Sixty years ago Nobel Prize–winning economist Milton Friedman argued that just because we finance K-12 education via government, this does not mean that elected officials know what type of education is best for other people’s children.

Fortunately, several educational choice programs are now empowering parents and helping put government back in its place.

Tuition tax-credit scholarships are one example. Unlike voucher scholarships, which are funded through government appropriations, tax-credit scholarships are funded by private donations, from individuals and businesses, to non-profit scholarship organizations. Donors can deduct varying amounts from their state income taxes, and parents can use scholarships to send their children to the private schools of their choice. Today, more than 225,000 students in 16 states are benefitting from these programs.

Education savings accounts (ESAs) are another great innovation. They empower parents with choices about how—not just where—their children are educated, bringing personalized learning to new heights. Parents who prefer alternatives to public school can simply withdraw their child, and the state deposits funds it would have sent to the school into the child’s ESA instead. Parents receive a dedicated-use debit card for authorized expenses, and any leftover funds remain in the child’s ESA for future educational spending, including college. ESA funds are disbursed quarterly, after parents submit expense reports with receipts for verification. Regular audits also help prevent misspending.

Currently, five states have enacted ESA programs benefitting thousands of students. And so far this year ESA legislation has been introduced in at least three more states and the District of Columbia.

Parents participating in Arizona’s ESA program report an unprecedented 100 percent satisfaction rating. Program demand is also strong, roughly doubling each year.

ESAs and tax-credit scholarships are fiscally responsible, pass constitutional muster, are popular, and they get results.

“Education spending will be most effective,” Friedman insisted, “if it relies on parental choice and private initiative—the building blocks of success throughout our society.”

Today’s parental choice programs are helping make Friedman’s vision a reality. And not a moment too soon.

Vicki E. Alger is a Research Fellow at Independent Institute and author of the new Independent book, Failure: The Federal Misedukation of America’s Children.
Unprecedented Opportunities

• **Innovative educational reform:** For decades, the Department of Education has foisted programs on states and students. The result? American students rank near the bottom worldwide. In our book *Failure, Vicki Alger explains how to foster educational excellence with true parental choice (p. 1).**

• **Protecting constitutional rights:** With a Supreme Court vacancy, self-defense, privacy, and religious liberty are under threat. Our landmark books by Stephen Halbrook, so crucial to courtroom victories for the right to bear arms, are taking on new relevance. And our forthcoming book by Anthony Gregory, *American Surveillance*, will expose government violations of the 1st and 4th Amendments.

• **Alternatives to Obamacare:** After Washington insiders have failed, the solutions in our book, *A Better Choice*, by John Goodman, are forming the basis for new bills in Congress.

• **Proclaiming the case for liberty across media:** Last year, Independent was featured across 661 print outlets such as the Wall Street Journal, Forbes, New York Times, and Washington Post, as well as broadcast and web, for a reach of nearly 6 billion.

We invite you to help move such ideas into impact by joining with us as an Independent Institute Member. With your tax-deductible membership, you can receive a free copy of *Failure or Nature Unbound* and other publications, including The Independent Review (p. 3), plus other benefits (please see envelope). We hope to work with you to advance the boundless possibilities only a free society provides.

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**PRESIDENT’S LETTER**

At a recent conference in Washington, DC, students packed into a room that quickly became standing-room-only. The students weren’t there to hear defenses of “free college tuition,” “trade wars,” “free healthcare,” or “democratic socialism.” They were there to learn about free-market economics from Robert Murphy, author of our book, *Choice: Cooperation, Enterprise, and Human Action.*

Bob’s ability to inspire enthusiasm shows that important pro-liberty voices will not be drowned out by the echo chamber of Big Government.

And in this election season, with voters seeking alternatives to politics as usual, we see real opportunity to voice the case for liberty!
Explaining Our Economic Malaise

The Spring 2016 issue of our quarterly journal offers articles and reviews about housing reform, the war on drugs, Cuba’s future, cryptocurrencies, the history of American charity, and much more. One article of particular importance looks at the health of the U.S. economy.

