In his State of the Union speech last January, President Barack Obama proposed making community college attendance “as free as high school.” The rhetoric sounds enticing, but if enacted, the results would fall far short of wonderful. To see why, consider America’s current experience with public primary and secondary education.

Public K-12 schools already spend more than $13,500 per pupil each year—slightly more than what two-year colleges spend. While hardly “free,” some might consider this money well spent if students are getting a good education. But they’re not. Last summer, the National Assessment of Educational Progress, the leading study of what American students actually know, found that only 36 percent of twelfth-graders in public schools scored “proficient or better” in reading, and only one quarter attained this level in math. And the average college freshman reads at a middle-school level, according to the educational assessment firm Renaissance Learning.

So the story is simple: U.S. public schools are awarding high school diplomas to millions of students who haven’t mastered the basics—a fact that even U.S. Secretary of Education Arne Duncan admitted when he derided the “educational stagnation in our high schools” last year.

Not surprisingly, some 75 percent of freshmen entering public two-year colleges need remedial work in English, math, or both, according to the National Center for Public Policy and Higher Education. There’s no good reason to believe that academic quality—much less affordability—will improve by expanding the federal government’s reach into higher education (and into taxpayers’ wallets).

Our national debt has surpassed $18 trillion. Mounting evidence indicates that student debt, which now exceeds $1 trillion, is adding to the drag on our economy. Decades of government “financial aid” have done little to help, and numerous studies indicate that they have probably made matters worse, by encouraging colleges and universities to increase tuition and fees.

The last thing we should be doing is spending another $60 billion to $70 billion (continued on page 6)
The Power of Independent Thinking

DAVID J. THEROUX

With escalating public disillusionment with ObamaCare and Washington-centric views in general, we have a unique and far-reaching opportunity to move the needle of public opinion to rein in runaway government power and unleash market-based, entrepreneurial solutions for the full range of social and economic issues.

The Independent Institute has been working to greatly expand our impact with a far larger and younger audience through a new branding initiative, The Power of Independent Thinking. We are now ready to launch our newly enhanced look with a contemporized logo, refreshed website, upgraded MyGovCost app, and far more.

In addition, we are also delighted to announce our five-part video series to educate Millennials on economic and social challenges affecting their ability to pursue the American dream. Rooted in our many books and other publications, this exciting, new series answers questions that young people are asking:

• Why is my student debt so high?
• Why can’t I get a good job?
• Why can’t I find an affordable place to live?
• Why is healthcare so expensive?
• Why is my government spying on me?

To be released in time for July 4th, Independence Day, our Millennial Video Series is a funny, compelling, inspiring, thought-provoking and entertaining boy-meets-girl story . . . with a disturbing twist. The boyfriend, Scott, “Gov,” represents Big Government, and the girlfriend, Alexis, is a free-spirited, young woman trying to make sense of and find her way in adult life. Gov makes her life more complicated, more expensive, more absurd, and far more difficult. He even spies on her and listens in on her phone calls! But every time Alexis tries to break it off, Gov finds a way to weasel back in, creating ever new tension, including our journal, A Better Choice, California Dreaming, Recurring Rushmore, and other publications, including our journal, The Independent Review (p. 3), plus other benefits (see envelope).

The Power of Independent Thinking

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The Basic-Income Debate
Compassion and the Free Society

The Independent Institute's quarterly journal offers an exciting array of scholarship on political economy and intellectual history. Here are two highlights from the Spring 2015 issue.

The Basic-Income Debate

Among other topics, this issue features a symposium on basic-income guarantees (BIG)—a proposal for universal cash subsidies that would act as a social safety net. Here is an excerpt of co-editor Michael Munger's introductory essay:

“First in the symposium is David R. Henderson’s article ‘A Philosophical Economist’s Case against a Government-Guaranteed Basic Income,’ in which he responds to the standard arguments for a BIG and points out some difficulties in implementation that make the more ambiguous BIG proposals implausible. Henderson also argues that a BIG is unlikely to achieve its goals and that the grander versions are simply not capable of being implemented.

“The second paper, ‘One and One-Half Cheers for a Basic-Income Guarantee: We Could Do Worse, and Already Have’ by Michael Munger, offers a much more limited and therefore more feasible conception of a BIG. Its proposal, however, would require that many programs, including existing welfare transfers, the minimum wage, and rent subsidies, be eliminated as a means of financing the BIG. Nevertheless, this program represents a useful benchmark in the debate because it would at least be technically feasible.

