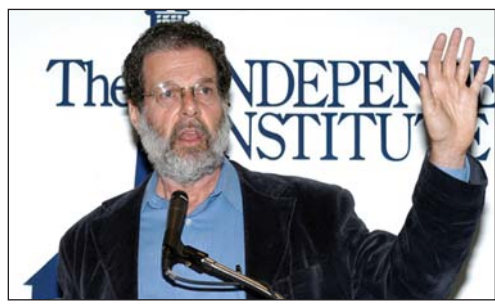


Immigration and Property Rights

The heated national debate over immigration has serious consequences for both Americans and foreigners. Will the shortage of agricultural workers drive up the prices of farm products? What changes in U.S. immigration policy would most help lower prices, improve productivity, and increase real wages? Which changes would make matters worse?

These are some of the questions that journalist **Peter Laufer** and economist **Benjamin Powell** discussed at the Sept. 21 Independent Policy Forum, “*Immigration Wars: Open or Closed Borders for America?*”



Peter Laufer, former NBC News correspondent and author of Wetback Nation, addresses the Independent Policy Forum.

Laufer, a former NBC television news correspondent and talk-radio host, began by reading two excerpts from his new book, *Wetback Nation: The Case for Opening the Mexican-American Border*. The first selection explored

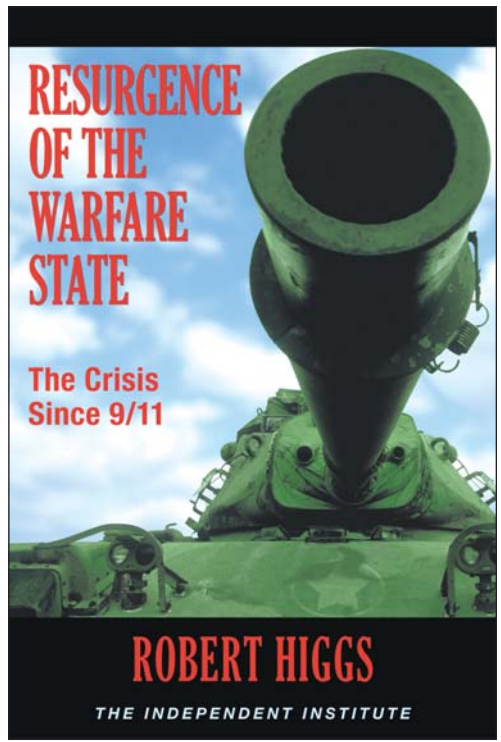
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New Book Examines the Crisis Since 9/11

Immediately after 9/11, government officials and commentators claimed that the terrorist attacks had “changed everything.” In contrast, economist and historian **Robert Higgs** (Senior Fellow at the Independent Institute and editor of *The Independent Review*) warned that history would likely repeat itself in one key respect: the government’s hasty reactions would resemble its responses to previous crises, providing little more than opportunities for special interests to feather their nests and for the government itself to expand its powers at the expense of the public’s wealth and civil liberties.



Robert Higgs’s new book, *Resurgence of the Warfare State: The Crisis Since 9/11* (\$12.95, paperback), is a real-time analysis of the U.S. government’s tragic but predictable response: the quick enactment of the USA PATRIOT Act,

(continued on page 3)



President's Letter:

Just Say No to Leviathan

Virtually alone, the Independent Institute has warned against the unprecedented growth of government power after recent crises — from Medicare to the war on terrorism to the Katrina catastrophe to the new flu pandemic. Huge programs have been created or expanded without political discussion, accountability, or likelihood of success should an actual crisis occur. As an article in the *Wall Street Journal* declared, “The era of small government is over. Sept. 11 challenged it. Katrina killed it.”

With the federal government growing by *one-third* since 9/11, Congress has increased the national debt to \$8 trillion, and the feds this year are consuming 20 percent of the gross domestic product and a record \$2.5 trillion. As our Senior Fellow **Robert Higgs** has shown (see p. 1), unless effectively challenged, the result is record incompetence, waste, pork, and corruption.

Fortunately, this year also provides a unique opportunity to prove the *Wall Street Journal* claim wrong. Americans have a long and rich heritage of charitable giving that pre-dates *any* income tax code, and this year has broken all records. So as not to reduce taxpayers' support of their usual favorite charities, Congress has enacted the Katrina Emergency Tax Relief Act of 2005 (KETRA), which temporarily suspends limits on charitable deductions.