The Great Recession ended in 2009, but not since the 1930s has an economic recovery moved as slowly as this one. The official unemployment rate—4.9 percent when this article was written—looks relatively healthy, but that’s a highly misleading statistic because able-bodied non-working people who are not seeking employment are not considered part of the labor force. Indeed, the labor-participation rate hasn’t been this low since 1978.

So why has this recovery been particularly sluggish? A key reason may be an unintended consequence of government folly—what Independent Institute Senior Fellow Robert Higgs has called “regime uncertainty.” Here’s the idea: When business leaders begin to wonder whether politicians, bureaucrats, or the courts will uphold property rights and freedom of contract, they postpone making major investments. The result is slower economic growth and job creation.

Recent data are consistent with this hypothesis, according to Wolf von Laer and Adam Martin. (“Regime Uncertainty and the Great Recession”). The Federal Code of Regulation grew faster after the recession started and persisted. Opinion surveys revealed that trust in government had fallen. The bond market showed signs that investors became more skittish about corporate returns. And domestic net private investment didn’t return to its pre-recession heights until the third quarter of 2015.

Regime uncertainty is a provocative and plausible idea, but some have suggested that it is merely an ad hoc explanation—a “just-so” story unrelated to broader economic theory. Von Laer and Martin take issue with this criticism. Not only can regime uncertainty be smoothly integrated with the theory of market process, they argue, but the resulting synthesis gives us a more nuanced understanding of how the economy operates.

The theory of market process, as developed by Austrian School economist Israel Kirzner, stresses that free markets coordinate economic activities via entrepreneurial alertness to profit opportunities. The exercise of that alertness, in turn, relies in part on stable legal rules and freedom of contract. Regime uncertainty, Von Laer and Martin explain, thus acts as a negative shock to entrepreneurial alertness.

This identification and related ones create new avenues for economic research. For example, because larger firms are better equipped for absorbing negative shocks, they may be less vulnerable to disruptions caused by regime uncertainty than are small and medium size enterprises (SMEs). (continued on page 7)
Independent Institute in the News

Center on Peace and Liberty

 “[The Syrian civil war] is the worst civil war going on in the world now. Hundreds of thousands have been killed and millions more have been displaced, so anything that would stop—even temporarily—the fighting to get some aid there would be welcomed.”

—Ivan Eland on Canada’s CTV News, 2/12/16

Center on Entrepreneurial Innovation

 “See if this sounds familiar. The economy is in a deep slump. The Fed cuts interest rates close to zero and then tries quantitative easing. A banking crisis begins in the United States and then spreads to Europe, where even sovereign debt is no longer safe. Individual countries are locked into a single monetary regime and unable to stimulate their economies. Am I describing the Great Recession? Yes, but I’m also describing the Great Depression of the early 1930s.”

—Scott Sumner in The Fiscal Times, 2/4/16

Center on Educational Excellence

 “‘Free’ college—just like virtually every other ‘free’ lunch—is a lie we’ll all wind up paying more for sooner or later. Only this time the price will come in the form of higher taxes, watered-down degrees, more government intrusion into degree choices, and a weakened economy.”

—Vicki E. Alger in The Washington Examiner, 2/9/16

Center on Law and Justice

 “Congress, not the Executive Branch, defines crimes. The idea that the president can criminalize conduct not made a crime by Congress is anathema to democracy and the rule of law. The fact that the issue is ‘gun violence’ changes nothing. . . . But now ‘executive action’ has become a euphemism for rule by decree, which has no place in a republican form of government.”

—Stephen P. Halbrook in The Daily Caller, 1/5/16

Center on Health and the Environment

 “Antonin Scalia will be remembered for his fidelity to the Constitution and his preference that public policy be made in legislative chambers rather than courtrooms.”

—William J. Watkins, Jr. in The Daily Caller, 2/15/16

Visit our Newsroom at independent.org/newsroom to read these articles and more.
In 1934, former U.S. Forest Service official Aldo Leopold, a godfather to the modern environmental movement, wrote that “restrictive laws” had “largely failed” in their mission to conserve America’s forests, rivers, and other natural resources. Less than 40 years later, however, lawmakers from both parties began to champion legislation far more sweeping and restrictive than any Leopold had witnessed. How well did these “restrictive laws” work to right environmental wrongs?

