



Independent

NEWSLETTER OF THE INDEPENDENT INSTITUTE

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Defusing the U.S. Debt Time Bomb

By William F. Shughart II and Carl P. Close



Politicians in the U.S. capital have long avoided proposing solutions to America's worsening fiscal crisis—a national debt that since 2007 has more than doubled to nearly \$20 trillion. Although some policymakers are ignorant of the grave risks it poses, others fear that initiating an honest discussion would cost them reelection.

Fortunately, the solution to our debt problem may be easier than most people realize—and it need not rely on politically unpopular tax hikes and deep spending cuts. (This isn't at all to say that major spending and tax reductions should not also be pursued.)

We believe the most promising approach to paying down the national debt involves raising revenue by selling federally owned assets, including buildings, land, infrastructure, and mineral deposits.

The U.S. government's holdings are enormous. The Federal Real Property Profile Open Data Set (FY2015) reported 769,000 federal buildings and other structures plus 49 million acres of federal land (excluding real property related to national security). However, it left out the most valuable asset class of all—energy deposits on or under federal property. This includes vast reserves of technically recoverable oil (1,194 billion barrels), natural gas (2,150 trillion cubic feet), and coal (7.4 billion tons).

If federal energy reserves fetched even one-third of these commodities' current market prices, the U.S. Treasury would bring in \$23.3 trillion—more than our \$20 trillion national debt. No other category of real property comes close to helping the feds raise the revenue necessary to pay off the debt.

Of course, any revenue estimate from asset sales is fraught with uncertainty. Prices, costs, technology, consumer demand, and discount rates are subject to change. Moreover, a large and rapid sell-off would lower asset values. Still, regardless of the price the marketplace would ultimately clear and set for access (or exploration) rights to energy deposits, this strategy has superior potential for defusing the debt crisis.

Is it a politically viable strategy? We believe history offers grounds for optimism.

In 1987, President Reagan signed legislation that gave homeless-assistance organizations first dibs on purchasing excess federal properties. Nearly thirty years later, such groups supported the Federal Asset Sale and Transfer Act, which enhanced their access to acquisitions. That bill, which President Obama signed in December 2016, is expected to raise at least \$8 billion—exclusively for debt reduction—through the sale of unneeded, underutilized surplus federal buildings and associated real estate.

(continued on page 6)

William F. Shughart II is Senior Fellow and Research Director and Carl P. Close is Research Fellow and Senior Editor at the Independent Institute. They are the authors of *Liquidating Federal Assets: A Promising Tool for Ending the U.S. Debt Crisis*, available at www.independent.org/publications/executive_summaries/.



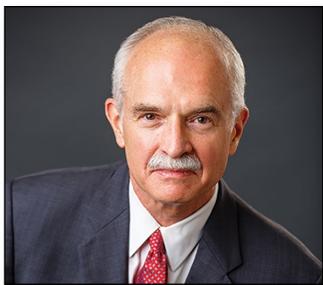
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PRESIDENT'S LETTER

New Bridges for Liberty



DAVID J. THEROUX
Founder and President

How can we best advance the prospects for human well-being in a divided America? How can we as individuals and communities realize greater freedom, opportunity, prosperity, and security for all?

The Independent Institute has been working hard on several fronts.

In addition to our new books and our quarterly journal *The Independent Review*, we have launched a new series of regional events, *New Bridges to Liberty* (p. 7), to build communities of impact across the country, and we have continued to expand our video series on liberty that satirizes Big Government, *Love Gov: From First Date to Mandate*, now with over 7.4 million combined YouTube views (98 percent Millennials) and ten film awards.

Over the past year our fellows have participated in 58 events, testified on legislation, authored influential policy briefs, and worked with top lawmakers. Their work has appeared in major publications 833 times, and they have given over 200 radio and TV interviews, bringing our total media reach to 5.6 billion since July 1, 2016.

As a result, the Independent Institute is at the forefront of public-policy innovation. For example:

- With the U.S. national debt approaching \$20 trillion, Research Director **William F. Shughart II** and Research Fellow **Carl Close** (p. 1) offer a bold strategy for debt-reduction: the sale of federal assets.
- With the drive to replace Obamacare, our **Health Choices** campaign has reached 1.5 billion views across print, TV, radio, and web, offering essential solutions based on our books by Senior Fellow John C. Goodman, *A Better Choice* and *Priceless*.
- In *China's Great Migration*, Research Fellow Bradley Gardner (p. 3) presents lessons for us all from China's astounding economic transformation: mass migration from the countryside to create China's most productive and vibrant cities, the cre-

ation of a more market-oriented economy, and the uplifting of over a billion people out of abject poverty.

