Every four years, politicians hoping to win the presidential election make hundreds of speeches meant to convince the American voter that they are uniquely qualified to "solve" the crises of the day. When they get around to talking about the U.S. Constitution (if they do at all), they leave the impression that the nation’s charter is "the best of all possible worlds.” This myth is as old as the Republic.

The usual story is that the Constitution saved the thirteen states from ruin by the impotent Articles of Confederation. Without the compromises reached in Philadelphia in 1787, the story goes, we would be living in a land that was politically fragmented, economically impoverished, and militarily weak.

It’s true the Articles were flawed. Nevertheless, they enabled the emerging nation to defeat the superpower that was Great Britain. They also preserved the rights of the people of the several states to govern themselves.

Several of its provisions sound appealing today:

• **Term limits for delegates.** This was included to help prevent special interests from gaining undue influence. People who complain about the high incumbency rate in the House of Representatives should credit the Articles for anticipating such a problem.

• **Supermajority requirement for borrowing money.** Since government debts are paid with tax revenue (and/or inflation) this rule was meant to discourage “taxation without representation.” Given our current $19 trillion national debt, many people should see its wisdom.

• **Restraint of central government.** Article II ensured that the Confederation Congress could not claim broad authority to meddle in local matters. The Constitution, in contrast, has done a poor job at limiting the reach of our masters in Washington, D.C.

The three features above give us good reason to consider rescuing the Articles of Confederation from the dustbin of history. They have much to teach us if only we would listen.

William J. Watkins, Jr. is a Research Fellow at Independent Institute and author of the new book, *Crossroads for Liberty: Recovering the Anti-Federalist Values of America’s First Constitution.*

**OUR NEW BOOK CROSSROADS FOR LIBERTY IS AVAILABLE THIS OCTOBER 2016**
**A New Independence**

The Brexit referendum victory, which kicks off a two-year process for the United Kingdom to leave the European Union, has sent shock waves across the world. It also reflects growing movements against centralized power, corruption, and runaway bureaucracy.

Around the globe, people fed up with unresponsive, arrogant, and overbearing government are challenging the complacency—and even the very legitimacy—of Big Government elites. The goal of this movement? Independence.

Americans have their own mighty tradition of rebelling against tyranny, first inscribed in the Declaration of Independence and quickly manifested in the colonies’ successful secession from the British empire.

Important but neglected lessons of this noble heritage are revealed in the new Independent book, *Crossroads for Liberty*, by William J. Watkins, Jr. (p. 1). Especially timely are lessons about independence and opportunity.

Today, the entrepreneurial advances of the “sharing” economy and decentralized innovation offer historic opportunities to circumvent the leviathan that has long favored the political class at the expense of Main Street.

New ideas are also challenging government dominance and dependency. In healthcare, for example, Independent’s books *A Better Choice* and *Priceless* by Senior Fellow John C. Goodman have inspired bold legislative alternatives to Obamacare.

Education is also primed for pro-independence innovations. Research Fellow Vicki E. Alger’s new book, *Failure: The Federal Miseducation of America’s Children* (p. 5), exposes the failures of federal power in K–12 schooling and higher education, and charts a course for a variety of school choice measures.

While today’s headlines are often bleak, this is an exciting time to work on behalf of independence from Big Government folly.

We invite you to join with us in advancing this mission by becoming an Independent Institute Member. With your tax-deductible membership, you can receive a FREE copy of *Crossroads for Liberty* or *Failure* and other publications, including *The Independent Review* (p. 3), plus other benefits (see envelope).

We hope to work with you to advance the boundless possibilities only a free society provides.
Fleecing the Young

Young Americans can expect to get much less for their tax dollars than have their elders, but they’ve had little say in the decisions responsible for the problem. Social Security is the obvious example, but other cases of intergenerational injustice also loom large.

University of Virginia philosophy professor Loren E. Lomasky sheds light on the topic in “Fleecing the Young.” After explaining three principles essential for a moral analysis of intergenerational justice issues, Lomasky shows how they apply to specific problems that disproportionately harm young people. Here are two:

- **Debt.** Borrowing money raises questions of justice when borrowers are distinct from the party responsible for paying off public debt, usually the young or unborn.
- **Work.** Minimum-wage laws and other policies create higher rates of youth unemployment.