In a nutshell, you can deduct from your taxes a gift made to the Independent Institute before December 31, 2005, even when that gift brings your total giving above the usual limits for deductibility (see p. 7)! With 85¢ of every dollar donated going directly to our programs, we are among the most cost-effective of nonprofit organizations, earning Charity Navigator's highest **4-Star Rating** (p. 8).

What does your donation support? We provide real solutions to problems of “government failure” in our new books by Dr. Higgs, *Against Leviathan* and *Resurgence of the Warfare State* (p. 1), as well in as our journal *The Independent Review* (p. 5), and our conference and media projects (p. 4). Please help us prove the *Wall Street Journal*'s predictions wrong by becoming an **Independent Associate Member**—and receive a FREE copy of Dr. Higgs new book (please see attached envelope).

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Independent Policy Forum: Immigration and Property Rights

(continued from page 1)

the role of borders, broadly construed, in everyday life. The second discussed the frustrations of Americans who live in areas where illegal aliens frequently cross the U.S.-Mexico border and who are dissatisfied with current policies and their enforcement.

As Laufer noted, these frustrations led President Bush to propose increasing the number of work visas, but the Bush plan also ties them to one employer and limits their duration to three years, renewable only once. Laufer criticized this proposal, arguing that it leaves too much discretion to employers and doesn't encourage employees to "buy into" the American system, because it allows them to work in the U.S. for six years at most.

Benjamin Powell, who directs the Independent Institute's **Center on Entrepreneurial Innovation**, then discussed the economics of immigration. He noted, for example, that immigrants to the U.S. tend to pay their own way over the course of their lifetime, rather than on net being subsidized by U.S. taxpayers.

He also argued that policies which consistently enforced private-property rights and freedom of association would reduce most of the complaints about undocumented immigrants. First, American property owners near the Mexican border would no longer be troubled by trespassing and littering; immigrants would

use normal transportation channels. Second, employers and others would be able to hire or invite to visit whomever they wanted.

"In the end, I honestly think the only humane, moral and efficient solution is one that involves the free passages of all people of all races and all places of origin in any quantity so long as they are free from demonstrated criminal intent or terrorist activity," Powell concluded.

For a transcript of the Independent Policy Forum, "*Immigration Wars: Open or Closed Borders for America?*," featuring **Peter Laufer** and **Benjamin Powell** (9/21/05), see <http://independent.org/events>.●



Benjamin Powell, Director of the Independent Institute's Center on Entrepreneurial Innovation, addresses the Independent Policy Forum.

New Book: New Book Examines the Crisis Since 9/11

(continued from page 1)

the federal takeover of airport security, the massive increase in defense and other government spending, and the carnage in Afghanistan and Iraq wrought by leaders unaccountable for their costly and deadly mistakes.

Higgs paints a bleak picture, showing how America's political leaders in the name of "crisis management" have discarded many of the checks and balances created to thwart potential abuses of government power, spent additional billions of dollars on programs unrelated to national security, trampled civil and economic liberties and due process at home, and pursued reckless military adventures that have needlessly killed thousands of innocents abroad.

"If George Orwell were alive today, he would not be surprised, but he would have plenty of fresh raw material for his continuing analysis of Newspeak," writes Higgs in the book's introduction. "To listen to political leaders' pronouncements at any time requires a strong stomach, but during the past four years the challenge has often been greater

than I could bear. How anyone can actually admire these people surpasses my powers of comprehension."

To purchase *Resurgence of the Warfare State*, see http://independent.org/store/book_detail.asp?bookID=60.●

Praise for *Resurgence of the Warfare State*

"Robert Higgs provides a top-notch analysis of how the crusade for global democracy abroad and the related growth in the surveillance state at home threaten freedom and constitutional government."

— **Ron Paul**, U.S. Congressman

"In his very powerful and incisive book, Robert Higgs is a prophet who deserves honor—and more importantly, urgent attention. This book is well worth reading for anyone seeking a more peaceful, safer and freer world."

