New Books Explore Lessons in Private Entrepreneurship

Two new Independent Institute books examine vital but little-known stories about entrepreneurship in developing countries today and in Great Britain during the Industrial Revolution.

Lessons from the Poor

News stories about developing countries seem to focus on natural disasters, grinding poverty, and political repression. There are, however, success stories that receive little publicity. As is shown in Lessons from the Poor: Triumph of the Entrepreneurial Spirit, edited by Independent Institute Senior Fellow Alvaro Vargas Llosa, developing countries offer numerous examples of hard-working visionaries who have pulled themselves and their workers out of poverty through entrepreneurship.

Lessons from the Poor provides an in-depth look at some of the most dynamic enterprises from Africa and Latin America. Its case studies (continued on page 5)
President’s Letter:

Feeling the Oil Price Squeeze

A mericans are feeling the squeeze as combined pro-war and anti-development policies skyrocket the price of gasoline. A Bloomberg article notes that the spike in oil prices to record highs has resulted from concerns about preparations “to attack Iran, while a strike in Brazil and renewed militant activity in Nigeria threaten to cut supplies.”

Meanwhile, many politicians and environmental groups oppose ending oil development restrictions in the U.S., especially in offshore drilling. Barack Obama, Al Gore, Arnold Schwarzenegger, and Nancy Pelosi have declared their opposition to any increase in offshore drilling, with Gore even equating it to the invasion of Iraq. Never mind the fact that it is the federal government that invaded and now occupies both Iraq and the continental shelf.

Meanwhile, a chorus continues its call for U.S. interventionism in the Mideast, guaranteeing record oil prices on futures markets and at the pump, with Obama calling for a 16-month timetable to begin withdrawing U.S. troops from Iraq, he then wants to send more troops to Afghanistan to fight the “real front,” and even into Pakistan, while maintaining a major U.S. presence in Iraq—at best shifting the war to other fronts and more probably escalating it, with oil prices likely to go even higher.

Better to consult our Senior Fellow Ivan Iland on the need for the U.S. to exit Iraq and disengage from its ill-fated and hubristic global system of 800+ bases. In this regard, the updated edition of his book, The Empire Has No Clothes, plus that edited by Robert Higgs and Carl Close, Opposing the Crusader State, are must reads. And to address a real need uplifting billions of people worldwide from abject poverty, our new book edited by Alvaro Vargas Llosa, Lessons from the Poor (p. 1), could not be more timely.

To receive your FREE copy of one of the books listed in this newsletter, including Good Money (p. 3), please join with us as an Independent Associate Member and help expand the impact of this vital work. With your tax-deductible membership, you can receive free copies of new publications, including our journal The Independent Review (p. 3), plus other benefits (see attached reply envelope).
The Independent Review continues its tradition of solid scholarship on a wide variety of important topics. Below are some highlights from the Summer 2008 issue.

Social Security and Medicare

Do today’s retirees understand that they would have a pension two, three, or more times larger than their Social Security pension if they had been allowed to invest their FICA taxes in stocks? Probably not. Although many have noted that the aging population threatens the solvency of the federal retirement system, few understand that Social Security reduces savings rates and the labor supply, which in turn slows the creation of wealth that workers would otherwise enjoy, according to Texas A&M economist Edgar K. Browning (“The Anatomy of Social Security and Medicare”).

Social Security discourages people from working more because it is funded through the taxation of labor earnings. More importantly, Social Security reduces the ability and incentive to save for one’s own retirement, which reduces private investment, capital accumulation, and economic growth.

Had Social Security never been enacted, personal savings rates would have been 60 percent higher, according to the median response of public-finance economists in one poll. Compounded over decades, even a modestly higher savings rate would have led to vastly more wealth creation for workers to enjoy.


What Do the Terrorists Want?

Osama bin Laden’s public statements issued from 1994 to 2004 show a desire, not to remake the West into Islamic societies, but to punish the United States for foreign policies in the Muslim world that he considers aggressive, according to political scientist James L. Payne, author of “What Do the Terrorists Want?”

The complaint that appears most often—amounting to 72 percent of the 24 total documents—is bin Laden’s criticism of the United States and other Western countries for political and military intervention in Arab countries.

This evidence does not imply that U.S. withdrawal from the Middle East would now pacify the terrorists, according to Payne, but it does suggest that the U.S. strategy for fighting terrorism has been counterproductive.