In *Nature Unbound: Bureaucracy vs. the Environment*, authors Randy T Simmons, Ryan M. Yonk, and Kenneth J. Sim argue that major federal environmental policies have fallen far short of the promised goals. The Clean Water Act has not eliminated pollution from national waterways as intended. The Endangered Species Act is often counterproductive, discouraging property owners from protecting threatened species and their habitats. The Clean Air Act is not the major cause for improvements in air quality. And renewable energy legislation has mostly wasted resources, rather than conserved them.

Why have so many environmental laws missed the mark? Some have failed, the book argues, because they are based on the outdated “balance of nature” doctrine—the notion that ecosystems, in the absence of human impacts, are naturally “held in balance.” Today, scientific ecologists expect various plant and animal populations to change in relative size as selection pressures and opportunities change. Given this understanding, the goal of preserving “biodiversity” would require active, human management of ecosystems—not a hands-off policy, as, for example, the Wilderness Act demands.

The Wilderness Act has led to numerous restrictions that are not ecologically justified. Under the Act, fires caused by lightning are allowed to burn, but not controlled, human-ignited fires designed to reduce the risk of forest-killing megafires. Another example: Land made bare by humans or domestic livestock may be mitigated, but not land denuded by wild elk or deer. And yet, quarantining land from human impacts and expecting nature to freeze in time does not work.

Some environmental policies have failed due to the inner workings of “political ecology”—pressures, incentives, and constraints inherent in democratic processes and bureaucratic conduct. For example, in the late 1960s and early 1970s, the federal government got involved in the environment because the public believed water and air pollution were getting worse, even though state and local systems were being cleaned up.

Leaders of both the Democratic and Republican parties trumpeted federal regulation as a way to win support from an uninformed electorate caught up in environmental hysteria. Also, special interests (e.g., automakers, various environmentalist groups) supported the federalization of environmental policy because they realized that it’s much easier to lobby one level of government than to lobby 50 states and their local governments.

More than a critique of false assumptions and flawed policies, *Nature Unbound* offers bold principles to help us rethink environmental objectives, align incentives with goals, and affirm the notion that human beings are an integral part of the natural order and merit no less consideration than earth’s other treasures. Ultimately, nothing less can succeed in our efforts to restore natural resources and revitalize our social and political ecosystem.

Will Americans enact environmental policies based on sound principles? The authors of *Nature Unbound* are cautiously optimistic: “We recognize that political pressures work against such redesign, but we remain pragmatically hopeful,” they write.

See www.independent.org/store/book.asp?id=118
The Independent Institute proudly announces the California Golden Fleece Awards to expose waste, fraud, and abuse in California government. Every quarter, Independent will highlight a state or local spending program, tax, or regulation that fleeces California taxpayers, consumers, and/or businesses. On occasion, the awards will also feature a federal program that disproportionately harms Californians.

“The Fleece Awards will shine a spotlight on wasteful and abusive government activities that most people across the political spectrum would agree violate common-sense principles of responsible government,” said Independent Institute Senior Fellow Lawrence J. McQuillan, founder and director of the program. “By increasing transparency, our goal is to inform the public so they can demand meaningful change and hold government accountable.”

As a bellwether, California is fertile ground for Fleece candidates, and examples are easy to find.

In September 2013, a new eastern span of the San Francisco–Oakland Bay Bridge was opened to traffic. The new span was necessitated by the 1989 Loma Prieta earthquake, but it took politicians, CalTrans officials, and contractors a staggering 24 years to complete construction. And at $6.4 billion, the bridge cost more than six times the original estimate.

In return for all this money, Bay Area drivers got a bridge riddled with serious defects, including misaligned steel anchoring rods that threaten the bridge’s stability in an earthquake, water leaks that pose serious corrosion problems to rods, and broken bolts too brittle to withstand an earthquake. All this will require a minimum of millions of dollars more to fix and could jeopardize the long-term safety of travelers. Gov. Jerry Brown’s reaction was less than artful: “I mean, look, sh*t happens.”