— **Daniel Ellsberg**, author, *Secrets: A Memoir of Vietnam and the Pentagon Papers*

The Independent Institute in the News

• **Opinion:** **Alvaro Vargas Llosa's** *New Republic* article critiquing Argentine-born, Cuban revolutionary Che Guevara continues to generate attention and was most recently republished in Canada's *National Post*. Vargas Llosa also wrote on Brazil's President Lula da Silva for *Providence Journal* as well as on Social Security reform for *San Diego Union-Tribune*. **William Watkins** wrote an article on the constitutionality of the *Gonzales v. Raich* case for *Chronicles* magazine as well as an op ed on the role of the Supreme Court for South Carolina's *Herald-Journal*. **Benjamin Powell** wrote several pieces on free trade, outsourcing, California's budget crisis, telecom mergers, and housing prices for *Christian Science Monitor*, *Sacramento Business Journal*, *San Francisco Business Times*, *Phoenix Business Journal*, *East Bay Business Times*, *Columbus Business First*, *Silicon Valley/San Jose Business Journal*, and *Orlando Business Journal*. **Gabriel Roth's** op ed on state-financed roads was published in *Providence Journal*, *East Val-*



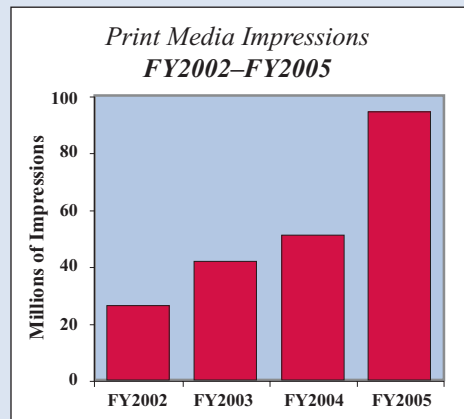
Independent Institute Research Fellow Benjamin Powell on MSNBC.

ley Tribune, *Scottsdale Tribune*, *Phoenix Business Journal*, *Kokomo Tribune*, *Wilmington's News-Journal*, and *Salina Journal*. **Ivan Eland's** piece on privatizing airport security was placed with *Seattle Post-Intelligencer*, *San Diego Union-Tribune*, and *East Bay Business Times*. He also wrote on foreign policy for *Chronicle of Higher Education*. Research Director **Alex Tabarrok** wrote on private governments for *Washington Examiner*, Research Analyst **Anthony Gregory's** piece on the FBI and ACLU ran in Chicago's *Star*, **Pierre Lemieux** wrote a piece on the price of oil for *Financial Post*, and **Wendy McElroy** continues her weekly column with Fox News.

• **Broadcast:** **William Watkins** discussed

recent changes in the Supreme Court, including the death of Chief Justice Rehnquist and the nomination of John Roberts, on several radio programs including KPCC "Air Talk," a National Public Radio affiliate in Los Angeles. Senior Fellow **Alvaro Vargas Llosa** talked with John Batchelor on the ABC Radio Network about revolutionary Che Guevara. Research Analyst **Gabriel Gasave** was interviewed on "Sin Fronteras," a television news program in Buenos Aires, on Che Guevara; **Wendy McElroy** was a guest on KNEW's "Jeff Katz Show" in San Francisco; **Ivan Eland** discussed the war on terror on Wisconsin Public Radio's "Ben Mehrens Show"; and **Benjamin Powell** was interviewed on immigration and border policy on KGO's "Gene Burns Show" in San Francisco.

• **Additional Print Highlights:** **S. Fred Singer** was interviewed in a syndicated article by Bill Steigerwald on global warming and climate policy; *Dallas Morning News*, Puerto Rico's *El Nuevo Dia*, and *Miami Herald* cited **Alvaro Vargas Llosa** on Latin American issues; *Economic Affairs* reviewed Vargas Llosa's *Liberty for Latin America*; *Weekly Standard* reviewed *Restoring Free Speech and Liberty on Campus* by **Donald Downs**; and several research fellows were quoted in *Raleigh Metro*, *PR Week*, *Dallas Morning News*, *San Francisco Examiner*; Reuters, *New York Daily News*, *Christian Science Monitor*, Puerto Rico's *Claridad* and *El Nuevo Dia*, Canada's *Globe and Mail*, *New York Times*, *State*, and *Miami Herald*. •



Media coverage of the Independent Institute's program continues to increase at a rapid rate, with articles and print citations nearly doubling from 2004 to 2005.

*The Independent Review***Privatization in Central and Eastern Europe**

The Fall 2005 issue of *The Independent Review* addresses road transportation and eminent domain, privatization in Latin America and Eastern Europe, and other important and timely topics.

Roads and Eminent Domain

- According to conventional wisdom, road transportation would be highly inefficient without the government's power of eminent domain because property owners could refuse to sell their property at the government's asking price. According to Independent Institute Senior Fellow **Bruce Benson** (Florida State University), however, there are strong grounds for thinking that private, for-profit road companies would have fewer problems with holdouts and few problems as severe as that of government failure in road transportation.