- Natural-resource innovation has been undermined since the late 1960s by Big Government, command-and-control, environmental restrictions, but our book *Nature Unbound: Bureaucracy vs. the Environment* (p. 6) offers compelling market-based, entrepreneurial solutions for air pollution, water pollution, energy, endangered species, wilderness, and more.

And with sentiments about inequality reaching new heights, our symposium "*Egalitarianism: Fair and Equal?*," Summer 2017 issue of *The Independent Review* (p. 5), critically examines the "New Egalitarianism" and the possible danger it poses to individual liberty and the rule of law.

We invite you to join with us to build a better future by becoming an Independent Institute Member. With your tax-deductible membership, you can receive **FREE** our books *China's Great Migration*, *Nature Unbound*, and *A Better Choice*; *The Independent Review*; plus additional benefits (see envelope).

Together we can build great bridges for liberty!

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NEW BOOK

China's Great Migration

In recent decades China has undergone profound economic change: the nation has slashed its poverty rate in half and reshaped the global economy. Today, hundreds of millions of Chinese people enjoy opportunities they would have been denied a generation ago—opportunities to invest in themselves and improve the lives of their families.

What are the main causes of China's economic transformation? The issue has puzzled some of the world's most influential experts and policymakers, but the answer is revealed by **Bradley M. Gardner**, a former China reporter for *The Economist* in a new Independent book, *China's Great Migration: How the Poor Built a Prosperous Nation*.

China's economic surge, Mr. Gardner explains, is a story of mass migration—the biggest in history—as more than 260 million people left rural areas of China in search of urban jobs. The transfer of workers from agriculture to industry is directly responsible for an estimated one-fifth of China's economic growth and has increased global economic output by at least \$1.1 trillion—growth equivalent to an economy roughly the size of Mexico.

“Documents this ‘great migration’... timely and good reading.”

—Sir Christopher Pissarides, Nobel Prize Laureate in Economic Sciences

The migration peaked in 2007 and is predicted to level out in the mid-2020s. The nation will then enter a new growth phase with several distinct advantages: dense urban clusters, established trade networks, and one of the largest industrial economies in the world.

But it will also face major disadvantages. These include state-owned enterprises that soak up scarce capital, an inefficient state-owned financial sector, and a sprawling, unchecked one-party state. Unless China shrinks these obstacles, its economic growth will grind to a halt, Mr. Gardner predicts.

China's Great Migration ends by outlining five areas for reform that developing and developed countries could adopt in order to better capture the economic benefits of migration.

“Excellent book.”

—Kate Xiao Zhou, Professor of Political Economy of China, University of Hawaii

Strengthen rural land rights: China's experience shows that rural workers have greater difficulty moving to the city when selling or leasing land is legally challenging.

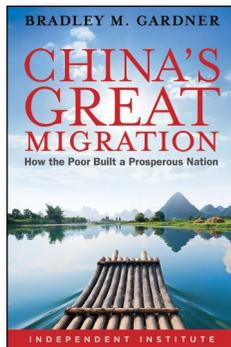
Ease restrictions on hiring and startups: Because starting a business in China is relatively easy, Chinese workers are often better off than workers in countries with big government and strong unions.

Improve infrastructure construction: China's tax incentives for urban construction, while flawed in many ways, have spurred migration in ways that have greatly benefited China's poor.

Make basic social services more sustainable: China's great migration has strained social services to the point of collapse. However, recent experimentation with pre-paid social services might solve this problem.

Lift direct barriers to migration: Liberalizing migration laws can encourage policymakers to adapt to a growing population and enable the economy to capture more of the economic benefits.

The five reforms above helped China move 753 million people out of poverty despite strict state control of the economy. Lifting barriers to migration added more than \$1 trillion to the Chinese economy. Other nations should pay attention.



For more information, see www.independent.org/store/book.asp?id=124.

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Independent Institute in the News

Center on Entrepreneurial Innovation

“As for saving jobs, policymakers need to think more broadly. The United States is currently seeing a manufacturing revival. The main reasons for this are increased labor costs in China and lower electricity costs at home—the result of cheap natural gas. The best way to create even more jobs in manufacturing and other industries is to keep electricity costs down. Propping up unprofitable nuclear plants does the opposite.”

—**William F. Shughart II** in *The Washington Times*, 5/22/17

“Even during the Great Depression, the gold signal was right. Its critics merely want to shoot the messenger. The success of the Trump administration will depend on recovering our cultural memory of stable money.”