To promote intergenerational justice, Lomasky proposes that laws and regulations under consideration be required to include one or more of the following:

- **Generational impact statement.** Policy proposals must include studies of how the proposal would affect different age groups.
- **Generational ombudsmen.** Government decision-making bodies must include someone tasked with representing the interests of young people, including the unborn.
- **Voter affirmation or nullification.** Long-term government-commitments, such as public pension contracts, must be subject to public vote at a pre-determined date.

Lomasky warns that these measures by themselves would likely not prevent older generations from imposing burdens on the young. Ensuring that intergenerational justice prevails, he says, would require fundamental changes in attitudes about the appeal of the welfare state.

The War on Drugs in Afghanistan

The war on drugs in Afghanistan was supposed to support the war on terror, but instead it has strengthened the Taliban insurgency and undermined other U.S. goals, according to Christopher J. Coyne, Abigail R. Hall Blanco, and Scott Burns (“The War on Drugs in Afghanistan: Another Failed Experiment with Interdiction”). U.S. drug policy in Afghanistan, they argue, had several consequences that undermined counterterrorism and nation building:

- **Contradictions and confusions.** After the U.S. military invaded Afghanistan in October 2001, it paid local warlords to help defeat the Taliban. The warlords in turn offered protection services to drug traffickers. There was little the Interim Afghan Authority could do to enforce its new opium ban.
- **Cartelization.** From 2003 to 2009, local leaders found it expedient to target smaller opium growers. Larger producers thrived and became integrated with the Taliban.
- **Criminalization.** Hundreds of thousands of poppy growers have been deemed criminals, giving them incentives to align with the Taliban for protection.
- **Violence.** During harvest season, opium-growing regions have become especially violent due to links between the Afghan drug trade and the Taliban-led insurgency.

See independent.org/publications/tir/.

Steve H. Hanke
Professor of Applied Economics, Johns Hopkins University

James J. Heckman
Nobel Laureate in Economic Sciences, University of Chicago

Wendy Kaminer
Contributing Editor, The Atlantic

John R. MacArthur
Publisher, Harper’s Magazine

Deirdre N. McCloskey
Distinguished Professor of Liberal Arts and Sciences, Univ. of Illinois at Chicago

J. Huston McCulloch
Professor of Economics and Law, Emory University

Michael Novak
Joseph Chair in Religion and Public Policy, American Enterprise Institute

June E. O’Neill
Director, Center for the Study of Business and Government, Baruch College

P. J. O’Rourke
Author, Don’t Vote! It Just Encourages Lying

Tom Peters
Co-Author, In Search of Excellence: Lessons from America’s Best-Run Companies

Charles E. Phelps
Provost and Professor of Political Science and Economics, University of Wisconsin, Madison

Paul H. Rubin
Professor of Economics and Law, Emory University

Bruce M. Russett
Dean, Johnson Professor of International Relations, Yale University

Pascal Salin
Professor of Economics, University of Paris, France

Vernon L. Smith
Nobel Laureate in Economic Sciences, Chapman University

Joel H. Spring
Professor of Education, Queens College and Graduate Center, City University of New York

Richard L. Stroup
Adjunct Professor of Economics, North Carolina State University

Robert D. Tollison
Professor of Economics and B&BT Senior Fellow, Clemson University

Arnold S. Trebach
Professor of Criminal Justice, American University

William Tucker
Author, The Enclosed Americans: Homelessness and Housing Policies

Richard E. Wagner
Author, Lying and the Culture of Lying and The Suicidal Corporation

Walter E. Williams
Distinguished Professor of Economics, George Mason University

Charles Wolfe, Jr.
Senior Economist and Fellow, International Economics, RAND Corporation
“Despite Trump’s usual campaign bluster, his foreign-policy views are largely well-argued and based on knowledge of, and stark admission of, numerous past instances of excessive and failed military meddling overseas.... Trump’s promise of a nation that places more emphasis on diplomacy and improving relationships, even with nuclear-armed China and Russia, can make the world a safer place.”

