

The INDEPENDENT

NEWSLETTER OF
THE INDEPENDENT INSTITUTE

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Robert Galvin Honored

On April 21, 2004, the Independent Institute hosted the black tie dinner at the Ritz Carlton Hotel in San Francisco, “Innovation, Entrepreneurship, and the Global Marketplace,” featuring **Robert W. Galvin** (chairman emeritus, Motorola), **Peter Thiel** (Co-Founder, PayPal), and **Daniel Edelman** (Founder and Chairman, Edelman Public Relations Worldwide).



Independent Institute President David Theroux presents Robert Galvin with the Alexis de Tocqueville Memorial Award.

Peter Thiel began by recounting the meteoric rise of PayPal, the world’s leading Internet payment system, explaining its role in the global marketplace. “I think the only way that a global economy can ultimately work is if it is based on free trade, on the free exchange of different people,” Thiel said. “If you don’t think of it in economic or free market terms, if you think of it only in political terms, then you run into nothing but paradoxes.” On one level we see

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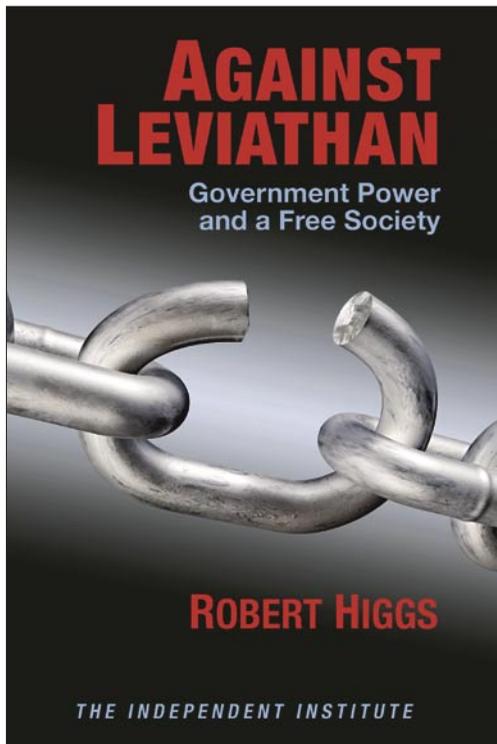
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New Books Defend Liberty

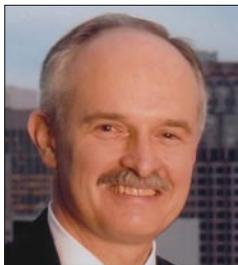
The Independent Institute’s new books—*Reclaiming the American Revolution* and *Against Leviathan*—offer rigorous defenses of individual liberty against government encroachment.

In *Against Leviathan*, economist and historian **Robert Higgs** shows that denial and deceit permeate U.S. government policy and foster the growth of big government—with dismal consequences for the average citizen.



Higgs shows how special-interest groups have taken advantage of war and economic crises (and sometimes even manufactured them) to expand their power and material well-being at the expense of an ignorant public. In an eye-opening analysis of “our glorious leaders,” Higgs shows that some of America’s most popular presidents have done the most harm to

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President's Letter:

The Politics of Power

"The whole aim of practical politics is to keep the populace alarmed (and hence clamorous to be led to safety) by menacing it with an endless series of hobgoblins, all of them imaginary."

—H. L. Mencken

And so we have had yet another presidential race in which both major candidates danced around real issues while firmly supporting expanded government powers that they alone could wield for "our benefit." For months, we had to endure a constant bombardment of contrived "crises," misleading ads, inane photo ops, choreographed speeches and phony "debates," for which coiffed hair, monotonous one-liners, and spin were the standards for success.

Meanwhile, Americans face record deficits and spending, increasing violence in Iraq, escalating health-care costs, failing public schools, record pork and corporate welfare, erosion of the rule of law, and unchecked police surveillance powers. Is the populace irreversibly ignorant of the existence, costs and consequences of government profligacy? Will the voters always select rulers based on the most trivial of issues? Must voters be blind that the U.S. may have opened a Pandora's Box in one of the most dangerous regions in the world by embarking on an unprovoked war in the Mideast—a war so far costing almost \$200 billion, thousands of dead and injured, record numbers of new terrorists, and world opinion overwhelmingly against the U.S.?