—**George Gilder** in *The Dallas Morning News*, 5/5/17

“The United States will be more prosperous if it has neither a physical wall impeding the movement of people nor an artificial wall—in the form of a tariff—impeding the flow of goods.”

—**Benjamin Powell** in *The Washington Times*, 2/22/17



JOHN C. GOODMAN ON CNBC 5/1/17

Center on Global Prosperity

“Is it realistic to expect a points-based merit system to keep away all the low-skilled immigrants needed in the U.S.? Only a super-efficient police state could accomplish such a task—at a terrible cost to the country.”

—**Alvaro Vargas Llosa** in *The San Francisco Chronicle*, 3/17/17

Center on Educational Excellence

“Today’s suppression differs from the previous era in three key respects: it is more passionate and aggressive; it is more student-initiated and driven; and it extends the reach of censorship more deeply into everyday campus life and the life of the mind.”

—**Donald Downs** in *National Review Online*, 5/3/17

Center on Health and the Environment

“Why is it that the trial lawyer ads are everywhere, while the doctor ads are nowhere to be found? The short answer is: we have a free market in the resolution of tort claims, but we have completely suppressed the market for medical care.”

—**John C. Goodman** in *Forbes*, 4/10/17



IVAN ELAND ON CGTV 06/21/17

Center on Peace and Liberty

“What’s the White House’s next move when it comes to Syria? Let’s hope nothing. . . . Trump should stop now with the counterproductive showmanship and get back to the grinding fight against ISIS.”

—**Ivan Eland** on *CNN.com*, 4/12/17

Center on Law and Justice

“Justice Neil Gorsuch’s first high-profile case at the Supreme Court, heard April 19, was *Trinity Lutheran Church of Columbia v. Comer*—but the case never should have made it this far. Political acrimony helped escalate it to the high court prematurely. It would be resolved already had it been handled in state court.”

—**William J. Watkins, Jr.** in *The Wall Street Journal*, 5/4/17

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THE INDEPENDENT REVIEW

Symposium on Egalitarianism: Fair and Equal?

Egalitarian doctrines hold that all humans are equal in fundamental worth and deserve equal rights and opportunities. Those beliefs—which run the gamut from ‘equality under the law’ to ‘equality of outcome’—are the focus of a symposium in the Summer 2017 issue of *The Independent Review*.

Robert M. Whaples kicks off the discussion and notes that the contributors display conceptual clarity and stylistic accessibility that is uncommon in academic discourse. **Peter J. Hill** traces the development of the West’s belief in universal human equality, from its roots in early Jewish and Christian ideas about human dignity to Enlightenment-era thinkers who built on those ideas to make their case for limiting the use of state power to enforce particular notions of correct thinking.

America’s Founders held a view of human equality—equal treatment under the rule of law—at odds with the modern egalitarianism that underlies today’s government entitlement programs. According to **James R. Harrigan** and **Ryan M. Yonk**, unless we embrace the Founders’ outlook, we cannot resolve the U.S. fiscal crisis.

In the symposium’s \$10,000 prize-winning essay, **Adam Martin** examines what he calls the New Egalitarianism. Its adherents rely on abstruse critical theory (or related approaches such as Marxism, structuralism, and post-colonialism) to study how various social institutions favor society’s dominant groups and perpetuate inequalities related to race, gender, sexual orientation, and other traits. The New Egalitarians, Dr. Martin argues, would anoint themselves as the only possible “experts” for

deciding how to diagnose and correct society’s ills. This viewpoint is, to put it kindly, morally presumptuous.

It would also fail if put into practice. Inequalities of wealth and well-being cannot be eliminated because, **Jeremy Jackson** and **Jeffrey Palm** explain, social capital cannot be redistributed equally.

Does the fact of brute luck—chance events that shape life outcomes—lend moral support for egalitarianism? **James R. Otteson** argues that ‘luck egalitarianism’ is woefully inadequate; it neglects the role of choice in shaping outcomes and overlooks the likelihood that even well-crafted policies would not work out as envisioned.

Edward Peter Stringham sheds light on egalitarianism by posing a thought experiment: What type of society would you choose to live in, if you knew beforehand what your income or wealth percentile would be?

Michael C. Munger finds unexpected common ground between welfare-state liberal John Rawls and classical liberal F. A. Hayek. Their aims are fundamentally compatible, Munger argues, if we take ‘egalitarianism’ to mean a commitment to ensuring the welfare of the least well-off members of society, as Hayek himself remarked in a little-known passage in his book *The Mirage of Social Justice*.

