In the late 1970s, the regulatory landscape in the United States began to change significantly as competition and deregulation were introduced to telecommunications, airlines, trucking, natural gas and oil transportation, financial services, and other industries. Eventually reform came to the electric power industry, but in a more piecemeal fashion.

What lessons can be learned about the successes and failures of past restructurings? How much regulation does the electric industry need? Are coordination and distribution best handled publicly or privately? If the latter, would for-profit or non-profit organizations better serve consumers?

In Electric Choices: Deregulation and the Future of Electric Power, edited by Andrew N. Kleit (Pennsylvania State University) ($29.95)
President’s Letter

Congratulations to All

W
ith our 20th Anniversary this year, we are honored by the many awards being received for the superb work of our fellows.

• The Thomas S. Szasz Award for Outstanding Contributions to the Cause of Civil Liberties has gone to Senior Fellow Robert Higgs. Coinciding with his new book, Depression, War, and Cold War, the award is a tribute for Dr. Higgs’s work on how government usurps liberty by creating and exploiting fears. Dr. Higgs also received the Friedrich von Wieser Memorial Prize for Excellence in Economic Education from the Liberal Institute in Prague.

• Alvaro Vargas Llosa, Senior Fellow and Director of our Center on Global Prosperity, has received the first Juan Bautista Alberdi Award from the Hispanic American Center for Economic Research for “promoting the institutions of free societies in the Americas.” The Institute also presented the Sir Antony Fisher International Memorial Award for our book by Mr. Vargas Llosa, Liberty for Latin America. The award is presented by the Atlas Economic Research Foundation for “publications deemed to have made the greatest contributions to public understanding of the ideals of a free market economy.”

• Research Analyst Gabriel Gasave has received the Fundacion Atlas’s Freedom Award for Brave Defense of Liberty for his “permanent contribution to the perpetuation of the ideals of a free market economy.”

• For the third year, the Independent Institute has received the highest rating of Four Stars (★★★★) by Charity Navigator, the premier organization rating non-profit organizations, and is ranked in the top 10% of American policy organizations, ahead of virtually all other think tanks.

Institute books such as Electric Choices (p. 1), our journal The Independent Review (p. 5), events (pp. 1, 7), media projects (p. 4), and other programs are providing the crucial difference.

Your tax-deductible support as an Independent Associate Member makes this far-reaching work possible, while providing you with our new studies plus other benefits (see enclosed envelope). We welcome your involvement!
economic growth; they are often ineffective and counterproductive; and too often they are invasive, undermining the legal and political branches of our social environment. After illustrating these problems with examples drawn from hazardous-waste cleanup, urban planning, and the prosecution of environmental crimes, he then discussed six principles for protecting environmental amenities while also avoiding problems caused by the perverse incentives that lead to bureaucratic failure.

Next, environmental entrepreneur Michael Shaw (Proprietor, Liberty Garden) discussed the flaws of the “sustainable development” movement, such as its advocacy of curtailing private property in order to promote environmental bureaucracy. Shaw showed how this top-down authoritarianism contrasts with his own successful private efforts to restore wildlife habitat near Santa Cruz, California.

Finally, political scientist Randy Simmons detailed the flaws of the Endangered Species Act, drawing on his two chapters in Re-Thinking Green. The ESA, he explains, pits endangered species against property owners, thereby giving property owners disincentives to protect any endangered species on their property. He then discussed several private conservation funds—inside and outside the United States—that have successfully enlisted the efforts of private property owners.