“But that squarely raises the question of whether a BIG is politically desirable. In ‘Property Rights, Coercion, and the Welfare State: The Libertarian Case for a Basic Income for All,’ Matt Zwolinski takes on the difficult task of justifying a BIG not as ‘better than nothing’ or ‘an improvement over the existing bad policy’ but as a positive good. The affirmative case for a BIG, although arguable, has not often enough been a part of the debate, at least not among classical liberals.

“The final paper, ‘Skeptical Thoughts on a Taxpayer-Funded Basic-Income Guarantee,’ is by Robert Whaples. Battling cleanup is a difficult spot in any lineup, but Whaples steps up to the plate by addressing both Munger’s pragmatic arguments and Zwolinski’s fully elaborated justification. He concedes neither Munger’s claim that ‘we could do worse and probably will’ nor Zwolinski’s argument that a comprehensive conception of rights requires a BIG as a matter

(continued on page 6)
Center on Law and Justice

“People are resourceful. An example is blacks after the Civil War, freed from slavery recently, but they created two-parent family systems, and they had a network of mutual aid organizations. Very vibrant, despite the fact of incredibly low incomes.”
—David Beito on Fox Business Network’s Stossel, 12/28/14

Center on Educational Excellence

“Instead of obsessing over who is at the bottom in spending, it would be better to focus on which states are producing the best results for every education dollar spent—and replicate what they’re doing. Student achievement is the only measure that counts.”
—Vicki Alger in the Wall Street Journal, 1/11/15

Center on Health and the Environment

“The primary purpose of the Affordable Care Act was to make health insurance affordable for people with modest incomes. Yet as the employer mandate begins to kick in for 2015, the law is already hurting some of the people it was intended to help. By this time next year, we may find that many workers who earn within a few dollars of the minimum wage have less income and less insurance coverage (as a group) than they did before the mandate began to take effect.”
—John C. Goodman in the Wall Street Journal, 1/8/15

“The best way to slow this growth (in Medicare spending) is not by putting the squeeze on Medicare beneficiaries, as well as drug companies, hospitals and other providers—as President Obama’s $4 trillion budget plan would do—or by creating new bureaucratic barriers to care, but by providing Medicare recipients with incentives to seek the best care for the best price.”
—John R. Graham in the Washington Post, 2/6/15

Center on Entrepreneurial Innovation

“The real reason for the tuition increase is that the University of California system needs funds to bail out the mismanaged pension system that covers retired employees of its ten campuses. Let this be a lesson to the rest of the country: Public officials rarely take responsibility for the messes they make. Rather, they deny culpability and send the bills to the public they’re supposed to serve.”
—Lawrence McQuillan in the National Review, 1/5/15

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Peter Thiel on Entrepreneurship, Liberty, and the Future

On January 27, legendary entrepreneur and financier Peter Thiel, who co-founded PayPal and was the first outside investor in Facebook, delighted a sold-out audience at San Francisco’s Olympic Club with his insights on startups, innovation, and the prospects for freedom and prosperity.

Ever since he co-founded PayPal in late 1998 (soon after co-authoring his Independent Institute book, The Diversity Myth), Thiel has become known in Silicon Valley and across America as one of the pre-eminent contrarian thinkers on the scene today, and based on his best-selling book Zero to One, his talk only reinforced that well-deserved reputation.

Take technological innovation. Do you assume the pace is accelerating? Thiel said he thinks progress has slowed since the early 1970s. We’ve seen amazing advancements in information technology—but not much in other sectors.

“In the 1950s and ‘60s, technology meant many other things,” Thiel said. “It meant biotech, medical devices, nuclear power, new forms of energy, underwater cities, the green revolution in agriculture, space travel, supersonic aviation, flying cars, etc. The last 100 years had a period of technology without globalization and then a period of globalization with somewhat more limited technological progress—a lot in computers and the world of bits, not so much in the world of atoms.”

Why the dichotomy? Because government has placed fewer regulatory burdens on information technology. “For the last 40 years we have lived in a world where bits were relatively unregulated; atoms were more or less regulated to death,” Thiel said.

Unfortunately, government interference in computing and software could begin to catch up, especially as they become integrated into a wider array of consumer products. In the worst-case scenario, Silicon Valley could go the way of the rustbelt.

Fortunately, that’s unlikely to happen soon due to special characteristics that the high-tech sector in Northern California shares with the entertainment industry in Southern California. “They’re both heavily networked industries, so it’s incredibly valuable to be here even when the taxes are quite a bit higher,” Thiel said.