Although some inequalities are socially harmful, others are not. Society could better help the poor and marginalized, according to **Vincent Geloso** and **Steven Horwitz**, if voters and policymakers kept this distinction in mind.

Art Carden, **Sarah Estelle**, and **Anne Bradley** argue that societies that ensure legal equality and freedom of opportunity are more likely to flourish than ones

that focus directly on eliminating relative inequalities.

Brian J. Gaines suggests that the American people disapprove of a progressive tax code to promote wealth redistribution. Opinion polls show that respondents support very low (even zero) tax rates for the poorest and only modest increases in rates across the range from median to high incomes.

See www.independentreview.org



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Ending Environmental Bureaucracy

President Trump's environmental policies have garnered intense criticism from mainstream environmentalists. Nevertheless, reformers across the political divide should be able to find agreement on at least some reforms to federal laws and regulations.

To help identify common ground and bridge the partisan gap, Independent Institute Research Fellow **Ryan M. Yonk** has written *Five Ways Trump Can Improve Environmental Policy*, part of our *Executive Summary* series for policymakers.

Dr. Yonk, who teaches economics at Utah State University and co-authored the new Independent book *Nature Unbound: Bureaucracy vs. the Environment*, proposes that the executive branch slash inefficiencies and costs of federal laws concerning water and air pollution, environmental impact statements, endangered species, and energy policy.

Here is a brief look at his recommendations.

Clean Water Act: This law may work well enough to address large-scale point-source pollution in major waterways, according to Yonk, but it drowns smaller clean-up projects in costly paperwork. One way to reduce those costs is to return the act to its original concern—navigable waterways, not unnavigable wetlands. Such a restoration would restrict the legislation to only projects for which it has a possibility of doing some good.

National Environmental Policy Act: This might also be called the National Environmental Paperwork Act, as it requires that any proposal involving federal lands, federal funding, or a federal agency (even if it's just granting a license) include a written Environmental Assessment and an Environmental Impact Report. The law imposes high costs on developers (including government agencies) because it bars the use of existing analyses from similar projects and also requires assessments of unworkable alternatives to a proposal.

Endangered Species Act: The folly of this well-meaning law is well known. ("Shoot, shovel, and shut up," anyone?) Instead of the current approach, the EPA could set up programs designed to align the incentives of landowners with the well-being of endangered species. The agency could, for example, set up a stewardship incentives program that rewards property owners with tax credits for habitat maintenance or improvements.

Clean Air Act: Although one provision of this law requires the EPA to monitor the impact of air-quality regulations on employment, the agency neglects the cumulative impact across the broader economy. Yonk would require the regulators to publish thorough assessments of the social and economic dimensions of their actions as well as the environmental impacts.

Energy Policy Act: Few programs are more wasteful than taxpayer subsidies for technologies that cannot pass the market test. One example of such waste that Yonk would eliminate is the Renewable Fuel Standard, which requires ethanol to be mixed with domestic fuels. It's a subsidy for a few large agricultural and ethanol-refining corporations, but the environmental benefit is so small that even the coalition that first advocated for it has dried up.

"There is much more to be done, but these five changes would be excellent starting points," Dr. Yonk writes. "Reformers who keep [a few key] principles in mind can help ensure that environmental policy will be made more pragmatic, effective, and intellectually honest."

See *Five Ways Trump Can Improve Environmental Policy*, by **Ryan M. Yonk**, at www.independent.org/publications/executive_summaries/

DEFUSING THE U.S. DEBT TIME BOMB

(continued from page 1)

The lesson is clear: Creative legislation can incentivize political coalitions to support federal asset liquidation. Properly structured, such legislation can serve the interests of many, without harming the interests of any.

We believe the right kind of asset-liquidation proposals could gain broad support. All that awaits is for members of the public to get the discussion going. Policymakers who seize the opportunity will be rewarded, and any explosion of the national-debt time bomb could be avoided.

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EVENTS

Building Bridges Across a Divided America



DAVID J. THEROUX, FOUNDER AND PRESIDENT, INDEPENDENT INSTITUTE

The 2016 election revealed deep divisions in American political culture. Soon after, a Gallup poll reported that only 21 percent of those surveyed believed Americans were united on basic values.

This and other gloomy post-election reports led us to ask ourselves: How might we bring a polarized populace closer together—while still boldly advancing a peaceful, prosperous, and free society? One way, we decided, was to invite some of our research fellows to answer the question, by speaking directly to the public in ways that would inspire people with policy ideas and strategies for building momentum for positive change.