However, polls indicate that support for the War in Iraq has continued to decline from a peak of over 70% in April 2003 to under 50% today, and still falling. And with this change has come increased public questioning of government power, which may partly explain apparent election support for individual Social Security accounts and lower taxes.

Hastening this skepticism, the Independent Institute has been a consistently clear voice of reason against political expediency, special-interest mongering, and mindless conformity. Our events (pp. 1, 2), publications (pp. 1, 5), and media programs (p. 4), continue to pioneer sound alternatives to government folly. Now to continue and expand this work, we invite you to join with us as an **Independent Associate Member** and receive a FREE copy of *Against Leviathan* (please see attached envelope).

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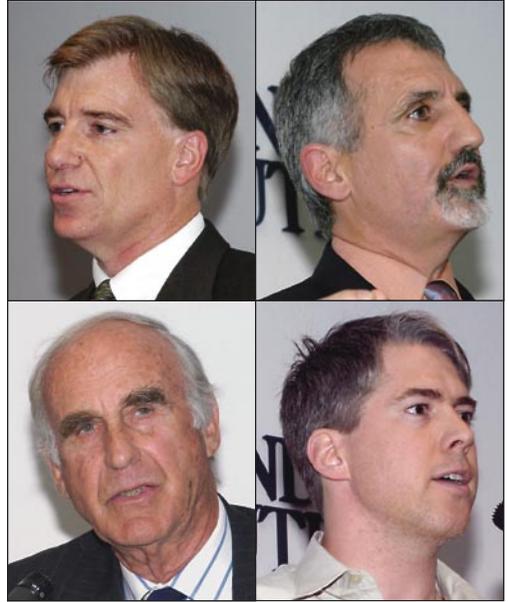
Policy Forums on the War in Iraq, the Drug War, and Property Rights

Recently, Independent Policy Forums were held by the Independent Institute on the war in Iraq, the drug war, and private property rights.

• **THE FUTURE OF IRAQ: Democracy or Quagmire?** (June 17): How well is Iraq's new government likely to serve its citizens? And what can the U.S. do to best promote peace, self-governance, and economic well-being in Iraq?

Ivan Eland (Senior Fellow and Director, Center on Peace & Liberty, The Independent Institute) began by proposing a constitutional convention composed of delegates from every Iraqi locality, tribe, and religious group but *without* representatives of the U.S. or the interim Iraqi government. Only this approach would give the convention full legitimacy in the eyes of Iraqis. It would also likely result in a decentralized government structure like the Swiss canton system, a partitioning of the country, or secession of some regions, but it would greatly reduce the likelihood of a civil war.

George Bisharat (Professor of Middle East Affairs, Hastings Law School, Univ. of California) predicted that violence would likely plague Iraq in the short and intermediate term. Iraq's lack of true sovereignty, ethnic and religious divisions, and lack of experience with democracy and the rule of law are serious obstacles to the attainment of a Western-style liberal democracy. The U.S. could help Iraqis best by ending its oc-



(Clockwise from upper left) **Ivan Eland, George Bisharat, Christopher Scheer and James Noyes** address the war in Iraq.

cupation and allowing an Iraqi-style democracy to emerge, Bisharat argued. "We also have to understand that democracy is not imposed at the point of a gun," he cautioned. "It is a gradual, painstaking process of years and cannot be affected quickly and forcefully."

James Noyes (Research Fellow, Hoover In-

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Robert Galvin Honored

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the entire world becoming networked into one interconnected group; on the other hand, because people are different this grouping is not at all unified. Politicians often take credit for bringing people together, but only commerce and technology — not politics — can produce true unity and social cohesion, Thiel argued.

Robert Galvin, whose technological vision and business leadership made Motorola one of the most celebrated companies, explained that both innovative entrepreneurship and the global marketplace fundamentally owe much to the pioneering thinkers of the 18th-century Scottish Enlightenment.