“[California] was able to dramatically increase marginal tax rates in 2012, and it did not lead to any exodus whatsoever. People are sort of stuck. And this suggests that even if taxes went up a lot more, we’re sort of stuck in these network industries that people can’t leave.”

In contrast, New York is at greater risk of economic decline caused by excessive taxes and regulation, because the financial services industry—one of the Empire State’s leading sectors—is more mobile and thus is more vulnerable to competition from financial centers in other parts of the world.

California’s super-networked industries act as powerful magnets for talent and capital, but their structural advantages can mask the destructive effects of government overreach that can quietly chip away at those sectors until they fall apart.

“The part that is dangerous about the California dynamic,” Thiel said, “is that when you have these super-networked industries, it’s possible that policy can go incredibly far wrong before anybody notices.”

This is a lesson that people in other parts of the nation have learned the hard way.

“The super disturbing example would be Detroit and the U.S. car industry, which was a very networked industry,” Thiel said. “It was all around Detroit. You had the suppliers, all these different people. There were incredible economies of scale and network effects that came from that. So, as it got taxed and regulated more and more, people did not leave. There was no response. Then eventually the whole thing completely collapsed. So, the risk in California is not that we have some sort of gradual decline, but that it gets pushed over the cliff.”

For a video and transcript of this event, go to independent.org/multimedia/detail.asp?m=2683
INDEPENDENT

VICKI E. ALGER: Why College Costs So Darn Much . . . And What We Can Do to Fix It
(continued from page 1)

annually on public two-year colleges where barely 1 in 5 students earns a degree in three years. Instead of high-priced, top-down government giveaways, we should be focusing on affordable ways to make higher education financially accessible.

Perhaps the simplest strategy for advancing this goal is to improve the incentives of colleges and students. We could create better incentives for schools to make smarter priorities and better incentives for students to buckle down, study hard, and get their degrees on time.

How might we create such incentives? One way is by cutting out the middleman.

Instead of funneling hundreds of billions of dollars annually to public institutions that face no consequences for out-of-control price increases, we could provide the money directly to students as performance grants.

To qualify for these grants, students would have to demonstrate genuine financial need and complete their chosen degree programs as stipulated. Otherwise, their grants would convert into loans that must be repaid.

Schools, two- and four-year alike, would have to compete for students and their associated grant funding, and this competition would exert powerful pressure on the schools to control costs, maintain high quality, and offer more generous institutional aid—or risk losing students to other institutions.

Adopting student-performance grants in place of public subsidies to colleges would help spark a renaissance in higher learning. The decoupling of public funding and schools could also set the stage for further reform goals, such as easing the burden that taxpayers shoulder by having to fund higher education for others.

Such efforts should include privatizing the grant-making process and making it easy for students to find prospective employers and other benefactors willing to pay for their schooling.

Want to make higher education truly affordable? Don’t make it “free.” Make it free market.

The Nobel Prize economist Milton Friedman taught this lesson decades ago, but until policymakers heed it, students and taxpayers will continue to be held back.

Vicki E. Alger is a Research Fellow at the Independent Institute and her book Failure: The Federal Miseducation of America’s Children will be published this year.

The INDEPENDENT REVIEW: Compassion and the Free Society
(continued from page 3)

of justice. Whaples would claim that the question Munger and Zwolinski ask—How best to fight the war on poverty?—is actually moot because in important ways that war has already been fought and won by market systems.”

See independent.org/publications/tir/article.asp?a=1044 •

Compassion and the Free Society

The literature on the relationship between virtue and liberty is vast, but Robert Higgs and Elizabeth Bernard Higgs manage to offer new ideas on this topic. Here’s an excerpt from our Spring 2015 issue:

“All libertarians dream of a better world, but in their view the prerequisite for its realization usually boils down to something like a nearly universal embrace of the nonaggression principle (NAP). We have no doubt that such an embrace would transform the world for the better in countless ways. Yet, as we see the matter, even a world in which everyone observes the NAP might still lack some essential features required for people’s flourishing and for the preservation of that rights-respecting wonderland.

“One such missing feature is compassion for others—compassion not only as a feeling of empathy but also as a personal engagement in voluntary efforts to relieve others’ suffering and to act out our fellow feeling with all persons, not simply with those who are, either by their own efforts or by virtue of their good fortune, already flourishing or at least getting along fairly well.”