Another Bridge for San Francisco

Our first event, held April 7 in San Francisco, was *New Bridges: California—Advancing Liberty & Prosperity in a Divided America*. Following welcoming remarks by Lincoln Network Executive Director **Garrett Johnson** and Independent Institute President **David J. Theroux**, the audience was treated to an insightful talk about remedying governmental problems by Research Fellow **William J. Watkins, Jr.** (author, *Crossroads for Liberty*).

Many of America's largest problems—including political polarization—are results of the centralization of government power, explained Watkins. His proposal: Reduce the role of the feds, improve representation, and ease current (and future!) taxpayer burdens by returning power to state and local levels, as the Anti-Federalists recommended during the Constitutional Convention in 1787.

Another source of social discord is economic malaise. Research Fellow **Robert P. Murphy** explained how the Great Recession originated in misguided federal home-buying initiatives that weakened bank lending standards and in Federal Reserve policies that accommodated an unsustainable real estate boom.

His talk was followed by a discussion with Murphy, Watkins, venture capitalist **Alexander Lloyd**, and business strategist and author **John Hagel III**.

Moderated by Independent Institute Senior Vice President **Mary L. G. Theroux**, the panel offered ideas on how engaged citizens could foster change by creating “communities of impact.”

E-commerce pioneer **Patrick Byrne** (Overstock.com), perhaps the only PhD in philosophy whom Ernst & Young has named a National Entrepreneur of the Year, capped off the event. One highlight was hearing his tactic for getting public-school teachers to consider school reform. He explains that, according to National Education Association data, government funding amounts to about \$500,000 per classroom. In contrast, the actual cost of running a classroom, including teacher compensation and physical overhead, is close to \$100,000. Teachers' eyes have lit up when they realize how much waste is in the system, he said. Hagel closed the event with a recap and call for individual action by those attending.

Spanning the Lone Star State

On May 9, we took our New Bridges program, with a few changes in the line-up, to Dallas, Texas. After **Robert Murphy** discussed the cures for economic recessions, Senior Fellow **John C. Goodman** shared principles for sensible healthcare reform.

A great strategy for gaining support, he said, is to identify measures that help many people without making anyone worse off. One way to find opportunities for such “win-win” solutions—which applies in many realms—is to look for waste and inefficiencies, and limited consumer choice.

This is particularly important because, as **Robert M. Whaples** (co-editor, *Future: Economic Peril or Prosperity?*) explained in the next talk, many economists consider government bureaucracy and red tape to be leading threats to the widespread enjoyment of the innovations that are just over the horizon.

After a panel discussion featuring Whaples, Goodman, Murphy, and Wichita-based medical entrepreneur **Joshua Umbehr** (Atlas MD)—moderated again by **Mary Theroux**—author **George Gilder** provided the keynote address. The difference between our age and the Stone Age is the growth of knowledge, he explained.

This growth emerged from an economic system that rewards learning across the board. For the future to surpass the present in terms of opportunity and wealth, Gilder said, we must ensure that the economic system operates with minimal interference from government actions that weaken price signals and profit incentives for innovation.



A GALA FOR THE FUTURE

FRIDAY • 22 SEPTEMBER 2017
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You are cordially invited to join us for a joyful night of fine dining and camaraderie, as we reflect on our successes and look ahead to a promising future!

For thirty years, the Independent Institute has boldly advanced peaceful, prosperous, and free societies grounded in a commitment to human worth and dignity, creating transformational ideas for today's most pressing social and economic challenges. Now, it is time to celebrate—with people like you who have helped make it possible!

Our work is far from done, of course. Independent is now laying the groundwork to empower individuals to work together to foster a world of opportunity and human flourishing.

You can join in this mission, amplify your voice for liberty, and leverage your impact by celebrating with Independent and like-minded visionaries!

We'll also be honoring three great champions of human rights, entrepreneurship, and prosperity.

Emcee **P. J. O'Rourke** will entertain us as we honor the newest recipients of the Alexis de Tocqueville Award: **Timothy C. Draper**, visionary venture capitalist and champion of entrepreneurship and opportunity; **Yeon-mi Park**, North Korean human-rights activist and voice for the oppressed worldwide; and Nobel Laureate economist **Vernon L. Smith**, whose research has opened new doors to understanding cooperation and voluntary exchange.



P. J. O'Rourke



Timothy C. Draper



Yeon-mi Park



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