Benson presents his findings in the fall issue's lead article, "The Mythology of Holdout as Justification for Eminent Domain and Public Provision of Roads"—a rigorous article that will appear in the forthcoming Independent Institute book, *Street Smart: Competition, Entrepreneurship, and the Future of Roads*, edited by Gabriel Roth.

Benson makes three main arguments. First, he argues that even if eminent domain is necessary to obtain right-of-way properties, the state can purchase and then transfer the land to private entities. The existence of holdouts, in other words, does not mean that the government must own, build, or operate roads.

Second, Benson argues that the holdout problem is not as severe for private entities as for the government. Private entities typically act more quickly than government and can pay more for a property than its assessed value. These differences greatly weaken the rationale for eminent domain.

Third, Benson argues that when governments invoke eminent domain, the consequence is often government failure. The Fifth Amendment's public-use requirement has been relaxed. So too has the standard for "just" compensation; governments are biased to systematically undervalue the properties they can acquire through eminent domain.

(See *The Independent Review*, Fall 2005, at <http://independent.org/publications/tir.>)

Privatization and Popularity

- The sale of state-owned enterprises to the private sector has resulted in increased economic efficiency—i.e., the reallocation of scarce capital and labor to better meet human needs—and, as a consequence, has increased

standards of living. But not all privatizations are created equal. When privatization is not accompanied by other classical liberal reforms such as the implementation of the rule of law, the results can fall short of the potential. Two articles in the fall issue examine disappointments regarding privatization in Latin American and Eastern Europe.

A 2002 poll of more than 18,000 Latin Americans revealed that about 70 percent of respondents believed that privatization had not been good for their countries, notes **Mary Shirley** (Ronald Coase Institute) in "Why Is Sector Reform so Unpopular in Latin America?"

Shirley found that the reason for the unpopularity of privatization had little to do with its economic effect on most people. The privatization of infrastructure, for example, had resulted mostly in better financial and operating performance, extended coverage and improved access, and generally better services. Job losses didn't seem to answer the question,



The Independent Review, Fall 2005

either: "Where layoffs were large, a significant percentage of the unemployed were reemployed in the same sector within five years: 45–50 percent in Argentina and 80–90 percent in Mexico," Shirley writes.

The main reason that Latin Americans have looked unkindly toward privatization and other sector reforms, according to Shirley, "may

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Garvey Fellowship Winners



Garvey Fellowship Faculty Prize Winners (left to right) Daniel Pellerin, Christoph Sprich, and David Mitchell.

Since 1972, the **Olive W. Garvey Fellowships** contest has rewarded college and university students for their scholarship on economic and personal freedom. Two years ago, the Independent Institute expanded the contest to include untenured college teachers. This year, contestants were asked to submit an essay on the quote by Nobel Laureate economist **F.A. Hayek**, “The great aim for the struggle of liberty has been equality before the law.”

The essays were judged by a panel of three scholars: **Thomas DiLorenzo** (Loyola University), **Gerald Gunderson** (Trinity College), and **Fred Foldvary** (Santa Clara University). Entries were received from students and faculty in 46 U.S. states and 37 countries, including Bangladesh, Ethiopia, Israel, New Zealand, Peru, and Italy. The hard work of these students and teachers will foster a better understanding and appreciation of the foundations of peace, prosperity, and freedom.

In addition to the cash fellowship prizes, these recipients of the Garvey Fellowship will receive assistance in getting their articles published and a two-year subscription (8 issues) to The Institute’s quarterly publication, *The Independent Review: A Journal of Political Economy*.

To read the complete text of the winning essays, see <http://independent.org/students/garvey/winners2004-2005.asp>.

The following is an excerpt from Alex Binz’s first place Garvey Fellowship Student Essay entitled “*Liberté and Egalité against Fraternité*”:

Redistribution and egalitarianism were rampant during the first half of the eighteenth century, especially in France. They are equally prevalent today. Just as Bastiat confronted Lamartine for his mis-

Faculty Prize Winners

First Prize (\$10,000)

Daniel Pellerin

Assistant Professor of Political Science
University of California, Davis

Second Prize (\$5,000)

Christoph Sprich

Lecturer, University of Frieburg, Germany

Third Prize (\$1,500)

David T. Mitchell

Visiting Assistant Professor of Economics
St. Mary’s College of California

Student Prize Winners

First Prize (\$2,500)

Alex Binz

Highline Community College

Second Prize (\$1,500)

Jeffrey Bergman

University of Chicago Law School

Third Prize—Tied (\$500 each)

Alexander Jech

University of Notre Dame

Andrew Kashdan

George Mason University

guided policies, so must classical liberals of this century challenge the orthodoxy of “material equality.” The natural order of society is threatened by the artificial order offered by egalitarianism, and true justice is threatened by the ideals of social justice.