“The size of the terrorist ranks is not fixed,” writes Payne. “Their numbers are a function of the perception of American intrusion. Hence, a policy of projecting military force around the Middle East, of ‘taking the fight to the terrorists themselves,’ actually stimulates the creation of terrorists. As an approach to countering Islamic terrorism, it is like trying to put out a fire by spraying it with gasoline.”


The Life and Works of Ludwig von Mises

Austrian economist Ludwig von Mises (1881–1973) produced path-breaking critiques of socialism, central banking, and methodological malpractice in the social sciences, yet few studies have been devoted to his life and contributions. This is odd, given the esteem accorded him by conservative and libertarian intellectuals, such as Nobel Laureate and former colleague F. A. Hayek, about whom many books have been written.

One reason for the paucity of books about Mises is that his private papers were confiscated—and thought to have been destroyed—by the Nazis after Mises fled Vienna for New York City. Fortunately, those papers survived, but they found their way into Soviet hands and remained unknown to the West until the 1990s.

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The Independent Institute in the News


• Center on Global Prosperity: Director Alvaro Vargas Llosa continued to write his internationally syndicated weekly column for the Washington Post Writers Group. He wrote on entrepreneurship for El País. TV and radio interviews included Univisión’s Al Punto, CNN en Español, Radio Martí, Globovisión, and Voice of America. Cal Thomas’s syndicated column, which appears in more than 400 outlets, featured a review of Vargas Llosa’s book, Lessons from the Poor, as did National Review. Guest columns by Research Fellow William Ratliff on the Colombian FARC and by Research Fellow Carlos Sabino on Latin America appeared in the Washington Times.

• Center on Peace and Liberty: Director Ivan Eland wrote on negotiating with terrorists and radicals for the Monitor and the Phoenix, torture and the Bush administration for the Oakland Tribune, and the U.S. presidential election for La Tercera. His TV and radio coverage included Al-Jazeera, Al Hurra, and Radio Free Europe. Robert Higgs wrote on the recession for Reason and on war for the Pittsburgh Tribune-Review. Senior Fellow Charles Peña appeared on BBC to discuss threats of terrorism in UAE. He was interviewed on national security by KPSI and wrote on the Army Reserve for Defense News. Research Fellow Mike Moore promoted his book Twilight War on over 20 radio stations. He wrote on weapons in space for Florida Today and the San Jose Mercury News. Research Fellow Ian S. Lustick discussed his War on Terror policy report on KPSI. Research Analyst Anthony Gregory wrote on habeas corpus for the San Diego Union-Tribune and the East Valley Tribune, as did Research Fellow William J. Watkins for the North County Times. For additional media coverage of the Independent Institute, please visit www.independent.org/newsroom.

The Independent Institute Research Fellow Stephen P. Halbrook on C-SPAN.
explain how entrepreneurs have succeeded despite major obstacles, often the result of decades or even centuries of bad government policies. They also show how the elimination of tariffs and other trade barriers enabled small-scale entrepreneurs to leverage their successes by reaching millions more customers.

Readers will learn how a family farm in the Peruvian countryside—an area then controlled by Maoist rebels—developed a soft-drink business that, in some markets, challenges the dominance of Coca-Cola. They will see how a man who washed cars for a living became a literal rags-to-riches business titan with textile operations on three continents. They will learn how an entrepreneur in Kenya helped revolutionize retail in his country by supplying customers with thousands of products they had never seen before and by earning unprecedented loyalty from his workers. They will also learn about the fascinating workings of Nigeria’s adire clothing design industry and Argentina’s barter clubs.

An important contribution to the literature on economic development, Lessons from the Poor is a must-read for global investors, micro-enterprise lenders, political economists, international relations specialists, and anyone interested in helping the poor find a way out of poverty.

To order this book, see the enclosed envelope or go to www.independent.org/store/book_detail.asp?bookID=73.

Private Enterprise and Modern Coinage

It is a long-held myth that governments are fit to coin money. In fact, in the late 1700s, Great Britain’s Royal Mint presided over a coin shortage, and had private coin-makers not come to the rescue, the Industrial Revolution would not have hit full stride.

George Selgin recounts this fascinating and important yet almost unknown story in his new book, Good Money: Birmingham Button Makers, the Royal Mint, and the Beginnings of Modern Coinage, 1775–1821.