In November 2008, California voters approved a bond measure authorizing construction of a high-speed “bullet” train between San Francisco and Los Angeles. Supporters told voters it would cost $43 billion and allow people to travel between the two cities in 2 hours and 40 minutes. But three years later, new estimates said it would cost at least $98 billion. Today, the cost estimate is $68 billion, but only because supporters switched the plan from dedicated tracks to shared tracks. This change will increase the travel time to 3 hours and 14 minutes. Also, there isn’t financing currently in place to complete the project.

Clearly, voters in 2008 did not approve this modified plan; and to many people, the bullet train is an expensive bait and switch.

The bridge and train projects, and many more projects, would have benefited from greater transparency and public scrutiny. The California Golden Fleece Awards aim to shine a spotlight on government activities, to expose waste, and to provide valuable information to the public that will help them provide needed oversight.

You can help fight injustice and stick up for the rights of taxpayers, consumers, and businesses. We welcome anyone—whether inside or outside governments—to send us Fleece candidates. Your participation will help make the California Golden Fleece Awards a more valuable resource. To learn more and to submit your candidates, please go to independent.org/cagoldenfleece.

Independent will announce the award winners on independent.org, Facebook, Twitter, LinkedIn, and Instagram!
Von Laer and Martin test this hypothesis and find preliminary evidence that SMEs have indeed had greater trouble adapting to the Affordable Care Act and the Dodd-Frank financial industry reforms—two post-recession regulatory overhauls that have caused much harm and uncertainty among business people. For this reason and others, Von Laer and Martin conclude that regime uncertainty is a phenomenon rich in implications and worthy of serious investigation.

“Our goal has not been to exhaustively enumerate these avenues but rather to explore one of them, showing that there are profit opportunities to be exploited by pursuing these questions,” Von Laer and Martin conclude.

See independent.org/publications/tir/.

The Seminar is also a great way for students to make lasting friendships and network with teachers eager to answer their questions and provide academic and career advise.

Applications are now available online at independent.org/students/seminars/enrollment.asp. If you’re interested in the Seminars but not eligible to enroll, please consider supporting the Seminars with a tax-deductible gift. Online giving is available at independent.org/donate/.

Your tax-donation can support the purchase of Seminar books, travel stipends, or even full-tuition scholarships!
Think back to a professional experience that shaped you. Was it a meaningful conversation with a mentor? A first job that challenged you? A professor who invested in you? For many of today’s college students, that important experience is an Independent Institute Learning to Lead Internship or Challenge of Liberty Summer Seminar.

Rebecca Harris participated in both programs while a student at Hillsdale College. She spent the summer of 2014 as an intern at our Oakland headquarters and attended our student Summer Seminar at the University of California, Berkeley.

Recently, we had the opportunity to ask Rebecca about those experiences.

**Independent:** What was the most important thing you gained from the Independent Institute’s student programs?

**RH:** There’s not just one thing that I gained, but multiple things. I gained a tremendous amount of professional experience, and through the mentorship and support of everyone at Independent, I gained confidence in my abilities. Another important benefit was learning more about the free market and the dynamics of a free society. Improving my understanding of incentives, markets, and human freedom has improved my critical thinking skills and given me a new lens through which to see public policy and human behavior.

**Independent:** In your mind, what differentiates us from other free-market think tanks?

**RH:** From my experience, I would say that Independent is truly an independent think tank. It’s concerned solely with increasing human freedom. It’s a scholarly place. And I also noticed that the employees care about each other in a way that I hadn’t seen at other think tanks. There’s a sense of community.

Rebecca’s experience at Independent was transformative. And now she continues to advocate for liberty through her career in California state government. This year, we are planning to provide the same inspiring programs to more than 100 top students!

But, we could really use YOUR help! Our Student Programs are supported by generous people, just like you. To help sponsor a student this summer, please return the enclosed envelope or, for a full list of sponsorship options, visit independent.org/students/seminars/donate.