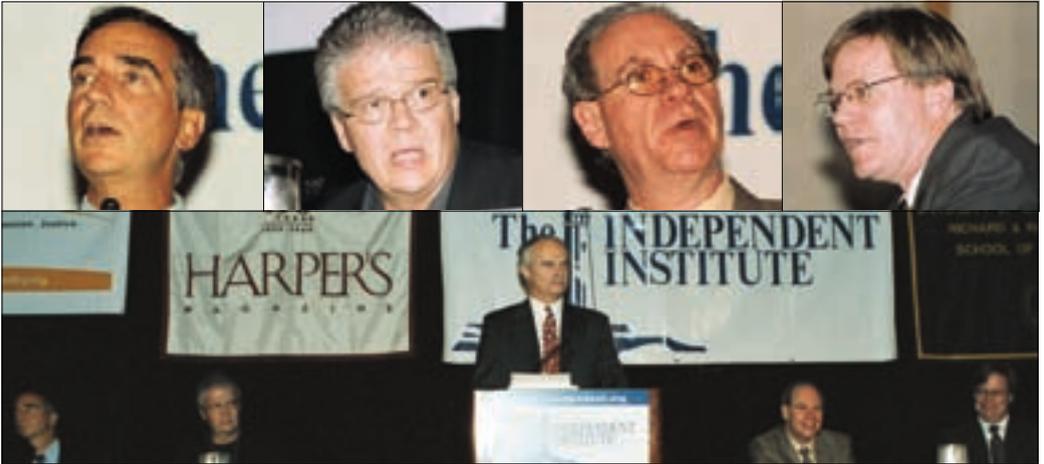
## Independent Policy Forums: Government Scams • Patriot Act • Medical Marijuana

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“Now what’s so significant about this section is that it relaxes and even eliminates completely any sense of duty and obligation for the FBI to certify to obtain a Section 215 Order based on something resembling probable cause,” Russell said.

**James Bovard** (author, *Terrorism and Tyranny: Trampling Freedom, Justice and Peace to Rid the World of Evil*) explained how the PA-

**Ed Rosenthal** (co-author, *Why Marijuana Should Be Legal*) recounted his recent federal trial, in which the court prevented jurors from learning that he had been deputized by the City of Oakland to cultivate marijuana for medical use under voter-approved Proposition 215. Rosenthal argued that the federal government and the state law enforcement community are eager to deny that marijuana has any legitimate



(Top left to right) **Donald Abrams**, **Edwin Dobb**, **Ed Rosenthal**, and **Robert MacCoun** address Independent Policy Forum on medical marijuana. (Bottom) Independent Institute President **David Theroux** moderates the program.

TRIBUT Act gives federal law enforcers the power to pursue non-terrorists without the hassle of regular legal safeguards.

“The PATRIOT Act was recently used to confiscate a telemarketing firm’s bank accounts because it was accused of fraud. They didn’t have any evidence. And it would have been very difficult to seize those bank accounts, what with the normal federal prosecution. But the PATRIOT Act saves a lot of paperwork for these federal agents who want to do these searches and do these seizures,” Bovard said.

**Ivan Eland** (Senior Fellow and Director of the Independent Institute’s Center on Peace & Liberty) summarized the sentiment of many critics of the USA PATRIOT Act when he said, “Murdering people, destroying property, causing injury were illegal long before these specialized terrorist laws came along. I think the government probably had adequate investigative and prosecutorial avenues available to fight terrorism even before 9/11.”

For a transcript of “PATRIOT Acts I & II,” see <http://www.independent.org/tii/forums/031113ipfTrans.html>.

● **THE TRUTH ABOUT MEDICAL MARIJUANA** (Oct. 2), co-sponsored with *Harper’s Magazine*, Drug Policy Alliance, and the Goldman School of Public Policy, University of California:

medical uses because they derive much power and resources from marijuana prohibition.

**Donald Abrams** (Professor of Clinical Medicine, U. of California, San Francisco) recounted his research examining the effect of marijuana on patients suffering from AIDS wasting. Patients who smoked marijuana, he said, gained three kilograms, compared to one kilogram in the placebo group.

**Edwin Dobb** (Contributing Editor, *Harper’s*) discussed some of the social ramifications of the federal ban on marijuana. Included among these, he said, are restrictions of free speech, invasion of privacy, violations of due process, and cruel and unusual punishment.

**Robert MacCoun** (Professor of Public Policy, U. of California; co-author, *Drug War Heresies*) explained some of his findings regarding marijuana policy in other countries. The Dutch, for example, found that when marijuana was de-penalized, marijuana users came into less contact with the dealers of hard drugs, leading to a decline in their use. “Many countries are looking at the evidence and concluding that it’s just very hard to justify an aggressive, American-style war on marijuana.”