In the summer of 1787, Selgin explains, the owner of a copper mine in Wales began to pay his workers using coins he minted himself. Over the next decade, private merchants and industrialists (many of them button makers) issued 600 tons of custom-made “commercial” copper coin—more copper coin than the Royal Mint had supplied during the previous half century.

In 1789, Matthew Boulton became the leading coin maker by opening the most sophisticated mint in the world. Eight years later he landed a long-desired contract to coin money for the Crown. Eventually, he helped modernize the Royal

Praise for Good Money

“George Selgin’s understanding of eighteenth-century economic theory and practice is absolute, allowing him to write with verve and clarity.”

—Richard Doty, Curator of Numismatics, Smithsonian Institution

“George Selgin’s story of how private enterprise solved a monetary problem that threatened seriously to retard the Industrial Revolution is a splendid piece of historical analysis.”

—Milton Friedman, 1976 Nobel Memorial Prize winner in Economics
The Independent Scholarship Fund: Believe in the Future

Few things are as fulfilling as making a real difference in a child’s life. It is sometimes surprising how inspiring just believing in a child can be. Henry James understood the underlying principle when he said, “To believe in a child is to believe in the future. Through their aspirations they will save the world.”

Yet, twenty-five years after the seminal National Commission on Educational Excellence report, “A Nation at Risk,” the nation’s devastating public school crisis continues to threaten our future, not improving any objective measure. Millions of students continue to be trapped in failing or even dangerous schools merely because of where they live. Indeed, Independent Institute Fellow John Merrifield described the last two decades of effort nationwide as “little more than micromanagement and frustration.”

Just outside of the Independent Institute’s Oakland, Calif., office is one of the largest school districts in the country, with an astounding 52 percent dropout rate and 36 percent of the students attending schools that don’t meet even the most basic standards of “No Child Left Behind.” Overlooking many underlying problems, some have simplistically chalked up such dismal results as resulting from “a lack of leadership” or “political will,” with little mention of the shortcomings of politics itself. A 2007 study of California schools, for example, painted a picture of a complex, irrational, restrictive school finance and governance system, plagued by one-size-fits-all rules and in need of overhaul from the top down. Such systems are plagued by well-organized special interests and overwhelming political inertia.

Part of a national grassroots movement providing privately funded vouchers for disadvantaged children, the Independent Scholarship Fund (ISF) was established in 1999 to provide an alternative to chronically low-achieving, unsafe, inefficient, and ineffective public schools. ISF assists children in one of the hardest-hit areas of the country—the San Francisco East Bay, including Oakland—by giving them an immediate alternative to the public education crisis and demonstrating that competitive, innovative, community-based approaches can revolutionize the educational system and improve the quality of education that children receive, benefitting society as a whole. Since its inception, ISF has awarded more than $2.5 million to K–12 students from low- to moderate-income households for tuition to the private or parochial school of their choice.

If you’d like to learn more about how you can make a real difference, please visit www.independent.org/students/isf/contribute.asp today and make a donation to this very important work! Or for additional information on how your student can receive an ISF scholarship, please visit www.independent.org/students/isf/eligibility.asp.

The Independent Review: Ludwig von Mises (continued from page 3)

Jörg Guido Hülsmann put Mises’s papers to good use while researching his impressive biography, Mises: The Last Knight of Liberalism (2007)—a scholarly yet readable tome that sheds much needed light on its subject. Richard Ebeling, who has also studied the Mises papers, offers his insights about the book in “The Life and Works of Ludwig von Mises.”

“A monumental effort has clearly gone into this study,” writes Ebeling. “The author’s fluency in all of the relevant languages has assured that practically everything that occurred in Mises’s life has been incorporated into the narrative.” See www.independent.org/publications/tir/article.asp?a=692. To subscribe to The Independent Review, see www.independent.org/store/tir/subscriptions.asp.
Independent Policy Forums: The Right to Bear Arms • War on Terror (continued from page 1)

author of Armed: New Perspectives on Gun Control, for a discussion on “What the Second Amendment Means Today.”

The right to keep and bear arms, according to Malcolm, began as a duty for Englishmen to keep certain weapons for self-protection and community security. During the Glorious Revolution (1688), a bill of rights was drafted that affirmed a right to bear arms for all (Protestant) men.