Frederich Hayek never spoke truer words than when he declared that “the great aim in the struggle for liberty is equality before the law.” But if we are to cry, as the French revolutionaries, “Vive la republique!” we must recognize the full implications of the republican philosophy

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Garvey Fellowship Winners

(continued from page 6)

... and the nature of our opposition. Politics may make strange bedfellows, but it makes stranger enemies; for the republic's greatest enemies are those who believe themselves to be its friends. They desire the same republican institutions of justice and equality, but believe that classical lib-

eralism doesn't go far enough to promote the ideal of fraternity. They desire perfect equality for all, but support policies that conflict with true legal equality. They perceive injustice in the vast disparity of wealth, but launch crusades against the cause of that disparity: human liberty.●



Garvey Fellowship Student Prize Winners (left to right) Alex Binz, Jeffrey Bergman, Alexander Jeck, and Andrew Kashdan.

The Independent Review: Privatization in Central and Eastern Europe

(continued from page 5)

stem from deeply rooted and widely generalized distrust of market forces and government safeguards.” Shirley hypothesizes that many Latin Americans lament the fact that even when consumers have gained from privatization, politicians and their cronies have made much bigger gains. In other words, people feel that the privatizations and reforms have not been conducted with sufficient transparency or fairness.

If this is the case, then the cure is not to stop privatization and sector reform—which have benefited all but the disenfranchised government bureaucrats—but to initiate meaningful political and legal reform to end cronyism so that no one benefits unfairly.

In the early 1990s, the new leaders of central and eastern Europe embarked on an even larger program of privatization than did Latin America's leaders. Their primary goal was to transform their economies from socialist to capitalist. However, as economist **Svetozar Pejovich** explains in “On the Privatization of ‘Stolen Goods’ in Central and Eastern Europe,” privatization of state-owned enterprises has slowed down, rather than hastened, the transition toward a free-enterprise, private-property economy.

“This relative failure,” writes Pejovich, “can be attributed to three factors: the influence of neoclassical economics, the absence of decom-

munization, and the unwillingness of the new elite in the region to recognize and enforce the right of ownership in state-owned assets.”

The Western neoclassical economic advisors to central and eastern Europe emphasized the importance of macroeconomic stability, privatization, and price liberalization, Pejovich explains, but they neglected two prerequisites for large-scale entrepreneurship and investment: credible private-property rights and the enforcement of contracts.

This omission was especially important because communist-era politicians and bureaucrats retained positions in the government, Pejovich argues: “Given their habits and customs of the past, former Communists, although not always intentionally, are favoring policies that attenuate private-property rights and increase regulations.”

Finally, governments have failed to transfer the proceeds from the sale of state-owned assets to their rightful owners. Some of the proceeds were used to shore up pension funds; some to subsidize bankrupt companies; some were deposited in state-controlled development banks; some were used to balance government budgets.

Not all reform efforts in central and eastern Europe have stalled, however. Pejovich lauds the policies of Czech President Vaclav Klaus

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For individual donors, this means that no gifts made to the Independent Institute between Aug. 28, 2005 and Dec. 31, 2005 will be subject to the 50% annual charitable deduction limitation, *nor* will the deduction be reduced if your income is over \$146,000 and is subject to the 3% phase-out for itemized deductions.

This presents a unique opportunity to direct more of your own money into advancing a truly positive effort—our shared goal of the freer society our Founders envisioned. We hope you will consider a larger than usual gift to the Independent Institute this year, or make a contemplated gift before Dec. 31 to take advantage of these additional current tax savings. As with all such decisions, you will want to consult with your tax advisor to review the implications for your personal situation.

And you can rest assured that your gift to the Independent Institute is deployed efficiently and effectively. As documented by Charity Navigator, the premier independent charity evaluator, nearly 86¢ of every dollar goes directly to support Institute programs, earning us the highest **4-Star Rating** and placing us in the top 10% of all leading policy organizations.

We hope you can take advantage of this opportunity to target more of your own assets into a cause you care about! To learn more about KETRA, or to discuss making your gift, please contact **John Campbell**, Development Director, at 510-632-1366, ext. 114, or jcampbell@independent.org.



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The Independent Review

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and Estonian Prime Minister Mart Laar, who grasped the importance of establishing the rule of law, credible private-property rights, and free exchange for fostering economic progress.

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