—Ivan Eland in The New York Post, 4/29/16

“Handouts can leave recipients less capable of taking care of themselves by lowering the drive to work, encouraging recipients to have children they can’t support, or enabling addicts to continue indulging.... To thrive, human beings need healthy expectations and purposeful challenges. In today’s era of trillion-dollar handouts, it’s time to resurrect past wisdom and find ways to offer a hand up instead.”

—James L. Payne in The Wall Street Journal, 5/19/16

“It’s time to end the U.S. Department of Education and put the real experts—parents—back in charge of their children’s education.... Until we put the real experts—parents and their locally elected representatives—back in charge of education, we can expect more overpromising and under-delivering from the U.S. Department of Education.”

—Vicki E. Alger in The Sacramento Bee, 5/19/16

“Even large, profitable firms may operate on razor-thin margins. Walmart’s profit margin is only 3 percent. Its costs are so large that in a 31-day month, the first 30 days’ sales go to expenses. Only on day 31 does the company turn a profit, assuming nothing unexpected happens—like a new family-leave law.... Helping families is admirable, but we should be cautious before suggesting that the government mandate how employers handle their businesses. You’re liable to make them and the families suffer.”

—Abby Hall Blanco in The San Francisco Chronicle, 4/18/16

“Travelers have suffered unnecessary delays and harassment from the TSA for nearly 15 years. It’s time to turn to a truly private alternative. It would make us safer, less hassled and freer. Flying might even become fun again.”

—Benjamin Powell in The New York Post, 5/1/16

“Despite gross premiums growing three times faster in 2016 than 2015, Obamacare beneficiaries will actually see a significantly less painful increase in the net premium they have to pay. Taxpayers are shouldering a higher share of Obamacare’s costs.”

—John R. Graham in The Hill, 5/9/16

“The assumption that there is a balance of nature is emotionally appealing, but outdated, wrong, and rejected by most modern ecologists. The assumption is, however, alive and well among the general public, political activists, and many of those who implement environmental policy.”

—Ryan Yonk in The Daily Caller, 3/14/16

“Travelers have suffered unnecessary delays and harassment from the TSA for nearly 15 years. It’s time to turn to a truly private alternative. It would make us safer, less hassled and freer. Flying might even become fun again.”

—Benjamin Powell in The New York Post, 5/1/16
In 1979, after a century of lobbying, advocates of a larger federal role in education got their wish: President Carter established the Department of Education as a cabinet-level agency. How well has the agency performed? Independent Institute Research Fellow Vicki E. Alger offers a sobering report card and proposes major changes in Failure: The Federal Misedukation of America’s Children. Federal involvement in education, according to Alger, has failed to live up to its promises: The feds have failed to slash the inefficiency that plagues education bureaucracy. They have failed to act as a partner to state and local governments. And they have largely failed to improve student performance. Alger explains why the federal government has failed and what must be done to ensure that America’s school children will thrive. To make her case, she begins at the beginning.

Uncle Sam Goes to School
Before the mid-1800s, federal involvement in education was marked by restraint, the product of a consensus about the government’s limited, enumerated powers under the Constitution. Two sea changes, however, tore the federal government from its constitutional moorings.

At the national level, those favoring a federal role began to emphasize the imagined benefits and ignored the constitutional limitations. At the state level, the advocates for disadvantaged children lobbied for compulsory schooling for all. These efforts contributed to the creation of the U.S. Education Department in 1867, but they did not ensure the agency would have much status or funding.

The activists persisted. In 1979, they finally succeeded with President Carter’s establishment of the U.S. Department of Education as the thirteenth cabinet agency. Federal involvement was at last made secure—a status confirmed when President Reagan’s task force recommended downgrading the department rather than abolishing it. Later presidents would speak of overhauling education, but none called for cutting federal involvement.

Results
The Department of Education has grown to over 4,000 employees, more than 100 programs, and an annual budget of about $70 billion, but its failures are legion. Wasteful spending is rampant. Strings attached to federal funding ensure a political tug-of-war with the states. And American students show little or no progress in reading, math, and science. How have the nations that perform the best on international tests managed to avoid a similar fate? Alger looks at their institutional structure, national curriculum, national assessments, school autonomy, and parental choice. She finds that the top countries share two traits: Educational systems are highly decentralized, and schools compete to attract and retain students.