See independent.org/publications/tir/article.asp?a=1058 •
For those who love freedom and brim with a passion to educate others about the benefits of free markets and personal liberties, the task has never been easy. All too often, people accept the status quo of government overreach, even when they have an inkling that it harms their physical, financial, and emotional well being.

While such complacency is common everywhere in the world, it may be more deeply entrenched in Latin America. A liberty movement in the region is growing, but it faces significant political and cultural challenges.

“Spreading the virtues of freedom here is often like describing colors to a blind man,” says Independent Institute Research Fellow Gabriel Gasave, who directs our Spanish-language projects from his base in Buenos Aires, Argentina.

One problem is the region’s long history of authoritarian regimes ruled by a strongman, or caudillo, who was in charge of practically all aspects of daily life. “People were robbed of their capacity to think and decide for themselves,” Gasave says.

In addition, many Latin Americans have developed an inflated concept of rights that is at odds with private property and the limited conception of rights at the heart of free-market economics and classical liberalism.

“People were granted theoretically a ‘right’ to almost everything: health, education, housing, stable employment, minimum wages, and so on,” says Gasave. “The related ideas of income redistribution and ‘social justice’ have also deeply penetrated into broad sectors of society. This is partly because many people mistakenly believe that attacking wealth creation is the path out of poverty.”

The Independent Institute’s message of free markets and personal liberties may seem like a hard sell in Latin America, but we’re delighted to share the progress we’ve made, thanks to Gasave’s efforts.

• Our Spanish-language website, El Instituto Independiente (www.elindependent.org), now with more than 1,600 articles, has communicated the value of liberty for more than a decade, helping to growing the freedom movement in Latin America and inspiring liberty-based solutions to economic and social problems.

• Our Spanish-language blog (independent.typepad.com), with more than 38,000 posts, offers original content and also serves as a news portal related to liberty in Latin America.

• Our social media popularity is large and growing. Our Spanish-language Facebook page has more than 8,000 friends, and more than 3,000 people follow our Spanish language notices on Twitter.

• Gabriel Gasave speaks frequently throughout Latin America. Recent highlights include his lectures on the life and work of Henry Hazlitt at Universidad Francisco Morroquin (Guatemala), classes on economics at a three-day workshop in Ecuador for journalists, and his weekly radio column, “La Mañana en Libertad,” on FM Libertad in Argentina.

• These contributions come on top of the influential books, public talks, and media appearances by Independent Institute Senior Fellow Alvaro Vargas Llosa. Soon after he joined us in 2002, Vargas Llosa became a weekly columnist with the Washington Post Writers Group and began to write Liberty for Latin America: How to Undo Five Hundred Years of State Oppression. He has also penned the books The Che Guevara Myth and Global Crossings: Immigration, Civilization, and America.

Perhaps his most influential contribution is the four-part television series he wrote and hosted for National Geographic Channels International. Titled “Consecuencias: Latin America Uncovered,” the series identified the revolutionary turning points in the region’s political and social landscape that continue to shape it, and helped bring our message of economic and personal liberty to people throughout Latin America.

As Latin Americans climb the rungs of freedom and prosperity, they will come to see that this achievement was made possible because thinkers such as Gabriel Gasave and Alvaro Vargas Llosa were there to hold the ladder.
Are you looking for liberty in all the wrong places?

Most think tanks are. They focus mainly on Ivory towers and halls of capitols, not realizing that the key to profound and lasting impact is—you!

History’s greatest victories for liberty—from the American Revolution to the fall of the Berlin Wall—have been driven by people just like you.

People like you inspired others to stand up for freedom and prosperity, and joined together to defend liberty in the face of Big Government.

**Armed with inspiring ideas, you can create profound change**—but those ideas aren’t coming from organizations that rework tired concepts for Washington insiders.

David Theroux recognized this problem 29 years ago and saw the need for a different type of institute—one that understands change is really created by taking bold and inspiring ideas directly to Main Street.

With that insight in mind, and with the help of thousands of supporters, **we now see tremendous new cause for optimism**.

Frustration with Big Government is at an all-time high. Interest in alternative answers has never been greater. And the information revolution has created an opportunity to reach individuals at a scale never before known.

And as this profound potential for a new wave of change grows—and others continue to overlook it—Independent is stepping up to make sure this opportunity isn’t missed.

We’re leveraging the power of ideas and individuals through a new look, and new projects:

- A video series to reach a wider audience, with answers on today’s most pressing policy questions,
- Expanded Student Programs to equip and inspire youth advocates for a free society,
- Book projects to apply classic insights to current issues,