New Book: Electric Choices

(continued from page 1)

New Book: Electric Choices

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Praise for Electric Choices

“Electric Choices is a must-read for policymakers and academics alike, as well as anyone interested in real energy solutions.”
—Pablo T. Spiller, Distinguished Professor of Business, Univ. of California, Berkeley

“These leading experts explain why and how well-run markets are the best deal electricity customers are going to find.”
—G. Mitchel Wilk, former president, California Public Utilities Commission

“Electric Choices is a superb book.”
—Peter Cramton, Professor of Economics, University of Maryland
The Independent Institute in the News


**Books:** *Plowshares and Pork Barrels* was reviewed in the *Educational Book Review*; *Restoring Free Speech* was reviewed by *The Federal Lawyer* and *ACP Journal of College Student Development*; *Against Leviathan* was reviewed in *The Quarterly Journal of Austrian Economics*; *Resurgence of the Warfare State* was reviewed on the Mises Institute’s web site; *Street Smart* was reviewed in *The Midwest Book Review*; *A Poverty of Reason* was reviewed in *Canadian Geographer*; and *The Challenge of Liberty* was reviewed in the *Orange County Register* and *The Futurist*.

**Broadcast:** Senior Fellow *Ivan Eland* discussed international and domestic security issues on KPIX–TV, al–Jazeera, Newsweek On Air, CNN Radio, WUSA–TV, WSAR, WOL, KCBS, KPFA, and KPSI. Senior Fellow and national security analyst *Charles Peña*, who recently joined the Center on Peace and Liberty, was interviewed on WTOP and WKIZ, and appears regularly on MSNBC. Research Fellow *Wendy McElroy* discussed working women on KVI radio. Senior Fellow *Alvaro Vargas Llosa* discussed developments in Latin America on Voice of America TV, BBC Radio’s “World Update,” Mexico City’s Reporte (Mexico)’s op ed on Iraq ran in *Philadelphia Daily News*. Research Fellow *Gabriel Roth*’s op eds on transportation ran in *Business First* and *The Star* (Chicago). Research Analyst *Anthony Gregory*’s op ed on private prisons was published by the *Contra Costa Times*. Research Director *Alexander Tabarrok*’s op ed on the economics of immigration appeared in the *Pittsburgh Tribune–Review*.

**Print:** *Charles Peña* was interviewed by *USA Today* and UPI about developments in the Middle East. AP quoted *Ivan Eland* on mass transit’s vulnerability, and *Christian Science Monitor* interviewed him about Iraq. *Alvaro Vargas Llosa* was also interviewed by AP about the anniversary of Che Guevara’s death.

Independent Institute research Fellow **Ben Powell** is interviewed on NBC-TV in San Jose.

such issues such as immigration, the trade deficit, and California’s oil tax proposition, and were published in *Silicon Valley/San Jose Business Journal, Costco Connection, Atlanta Latino, and El Diario La Prensa* (NY). *Ivan Eland*, Director of the Center on Peace and Liberty, had op eds published by the San Diego Union–Tribune, American Conservative, Vision Hispana (CA), American Chronicue, Global English, Palestine Chronicle, Pittsburgh Post–Gazette, Calgary Herald, MotherJones.com, and Orlando Business Journal. Research Fellow *Charles Peña*’s 9/11 anniversary piece appeared in the Times Record (Maine), The Province (BC), and Daily Record (NJ), and

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Independent Institute research Fellow **Ben Powell** is interviewed on NBC-TV in San Jose.
Government and Science • The Condition of Women

The Independent Review continues to publish landmark scholarship on timely issues (subscription: $28.95/year).

**Government and Science**

- The U.S. government has funded scientific research (broadly conceived) since the early days of the republic—the Lewis and Clark Expedition and Samuel Morse’s electric telegraph, for example. But government funding of science accelerated after World War II, with defense-related R&D leading the way. By 2005, federal R&D expenditures were about $80 billion for defense and $60 billion for non-defense.

  Government funding is hardly neutral in its effects on the institutions of scientific research: it helps shape which projects are considered worthy, which departments a university will emphasize, and which professors will get promoted. Indeed, many scientists have acknowledged that government funding sometimes has strings attached that can stifle the spirit of independent inquiry.

  They regret this aspect of government funding, but believe it is an acceptable cost because only government can fund basic scientific research adequately. Because the benefits of basic research cannot be captured by a single firm, but rather, spill over to multiple groups or industries, a system that relied on non-government funding, they believe, would lead to a severe under-investment in basic research.