Fix a Broken System?
Given these findings, how should the American public go about “reforming” federal involvement in education? To maintain focus, Alger offers a simple (and thus eminently useful) guiding principle: End it, don’t mend it.

As a first step, Alger calls for eliminating 19 non-profit program offices and divisions within the Department of Education. This cut would generate savings of about $14 billion, which the Treasury would return to taxpayers via tax credits.

She also calls for letting voters decide which federal programs (if any) would be preserved at the state level. Voters would work with local lawmakers and educators to set priorities that meet the specific needs of students in their communities.

Parental choice programs, both in the United States and overseas, offer important lessons. Alger calls for the states to expand them and magnify their effectiveness by implementing tuition tax credits and educational savings accounts.

Privatization would also help. In the realm of higher education, putting student loans in the hands of competing private lending institutions, for example, would reduce the cost of college and help students get the education that matches their career goals.

See www.independent.org/store/book.asp?id=118

“The strongest pro-choice arguments for school reform—more power to parents and students—can be found in the pages of Failure.”
—Juan Williams, Political Analyst, Fox News Channel; author, Eyes on the Prize: America’s Civil Rights Years
Carrying the Torch to Academia

The Independent Institute was well represented at the 41st Annual Conference of the Association of Private Enterprise Education in Las Vegas, April 3–5, 2016. Several of our fellows and staff discussed their works as featured speakers.

Ryan Yonk and Randy T Simmons gave talks about their book *Nature Unbound: Bureaucracy vs. the Environment* (published by Independent in March), and Robert Murphy’s presentation drew from his book *Choice: Cooperation, Enterprise, and Human Action* (which we published last August). Murphy also accepted an award for co-authoring, with Phillip Magness, the outstanding paper published last year in the *Journal of Private Enterprise*, “Challenging the Empirical Contribution of Thomas Piketty’s *Capital in the Twenty-First Century*.”


Abigail Hall Blanco discussed “Foreign Interventions and Human Rights Abuses in the U.S.” and “Teaching Principles: A ‘Policy-Centric’ Approach.” Benjamin Powell chaired a session on economic liberties and the productivity of investment. He also discussed the global spread of think tanks in a session titled “Origins of Economic Freedom.”

Scott Sumner, author of *The Midas Paradox*, spoke at two sessions on monetary policy. Samuel Staley presented at three sessions, including one on social entrepreneurship. And Peter Boettke, author of *Living Economics*, sat on nine (!) panels.

All-in-all, it was a highly productive conference for Independent.

Independent at Publishing Summit and BookExpo America

Technology is rapidly changing the book publishing world, and to keep pace Independent staff seek out the industry’s experts.

In May, Vice President of Operations Martin Buerger, Director of Marketing and Communications Kim Cloidt, and Acquisitions Director Roy M. Carlisle trekked to Chicago for seminars hosted by our book distributor, Independent Publishers Group. A treasure trove of talks and events kept dozens of publishers from all corners of the world busy taking notes and sharing insights.

The highlights most useful to our staff included: learning about innovative new partnerships available in digital publishing and printing; understanding the imperative for publishers to use the right metadata; and seeing the shipping and receiving operations of a warehouse filled with 9 million books.

The day following the summit kicked off this year’s BookExpo America, the largest annual book publishing event in North America. Seeing thousands of tables stacked with books that publishers are promoting to the retail/library trade—and noting emerging cultural and intellectual trends—overwhelmed the senses, Carlisle reported.

Independent contributed to the buzz by hosting two book signings. Research Fellows Ryan Yonk (co-author of *Nature Unbound*) and Robert Murphy (author of *Choice*) signed books and chatted with fans and industry pros in the booth of our partner, the Independent Book Publishers Association (no relation).