"The big lesson of the Scots was the lesson of the role of property in commercializing societies," said Galvin. "It was the role of property that the Scots taught to our Founding Fathers, that first made it possible to establish a country built on commerce, capital, and the creation of

wealth through the employment of a subsystem in society called business."

Daniel Edelman shared insights on Robert Galvin's career and life, and the evening culminated when Institute President David Theroux awarded Mr. Galvin the Institute's Alexis de Tocqueville Memorial Award, which is given to outstanding individuals whose dedication and contributions have boldly advanced public knowledge and who uphold the principles of individual liberty as the foundation of free, prosperous and humane societies. Previous recipients have included historian Robert Conquest, financier/philanthropist Sir John Templeton, Nobel Laureate economist James Buchanan, and business author Tom Peters.

For the transcription of "Innovation, Entrepreneurship, and the Global Marketplace," see <http://www.independent.org/tii/forums/events/transcript.asp?eventID=91>. •

The Independent Institute in the News

- Senior Fellow **Ivan Eland** discussed the war in Iraq on NBC (5/5), CNN “In the Money” (6/19), CBS “Eyewitness News” (6/1, 6/22), Radio Free Europe (7/22), BBC Radio London (7/22), and CNN (8/5, 8/6). His work also appeared in op-eds or was quoted in the *Orange County Register*, (5/4), (5/25), (5/30), (6/4), (7/23), *San Diego Union Tribune* (6/18), (6/19), (8/18), *Christian Science Monitor* (7/2), (5/19), (7/29), *San Francisco Chronicle* (7/13), *Washington Times* (8/16), *Hartford Courant* (8/3), *San Mateo County Times* (7/23), *Providence Journal* (7/27), *Oakland Tribune* (7/22), *Beaufort Gazette* (7/1, 7/23), *Merced Sun Star* (7/1, 7/23). *Modesto Bee* (7/1, 7/23), *Arizona Republic* (8/3), *Eagle Tribune* (5/6), *Common Dreams* (5/12, 5/27), *Palestine Chronicle* (5/13) (6/8), *Brownsville Herald* (5/23), *Corpus Christi Caller-Times* (5/23), *Global Security* (5/24), *Valley Morning Star* (5/24) (6/4), *Desert Dispatch* (5/11, 5/26), *Leger Enquirer* (7/18), *Calgary Herald* (8/4), and *Asia Times* (6/24).



(Left to Right) **Andres Oppenheimer** interviews **Alvaro Vargas Llosa** for “*Oppenheimer Presents*,” which airs in 15 countries.