  This rationale is hugely influential—it was spelled out in government reports that led to the surge in public science funding, and has been further developed by leading academic economists—but it is deeply flawed both on theoretical and empirical grounds, according to William N. Butos and Thomas J. McQuade (“Government and Science: A Dangerous Liaison?”, Fall 2006).

  “Firms can and do hire scientists, encouraging them to conduct basic research and to publish the results freely,” write Butos and McQuade. “Basic research by firms accounts for approximately $8 to $10 billion per year.”

  Indeed, about 40% of total funding for basic research comes from non-federal sources, and total industry-funded R&D is nearly twice as great as federal R&D spending. Firms believe that having their scientists conduct basic research (as opposed to only firm-specific R&D) will enable their scientists to learn about and make use of published research that would advance the firm’s narrower production goals.


**The Condition of Women**

- In the 19th and 20th centuries, the status of women improved the most in economically progressive areas dominated by Western culture. In developing areas dominated by non-Western culture, however, women remain more or less subjugated, and in some countries they are stripped of any rights, explains Michelle Fram Cohen (“The Condition of Women in Developing and Developed Countries”, Fall 2006).

  “Exploitation and abuse of women, including outright violence, are acceptable in countries where women have an inferior social status by customary or formal law,” writes Cohen. “Violence against women and girls is a direct corollary of their subordinate status.”

  Oppression can take several forms, including the denial of property rights, “honor” killings, dowry-related subjugation, and lack of legal protections. Often these injustices are widely accepted norms handed down from generation to generation.

  Poverty and custom in developing countries drive extended families to live together under the same roof, making young couples subordinate to the traditional values of their parents and grandparents.

  Unattached women, in particular, face stiff economic disadvantages. In some countries where subsistence farming is the main source of livelihood, customary law prevents women from owning land unless their fathers have no
**Independent Policy Report**

**Exposing Pork in the Defense Budget**

The U.S. defense budget is one of the most deceptive, and therefore effective, tools used by members of Congress to fund pet projects which primarily benefit constituents in their home districts.

Typical examples of the non-defense add-ons that members of congress make to military spending bills are museums, parks, athletic events, holiday celebrations, recreational centers, and agricultural programs. These may sound benign, but their cumulative effect is horrendous. A study of the 2006 Defense Dept. Appropriations Act found 2,847 examples of add-ons costing $9.4 billion. They are often funded by raiding other parts of the defense budget.


Self-declared “pork busters,” he continues, “exploit citizen distress over business as usual... but ultimately take little action, and in the end, they rise no higher than the general herd and make no difference.”

Nor is there much explanation of thousands of earmarked items listed in the tables of the Joint Explanatory Statement, which accompanies the major 2006 military spending bill. Wheeler’s “snout-to-tail” description benefits from first-hand experience: he has worked on national security issues for 31 years for members of the U.S. Senate and for the Government Accountability Office. See: www.independent.org/publications/policy_reports/detail.asp?type=full&id=21.

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**Independent Policy Forum, Washington, D.C.**

**Should Roads Be Privatized?**

Are the political process and government management the only or even the best approaches to road construction and maintenance? This question and its implications were addressed at a recent Independent Policy Forum, “Private Solutions for Reducing Road Congestion, Fuel Costs, Travel Time and Waste,” held at the Institute’s Washington, D.C. office on Thursday, September 28.

The Institute’s new book, *Street Smart: Competition, Entrepreneurship, and the Future of Roads* ($29.95 paperback), served as inspiration for the event, which featured two panels, the first moderated by Institute Research Director Alexander Tabarrok and the second by the book’s editor, Gabriel Roth.