Cloidt and Buerger also represented us at the IPPY Award ceremony. They shared the honor of accepting the national “Independent Voice” award for Senior Fellow Robert Higgs’s latest Independent book, *Taking a Stand*. 
Capitalism is not chiefly a system of incentives; it is a system of knowledge. This key insight helps explain our current economic predicament—and offers us the best hope for putting the U.S. economy on the fast track to widespread abundance.

Such was the theme of George Gilder’s June 7th talk at Independent Institute, “The Secret to Restoring the American Dream,” based on his latest book, The Scandal of Money: Why Wall Street Recovers but the Economy Never Does.

The failure to grasp crucial truths about information, knowledge, and learning helps explain why U.S. economic policymakers have not been able to fully restore the health of the economy since the 2008 financial crisis. This failure also, according to Gilder, is a leading indicator that the Keynesian economic paradigm will soon die.


In 1945, Austrian School economist F. A. Hayek wrote a celebrated paper explaining that the free market, via its price system, is a complex network supremely adept at communicating information and coordinating people’s economic plans. Gilder takes Hayek’s point a step further: Wealth is knowledge, and economic growth is learning.

Astute observers of technology and business should have no trouble grasping the notion that economic growth reflects increases in knowledge. It is evident, for example, in Moore’s Law and in the efforts of business consulting firms to calculate the “learning curve” for thousands of products. Virtually everything has a learning curve, but some things “learn” faster than others. Rainforest slime, for example, has a better learning curve than public-sector unions—hardly known for much ability to rapidly adapt to change.

Moreover, government itself stifles the learning that creates growth. The leading example today is the U.S. government’s economic policies since the 2008 financial crisis.

The Federal Reserve has held down short-term interest rates to zero or near zero in an effort to induce economic growth. But the Fed’s policy has fallen flat. It is supposed to create incentives for borrowing, but it has sent a bad signal to would-be borrowers: It suggests that something in the economy is stifling investment opportunities and that now is not a profitable time to borrow and invest.

The Fed’s failure reflects a deeper problem: Whenever government is in control of money, it can wave the money around like a “magic stick,” in the hope that people will believe that illusions are reality. In contrast, money governed by market forces is a “measuring stick,” giving buyers and sellers, borrowers and savers an accurate basis for comparing trade-offs.

The solution is the separation of money and state. Before government treasuries and central banks grabbed the reins, gold-based money was the norm. Today, cryptocurrencies such as bitcoin offer a similar advantage: Their supply cannot be increased by government.

Working together, gold and cryptocurrencies would, according to Gilder, enable the economy to live up to its full potential, maximizing the use of knowledge in society and putting the American Dream within reach of virtually anyone.
Inspiring Alternatives for American Millennials

When people discuss the politics of the Millennial Generation, they often cast it in a negative light, equating apprehension with apathy. But is this bleak assessment warranted?

Millennials have been called the “unclaimed generation” because, studies indicate, they are unwilling to trust either political party. On issues such as privacy and government spending, for example, Millennials are more likely to tell you they trust neither side than to say they’d trust a Republican or a Democrat.

What do we expect from them? Millennials grew up in a world of quicker, cheaper, and innovative options—the opposite of stale government bureaucracies and business as usual.

They don’t wait for taxis; they call Uber or Lyft. They don’t patronize hotel chains; they book Airbnbs. When splitting bills, they “venmo” their friends from iPhone to iPhone.

Even when helping others, Millennials like to avoid the status quo in favor of entrepreneurial options, such as charities like Unsung (which uses the sharing economy to deliver meals to the hungry).

Millennials are seeking alternatives to broken government to solve problems. When asked what would most improve the quality of life in their neighborhoods, they rank “investment in the government” last, after volunteerism and investing in business.

The Independent Institute has positioned itself to reach millions of Millennials, with our inspiring alternatives to broken dreams—through our exciting new multimedia programs, such as Love Gov, social media outreach, and top-drawer publications on issues that matter to them the most, such as education, healthcare, and privacy. Please join our efforts by becoming an Independent member.

To learn more about Millennials and how Independent is reaching them, please request a copy of Independent’s 7 Things You Should Know About Millennials by emailing info@independent.org. Then please help us amplify our efforts by making a donation at independent.org or by using the enclosed envelope.