- Senior Fellow **Alvaro Vargas Llosa**’s op-ed about the recent referendum in Venezuela appeared in the *San Francisco Chronicle* (8/25). His article “Next Steps for Venezuela,” appeared in *Diario Las Americas* (8/24), *El Panama America* (8/24), *Petroleum World* (8/25). Other articles appeared in the *Deutsche Presse-Agentur* (6/27, 8/4, 8/5), *Xinhua News Agency*, *La Nacion Revista del Domingo* (7/4), *UPI Chile* (6/22), *Agence Free Presse* (6/20), *EFE News Service* (5/28, 6/21) and *El Panama America* (5/3), *El Nuevo Herald Miami* (5/29) and *La Nacion* (6/22). He was mentioned in *Vocero Hispano* (6/25).
- Senior Fellow **Richard Vedder** discussed the rising cost of college tuition on NPR “Talk of the Nation” (7/13), and his op-eds appeared in the *Los Angeles Times* (7/18) and *Miami Herald* (5/23). He was mentioned or quoted in *Plain Dealer* (8/30), and *Christian Science Monitor* (7/7).
- Research Fellows **Michael Krauss** and **S. Fred Singer** wrote an op-ed, “Pseudo-Tort Alert!”, that appeared in the *Wall Street Journal* (8/3), and another Singer op-ed, “Tackling World’s Problems,” in the *Wall Street Journal* (5/18), and his piece, “Between Polar Opposites,” appeared in *Regulation* (Spring).
- **Stephen Halbrook**’s op-ed, “The Darker Side of Gun Control,” appeared in the *National Law Journal* (5/24) and he was cited in the *Magic City Morning Star* (6/7).
- **Wendy McElroy** continues her column on FoxNews.com, and her op-ed, “Treat Accused, Accuser Alike,” appeared in *USA Today* (8/25). Her pieces also appeared in the *Toronto Globe and Mail* (5/8), and *Union Leader* (6/5) and was interviewed on KDXU Salt Lake City (6/1).
- **Wilfred Beckerman**’s *A Poverty of Reason*, was reviewed in the *National Post* (7/23) and was mentioned in the *London Times* (8/5).
- **Jeffrey Miron** discussed his new book *Drug War Crimes* in the *San Francisco Chronicle* (5/3) and on Alternet.org (5/7). Reviews appeared in *Progressive Review* (6/14), *Pittsburgh Tribune Review* (8/2), and *American Spectator* (8/4).
- **William Marina**’s piece “Torture & Civilian Deaths in Three Counterinsurgencies” appeared on *History News Network* (5/11).
- Research Director **Alex Tabarrok** was cited in the *San Francisco Chronicle* discussing the commercial bail system (5/12) and his article on off-label drugs appeared in *Regulation* (July).
- Senior Fellow **Robert Higgs**’ piece “Tanks Don’t Carry Justice” ran in the *San Francisco Chronicle* (5/16) and was mentioned in the *Orange County Register* (7/11) and *Seattle Times* (7/28).
- **Pierre Lemieux** had two articles, “How to Hide Expenditures” and “Monopoly on Trial” that appeared in the *National Post* (5/21, 6/9).
- A review of **Douglas Glen Whitman**’s *Strange Brew* appeared in *American Brewer* (Spring), and his op-ed on the wine shipping ban appeared in the *East Bay Business Times* (7/12).
- Reviews of the Institute’s books, *Faulty Towers* and *Changing the Guard* ran in the *Educational Book Review* (May/June).
- **Benjamin Powell**, had a piece entitled, “A Huge Hidden Tax on New Homes” in the *Orange County Register* (6/25). His op-ed on affordable housing appeared in the *Soledad Bee* (8/18) and *Register Pajaronian* (8/22).
- President **David Theroux** was interviewed on NPR “Marketplace” (8/3), and was quoted in the *San Francisco Chronicle* (8/3) and *Sacramento Business Journal* (10/1).

The Independent Review

Vaccines • Unemployment Accounts • Non-Interventionism

The Independent Review, the Institute's quarterly journal, continues to publish leading-edge scholarship on public policy (individual subscriptions: \$28.95 per year).

- Childhood vaccines have been in short supply in the U.S. since 2000 and the recent massive shortage of flu vaccines has made this issue a major one. Although many reports have attributed this shortage to an over-reliance on the "free market" to deliver needed supplies, the primary cause of problem has been the Food and Drug Administration (FDA), according to **Arthur E. Foulkes** (Northwood University).

Recent FDA policies have caused some vaccine suppliers to temporarily halt production for unnecessary equipment upgrades and have prompted others to exit the vaccine market entirely, Foulkes argues. The FDA's Current Good Manufacturing Practice regulations (CGMP) are especially culpable for the vaccine supply disruptions. "When the FDA strengthened its CGMP protocols, it failed to inform the vaccine industry clearly of the change," Foulkes writes."

Fines stemming from CGMP violations have crippled some vaccine suppliers, although product contamination was never demonstrated. CGMP standards also forced vaccine factories to shutdown "to upgrade their production equipment, often at costs of millions of dollars, even when the current equipment is still functioning properly," writes Foulkes.