Tabarrok started the discussion with a quick overview of some of the current problems plaguing the road system, the 2.3 billion gallons squandered in traffic every year, the billions of hours wasted by American peak travelers annually. Roth identified the overarching problem as being that of government management, which he deemed unresponsive to human needs, unsuccessful at dealing with congestion, and restrictive of the freedom of mobility. He explained that transportation planning is based on political whim, rather than according to supply and demand. Private enterprise, he contended, would not be nearly so riddled with pork and waste, building “roads to nowhere.”

Next spoke Greg Cohen, president of the American Highway Users Alliance, who illustrated the ever-worsening problem of congestion and the insufficient proposals currently considered to alleviate it. He indicted the crushing regulation and mass bureaucracy that wastes decades at a time by conducting “planning studies” without any real accountability. Patrick Jones, Executive Director of the International Bridge, Tunnel and Turnpike Association, warned of the enormous gap between expected revenue for roads and projected expenditures required to keep up with modern traffic.

Daniel Klein, Professor of Economics at George Mason University, finished up the first panel discussion with a fascinating account of the forgotten legacy of private road construction in the United States, reflecting on the approximately 3,000 roads—40,000 miles in

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Independent Policy Forum: Privatizing Roads
(continued from page 6)

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ized, restructuring must proceed with greater attention paid to incentives, consumer preferences, and system-wide flexibility. Pat Wood III, former Chairman of the Federal Energy Commission, writes in the foreword to the book, “The superb and very timely analysis and recommendations in Electric Choices will help us to finish the revolution.” Completing that task would ensure a bright future for electric power and its users.

To purchase Electric Choices, see www.independent.org/store.

male heirs. If widowed, a wife loses access to her husband’s land, and must therefore spend even more hours each day fetching water.

Shockingly, “honor” killings, committed by relatives for “shame” brought on a family, claim the lives of thousands of women each year, mainly in predominantly Islamic countries. “In 2005, the Pakistani government rejected a pro-women bill that sought to strengthen the law against the practice of honor killing,” Cohen writes. Although Turkey has passed a law imposing life sentences on those convicted of honor killings, a survey shows that almost 40% of respondents supported the practice.

The overall picture of women in developing
Timely Benefits on Tax-wise Gifts

With 2007 looming on the horizon, there’s still time to make tax-saving moves for 2006. As long as we have to live with it, we might as well take advantage of the tax code, and the charitable deduction remains one of the best ways to reduce your tax bill. In addition to a cash (check or credit card) gift, if you’re holding appreciated stock and would like to make a gift to the Institute, you could make a tax-wise gift and transfer the stock directly to The Independent Institute. You won’t owe any tax on the appreciation of the stock, and we can sell the stock, tax-free, for a net gift to us—and tax-deduction for you—higher than you might otherwise have felt able to give. So now’s a good time to take a look at your portfolio and see whether it’s time to clear out some appreciated stocks and help the cause of liberty.

In addition, a new tax law passed this year allows taxpayers who are 70-1/2 or older to move up to $100,000 a year out of their IRAs directly to charity, tax-free. This break is available only for distributions in 2006 and 2007, made directly to qualified charities such as The Independent Institute. Please check with your own tax advisor to determine whether this is the right strategy for you, and please keep the Institute in mind!

As we approach the end of the year, we want your giving to be fully satisfying to you, in what you give, how you give, and where it goes. And on this last point, you can rest easy: for the third year in a row, The Independent Institute has received the highest, 4-star rating from Charity Navigator, the preeminent public charity rating service. The Independent Institute efficiently and effectively deploys your investment in us to produce award-winning, innovative solutions to the most pressing problems of the day, on the forefront of the battle of ideas!

For more information, contact John Cambell at (510) 632-1366, x114 or jcampbell@independent.org.

countries contrasts sharply with the growing educational and professional opportunities for women in developed countries. “Sweeping legal reforms have opened many doors for women in Western countries, but women have not always taken full advantage of these reforms,” Cohen writes. “As in developing countries, customary law may still prevail over the formal law. It is up to both men and women to challenge the traditional norms to bring about a genuine change in women’s condition.”