For a transcript of “The Truth about Medical Marijuana,” see <http://www.independent.org/tii/forums/031002ipfTrans.html>. ●

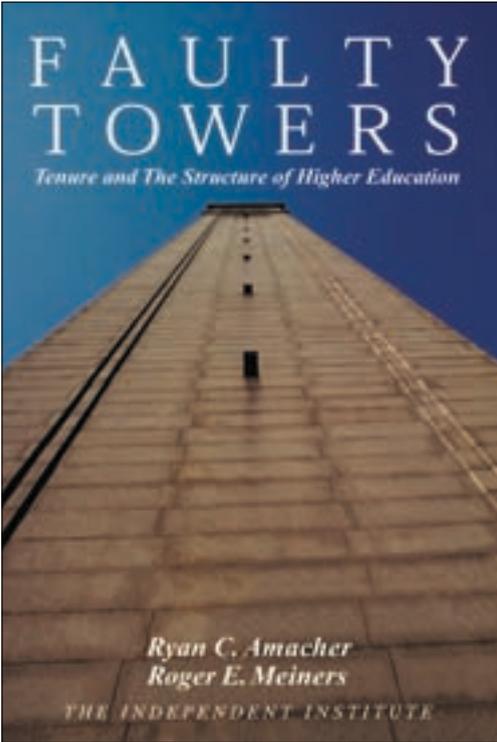
## New Books: *Drug War Crimes* • *Faulty Towers*

(continued from page 3)

native policies should we consider? *Drug War Crimes* argues that modifications of current prohibition (e.g., diminished enforcement, decriminalization, medicalization, or legalization of marijuana only) are moves in a beneficial direction, but they are inferior to legalizing drugs.

“Under legalization, there would still be problems related to drugs,” writes Miron. “Specifically, a small fraction of users would harm themselves and occasionally others, as occurs now for the range of legal goods. Most users, however, would obtain benefits that exceeded any costs, and the enormous externalities imposed by prohibition would disappear.”

Copies of *Drug War Crimes* are available for \$15.95 (add \$3 for shipping, Calif. residents add sales tax). [http://www.independent.org/tii/catalog/cat\\_drug\\_war.html](http://www.independent.org/tii/catalog/cat_drug_war.html).



● Critics of American higher education have good reason to be disturbed by some of the foolishness and waste observed in colleges. Often they blame tenure, an institution that even many academics misunderstand, but reforming tenure without addressing the structural defects in American higher education will not bring improvements, according to former university president **Ryan Amacher** and economist **Roger**

**Meiners** (University of Texas at Arlington).

In *Faulty Towers: Tenure and the Structure of Higher Education*, Amacher and Meiners make the case for enacting systematic reforms to make faculty and administrators more accountable to trustees, reduce bureaucratic constraints schools face, give students more choices, and improve competition among institutions of higher learning.

### Praise for *Faulty Towers*

“*Faulty Towers* is especially effective.”

—**HENRY M. LEVIN**, Professor of Economics and Education, Columbia U.

“*Faulty Towers* is a very sensible, balanced and informed book.”

—**NATHAN GLAZER**, Professor of Education and Sociology, Harvard Univ.

“*Faulty Towers* is a pathbreaking book, clear-headed and courageous.”

—**DONALD BOUDREAUX**, Professor of Economics, George Mason Univ.

“*Faulty Towers* presents a comprehensive and telling analysis of tenure issues.”

—**HERBERT J. WALBERG**, Emeritus Research Professor of Education and Psychology, U. of Illinois at Chicago

“A must read for anyone interested in the very real problems of higher education.”

—**JOHN W. SOMMER**, former Dean, School of Social Sci., U. of Texas, Dallas

*Faulty Towers* clarifies a number of myths surrounding tenure. Tenure should not be, for example, a lifetime entitlement that protects incompetent professors, and Amacher and Meiners cite legal cases showing that bad teachers with tenure have and should be fired.

*Faulty Towers* shows that the problem of unaccountable teachers has resulted from the politicization of colleges as government involvement has expanded. Instead, Amacher and Meiners propose decentralizing universities to make all colleges independent, private and self-funded. The resulting competition and privatization would make administrations and teachers accountable for school performance.

Copies of *Faulty Towers* are available for \$14.95 (add \$3 for shipping, Calif. residents add sales tax). [http://www.independent.org/tii/catalog/cat\\_faulty.html](http://www.independent.org/tii/catalog/cat_faulty.html). ●

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## Alvaro Vargas Llosa Honored

The Freedom of Expression Award was awarded to Independent Institute Research Fellow **Alvaro Vargas Llosa** by the Organization of Ibero-American Journalists, a group of journalists, media executives and scholars involved with issues relating to freedom of the press across the Western Hemisphere. The award was presented in Miami on December 12th. Mr. Vargas Llosa is the author of the Independent Institute book, *Liberty for Latin America*, being published in English by Farrar, Straus & Giroux and in Spanish by Planeta.



(Left to right): *Alvaro Vargas Llosa addresses Organization of Ibero-American Journalists, Alvaro Vargas Llosa at news conference, author Mario Vargas Llosa with Alvaro Vargas Llosa, and Freedom of Expression Award.*

He received the award as a writer for his courage, integrity, and unwavering pursuit of the truth, in the midst of intense political persecution and having to flee from the threat of arrest in Peru for his writing of investigative articles exposing government corruption.

In receiving the award, Mr. Vargas Llosa stated, “Too many journalists are still in jail across this hemisphere, and too few are able to prevail against physical aggression, judicial persecution and psychological intimidation for us to celebrate. The only real cause for celebration is the fact that those conditions have not broken the spirit of many of our colleagues, who continue to risk everything in order to engage in that most elementary of human impulses: the desire to communicate an event, an opinion, a perception, to the rest of us.”

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### *The Independent Review*

(continued from page 5)

economic theorists have been telling us for at least two centuries.

“Adam Smith argued that market processes satisfy people’s demands spontaneously. Even though he realized that free markets are not perfect, he understood that they, more than any alternatives, are able to advance wealth and welfare.” See “The Benefits of Economic Freedom” (*The Independent Review*, Fall 2003): [http://www.independent.org/tii/content/pubs/review/tir82\\_bergren.html](http://www.independent.org/tii/content/pubs/review/tir82_bergren.html). ●

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