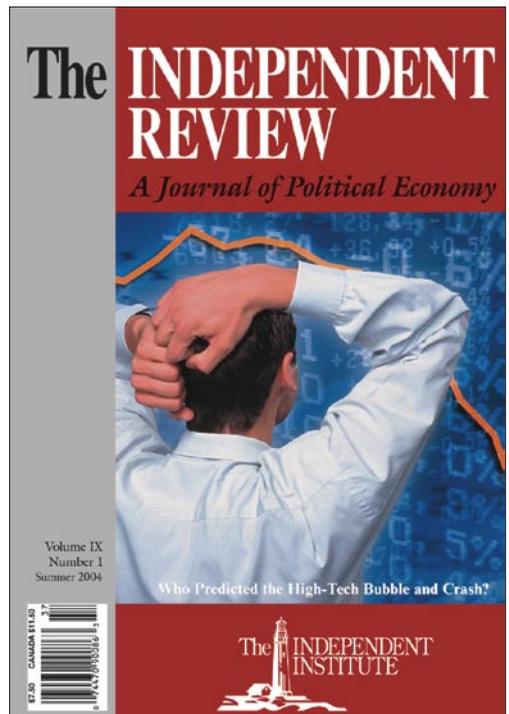
"In sum, it is certainly possible to obscure the FDA's role in vaccine shortages," writes Foulkes. "The truth, however, is that vaccine companies left the business because of FDA-mandated plant shutdowns, consent decrees, equipment upgrades, and other costs, often in the face of government-imposed price caps. Difficulties in manufacturing were significant only because the FDA was slow in determining the makeup of flu vaccines.

See "Weakened Immunity: How the Food and Drug Administration Caused Recent Vaccine-Supply Problems," *The Independent Review*, Summer 2004, at <http://www.independent.org/publications/tir/article.asp?issueID=38&articleID=213>.

- American workers, companies and consumers would be far better off if government unemployment programs were replaced with Individual Unemployment Accounts (IUAs), according to **Lawrence Brunner** and **Stephen M. Colarelli** (Central Michigan U.) The current system inadvertently encourages layoffs, but IUAs would eliminate this problem by giving employers more flexibility in employment man-

agement. IUAs would also give unemployed workers greater flexibility and incentive to search for work. Individuals could choose how to allocate their IUA funds between various relatively liquid assets. Unemployed people could withdraw IUA funds for any purpose without incurring a tax penalty.

See "Individual Unemployment Accounts," (*The Independent Review*, Spring 2004): <http://www.independent.org/publications/tir/article.asp?issueID=13&articleID=40>.



The Independent Review, Summer 2004

- Unlike today, before the United States entered World War II, many criticized the Republican Party for the strong "isolationist" foreign-policy sentiments emanating from its ranks. After the war, those criticisms were often directed at Ohio Senator Robert A. Taft, the most articulate congressional advocate of non-interventionism and a man whose GOP leadership role earned him the nickname, "Mr. Republican."

"Taft's foreign-policy views were neither naive nor nostalgic," writes **Michael T. Hayes** (Colgate U.). "To the contrary, his critique of internationalism deserved to be taken seriously and was vindicated subsequently on many points."

Taft thought U.S. foreign policy should aim primarily "to protect the liberty of the people of the United States"; secondarily, it should maintain peace. Although he viewed liberty as the birthright of people everywhere, Taft feared

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Independent Policy Forums: War in Iraq, the Drug War and Property Rights (continued from page 3)

stitution) reprised Bisharat's pessimistic forecast and added that because it was very unrealistic to believe that a U.S. occupation could mentor democracy in Iraq, the architects of U.S. policy must have sought some other aim. One consequence of the disruptions caused by the war and occupation, he said, is the likely "return to old militias . . . inimical to the development of a broadly representative government for Iraq."

Christopher Scheer (co-author, *The Five Biggest Lies Bush Told Us about Iraq*) was similarly pessimistic. "The best-case scenario for Iraq is that you end up with authoritarian, yet semi-democratic, leaders who don't murder and torture as much as their neighbors, and there's not a civil war in Iraq," he said. "I hope it will turn out much better than that, but it is likely that we will end up with another Saddam Hussein. After all, that has been the result of U.S. policy in the region for the last 45 years."

For a transcript of "The Future of Iraq: Democracy or Quagmire?" see <http://www.independent.org/events/transcript.asp?eventID=97>.

• **DRUG WAR CRIMES** (May 6): Three drug-policy experts discussed the harmful effects of the America's drug laws. **Jeffrey A. Miron** (Professor of Economics, Boston University; author, *Drug War Crimes: The Consequences of Prohibition*) argued that drug prohibition has been disastrous. Far from reducing crime, the drug war "creates violence, because the participants in a black market cannot resolve their disputes using lawyers, arbitration systems, and judges," Miron said.