Halbrook drew on his timely new book, The Founders’ Second Amendment: Origins of the Right to Bear Arms. In 1774, the colonial governor of Massachusetts attempted to disarm Bostonians. By mid-1775, the Continental Congress passed a declaration supporting the taking up of arms and cited the seizure of arms in Boston as one of the causes of the revolutionary war.

In 1789, James Madison proposed in the House of Representatives a declaration of rights, including what became the Second Amendment. Tench Coxe, a famous Federalist, then published a commentary noting that the provision recognized a right to “private arms” in order to prevent a standing army from oppressing the people.

Transcripts and audio files of these events are available at www.independent.org/store/events.

The War on Terror

How real is the threat of terrorism in the U.S.? How has “regime change” in the Middle East affected U.S. security? These questions and more were addressed at the April 15 Independent Policy Forum, “Is the ‘War on Terror’ Creating Terrorism?”

The reason foreign terrorists haven’t struck

New Books: Lessons from the Poor • Good Money (continued from page 5)

Mint by equipping its new building with steam-powered coining equipment, but that proved to be a costly mistake: It enabled the government to renege on its promise to let him go on supplying British copper coins. By 1817, the government forced all but a few private coin issuers to close down.

Good Money not only examines the crucial role of private coinage in fueling Great Britain’s Industrial Revolution, but it also challenges beliefs upon which all modern government-currency monopolies rest. In doing so, it sheds light on contemporary private-sector alternatives to government-issued money, such as digital monies, cash cards, electronic funds transfer, and (outside of the United States) spontaneous “dollarization.”


Gareth Porter and Ian Lustick address the Independent Policy Forum.

in the U.S. since 9/11 has little to do with effective countermeasures, according to Ian Lustick (University of Pennsylvania), who drew on his Independent Policy Report, Our Own Strength Against Us: The War on Terror As a Self-Inflicted Disaster.

The “war on terror,” he argued, was largely hype manufactured to rally support for a war in Iraq that was sought before 9/11. Its effect, however, has been to increase Islamic support for the radical jihad movement abroad and to increase domestic support for bogus spending programs that help politicians get reelected.

Investigative journalist Gareth Porter (Inter Press Service) followed by examining the military’s contribution to this state of affairs. Counterterrorism, he argued, was not something the Pentagon brass had much expertise or interest in, but they did understand and support the concept of “regime change,” owing in part to the military budget increases it would entail.

A transcript and audio file of this event is available at www.independent.org/store/events.
Tutu, Garcia, and Bowes to Be Honored

As we identify individuals deserving special recognition, the Independent Institute hosts the Alexis de Tocqueville Awards dinner—slated for September 16 at the St. Regis Hotel in San Francisco at 6:30 p.m.—in recognition of and in sincere thanks to those select individuals who have made exceptional contributions to humanity in advancing the ideas and ideals of liberty, entrepreneurship, innovation, and the rule of law. This year promises to be one you won’t want to miss as we plan to honor the following distinguished individuals:

• Archbishop Desmond Tutu, the world-renowned Nobel Peace Prize Laureate who, as Chairman of the Truth and Reconciliation Commission in South Africa, brought a peaceful settlement to the end of Apartheid and has since worked tirelessly throughout the world to champion democracy, the sacredness of human life, and individual rights.

• Andy Garcia, the Academy Award–nominated, Havana-born actor, director, and producer, whose 38 films include For Love or Country: The Arturo Sandoval Story (2000), The Lost City (2005), The Godfather: Part III (1990), When a Man Loves a Woman (1994), Ocean’s Eleven (2001), and The Untouchables (1987). Mr. Garcia has been a leader in highlighting the plight of the Cuban people and seeking solutions through enterprise-based economic development and the protection of civil and economic liberties throughout Latin America.

• The pioneering business leader and philanthropist William K. Bowes, Jr., Founding Partner of U.S. Venture Partners, Mr. Bowes is being honored for his work in business entrepreneurship and science and for utilizing private, free market/enterprise-based innovations to greatly enhance the welfare of people in the U.S. and worldwide.

With the many partisan dinner events to be held this fall around the upcoming U.S. elections, A Gala for Liberty should stand out uniquely in terms of its enduring value, message, timeliness, and historic proportions.

To purchase tickets or for additional event information, please contact Ms. JuliAnna Jelinek at 510-632-1366 ext. 153, or email at jjelinek@independent.org. Don’t delay, as limited seats remain!

A GALA FOR LIBERTY

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