Although some believe that prohibition makes "a moral statement" against drugs, the Drug War, according to Miron, is "far more immoral than legalization and drug use, because it has enormous effects which negatively impact innocent bystanders."

Joseph McNamara (former Chief of Police, San Jose and Kansas City; Research Fellow, Hoover Institution) discussed how drug laws can transform police officers into "rogue cops". The daily frustrations of fighting a futile war has made many police officers see the Constitution not "as a glorious document that established unique civil rights in the history of civilization, [but instead] as an obstacle that they have to get around to do their job," McNamara said. Prohibition is contrary to the country's oldest traditions, he added: "For the first 140 years of this republic, your right to life, liberty, and the pursuit of happiness included the right to use any substance that you wanted, and to sell it."



(Top left to right) **Jeffrey Miron**, **Joseph McNamara** and **Ethan Nadelmann** discuss the war on drugs. (Bottom left to right) **Richard Epstein** and **Jeffrey Rogers Hummel** talk about the growth of government.

Ethan Nadelmann (Executive Director, Drug Policy Alliance) concluded the presentations by analyzing various policy options. Nadelmann said he finds the "harm reduction" approach, which seeks to decriminalize drugs while exerting additional control to reduce their harms, especially attractive. He concluded by urging the audience to make drug reform a high-priority.

For the transcript of "Drug War Crimes," see <http://www.independent.org/events/transcript.asp?eventID=95>.

• **THE PROMISED LAND OF THE FREE** (March 9): Today's high tax rates, massive government bureaucracy, Byzantine regulations, and attacks on property rights cannot be reconciled with the founding principles of America, explained **Richard Epstein** (Professor of Law, U. of Chicago). Drawing upon his recent book, *Skepticism and Freedom*, Epstein argued that the growth of the U.S. government has come at the expense of individual liberty, constitutional republicanism, and the common law.

Between the Civil War and the New Deal, the courts generally upheld the doctrine that "the basic liberties that people had . . . included the right of people to dispose of their labor as they saw fit," Epstein said. After the New Deal, however, the courts expanded their interpretation of the Constitution's commerce clause "to give the federal government plenary power to regulate essentially every economic activity under the sun."

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New Books Defend Liberty

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the liberty and prosperity of its citizens.

Confronting the widespread belief that “the era of big government is over,” Higgs offers evidence that this anticipation represents little more than wishful thinking. After a century of fighting a losing battle against their own government, Higgs asks whether most Americans have simply accommodated themselves to a society with pervasive and dysfunctional government power.

Praise for *Against Leviathan*

“This hard-hitting book exposes how the welfare-warfare state threatens our freedom and prosperity.” —**Cong. Ron Paul**

“I wish liberals and even radicals felt and wrote as strongly about the Iron Heel of government power as does Robert Higgs.”

—**Alexander Cockburn**, columnist, *Nation*

“Higgs demonstrates why he is a master of swimming against the tide.”

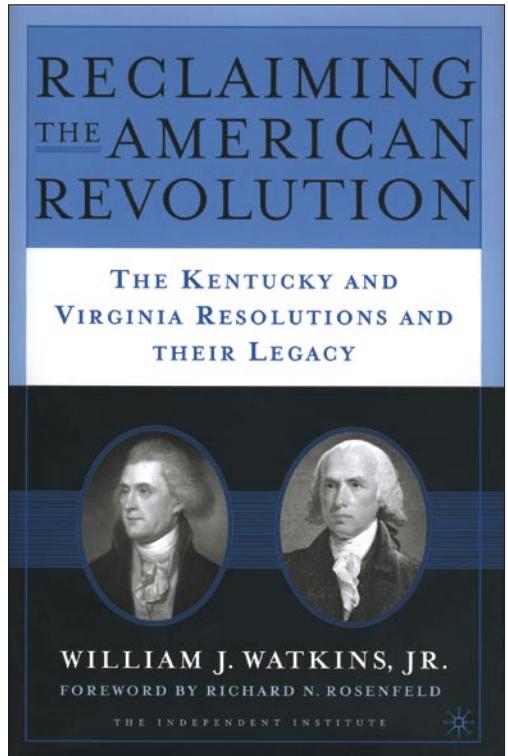
—**Steve Hanke**, Prof. of Applied Econ., Johns Hopkins University

• Thomas Jefferson and James Madison authored two seminal documents to protest the Alien and Sedition Acts of 1798, which had given the presidency of John Adams statutory authority to prosecute criticism of the national government. **William J. Watkins, Jr.** explains the importance of these documents in *Reclaiming the American Revolution: The Kentucky and Virginia Resolutions and Their Legacy*.

Ostensibly aimed at securing the homeland as the Federalist Party braced for war with France, the Acts consolidated political power for the Federalists. Jefferson and Madison saw the Acts as an attack on civil liberties and popular sovereignty and were incensed when the government used the Acts to bring lawsuits for seditious libel against newspapers in Philadelphia, Boston, New York, and Richmond.

Jefferson and Madison held that the Acts could be declared void through the doctrine of nullification and interposition, although neither the Kentucky nor Virginia Resolution actually nullified a federal law. The Sedition Act expired at midnight just before Jefferson took office after the election of 1800, and the principles of the resolutions gained acceptance throughout the U.S.

New Publications & Events:
www.independent.org



Praise for *Reclaiming the American Revolution*

“Thorough, thoughtful, and important study.”

—**Joyce Appleby**, Prof. of History, UCLA

“Watkins has shown for the first time that the Kentucky and Virginia Resolutions were a natural outgrowth of the American Revolution and have relevance for today.”

—**Clyde Wilson**, Professor of History, University of South Carolina

“Important, intriguing, controversial and full of interest.” —**Robert Middlekauf**,

Prof. of History, University of California

Watkins’ final chapter shows the resolutions’ relevance to such contemporary issues as the USA PATRIOT Act and the battle over medical marijuana. “If Americans embrace the Resolves’ [resolutions’] lessons about ultimate sovereignty and divided legislative sovereignty, then a renewal of federalism and a restoration of our Constitution is possible,” he concludes.

Copies of *Against Leviathan* and *Reclaiming the American Revolution* are available at <http://www.independent.org/store>.

To Order Anytime:
1-800-927-8733

Newly Enhanced Independent Institute Website



Visitors to the Independent Institute's website have noticed a change recently as the Institute has revamped and greatly enhanced its website. The new look provides visitors with improved graphics that are easier to read, better organized, simpler to navigate, and more accessible and searchable. In addition, more than 200 articles have been translated into Spanish for the Independent Institute's Spanish-language website. Please visit both of these websites at www.independent.org and www.elindependent.org. ●

The Independent Review

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that U.S. interventionism would end up supporting repressive regimes.

Concludes Hayes: "Although [Taft] would neither lead a crusade to liberate foreign nations nor commit U.S. troops to foreign conflicts in which American liberty was not threatened directly, he almost surely would have been appalled to find U.S. foreign policies linked in any way to the development of state terrorism and to the widespread denial of due process and political rights in developing nations."

See "The Republican Road Not Taken: The Foreign-Policy Vision of Robert A. Taft" (Spring 2004): <http://www.independent.org/publications/tir/article.asp?issueID=13&articleID=37>. ●

Independent Policy Forums

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Jeffrey Rogers Hummel (Professor of Economics, San Jose State U.) agreed with Epstein that government expansion has been particularly harmful in the realms of eminent domain, contract law, wealth distribution and federalism. However, he said that Epstein conceded too much to the government, taking issue with Epstein's claim that government must "supply some kind of social infrastructure," using "a system taxes" and "a system of takings."

Borrowing from the title of an earlier book by Epstein, *Simple Rules for a Complex World*, Hummel argued that the rules that constrain governments must be kept very simple or they will come to be interpreted too broadly, resulting in the erosion of individual liberties. In so doing, Hummel critiqued both taxes and takings of any kind, contrasting his moral arguments against government encroachment with the utilitarian approach favored by Epstein.

For a transcript of "The Promised Land of the Free," see <http://www.independent.org/events/transcript.asp?eventID=90>. ●

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