Last year’s federal tax overhaul gives a valuable boost to the American economic engine and the hard-working people who drive it.

For years, U.S. businesses were burdened by tax rates that were both too high—39 percent, combined state and federal—and totally out of step with our global competitors, who enjoy a top average rate of 22.5 percent, down from a high of 30 percent in 2003. The Tax Cuts and Jobs Act of 2017 removes that huge disadvantage. Its reduction of corporate income tax rates to 21 percent (a single rate!) serves to lower what economists call the “user cost of capital” and thereby encourages new private investment in job growth. Some of the spending on business equipment and expansion will use funds that U.S. and non-U.S. corporations would have invested abroad.

The corporate tax cut and other provisions of the new law credibly raise the long-run level of annual GDP growth by 3 percent, according to a group of economists that includes Robert Barro, Michael Boskin, Glenn Hubbard, George Shultz, and John Taylor, in an open letter published last November in the Wall Street Journal. Higher GDP growth translates into higher real wages—that is, what people’s money wages actually buy, adjusted for inflation.

Cuts in individual tax rates will ease taxpayers’ financial burdens. Although the cuts are smaller than corporate taxes in percentage terms, they are more helpful for the middle class than most people realize. One reason for the misunderstanding is that analysts often measure tax cuts as percentages of after-tax incomes. However, it’s more illuminating to evaluate the cuts as percentages of income taxes that would have been owed under the old tax code. Using this approach, National Review reports that “households earning between $50,000 and $75,000 would get a 24 percent cut in 2019, while those over $1 million would get just a 6 percent cut.”

While the Tax Cuts and Jobs Act is a big improvement over the status quo, much work still must be done if we are to enact a better (less plunderous and simpler) tax code that promotes real prosperity and efficiency. Here are a few reasons why I see the tax reform as unfinished business.

Simplification. The 2017 tax law preserved seven individual income tax brackets. It also kept various exemptions and deductions that distort taxpayers’ decision making. The trick going forward will be to work on further simplification, not just with respect to brackets but also with the many exemptions and deductions that distort taxpayers’ decisions.

William F. Shughart II is Research Director and Senior Fellow at the Independent Institute and the J. Fish Smith Professor of Public Choice at Utah State University.
767 million people worldwide live on less than $1.90 per day. Although this is less than half as many people as in 1990, still far too many lives are crushed by disease, ignorance, and destitution.

For years, most nonprofit groups and government agencies have proposed to “solve” global poverty with government-to-government aid or unsustainable handouts—stop-gap measures that have done little to promote long-lasting progress.

In contrast, we believe that an “opportunity society,” based on free markets and property rights, is the world’s best cure for poverty, because it encourages and enables technological innovation, market entrepreneurship, upward mobility, and a future of liberty and opportunity for all—especially the poor.

This year we are redoubling our efforts to bring that message to young people, making the case for turning away from expensive and harmful government approaches to social ills and instead embracing voluntary, entrepreneurial solutions:

- We are planning a sequel to our popular video series, Love Gov: From First Date to Mandate, which uses satirical humor to engage younger audiences on the issues of healthcare, education, jobs, housing, and privacy. As of this writing, Love Gov has received well over 7.4 million combined YouTube views (97.4% from Millennials) plus 10 film awards and 18 laurels.
- Last year we hosted New Bridges events in Dallas and San Francisco, which united over 200 people with a shared vision of individuals working together to solve local and national problems. We also hosted the first meeting of Independent Communities of Impact—people eager to solve problems in their own cities. More events are in the works.

Independent’s Center on Entrepreneurial Innovation draws on our roots in Silicon Valley to explain how trends such as the sharing economy and other advancements can be harnessed to promote economic opportunities for those most in need.

Our new initiative, Innovating for People, Prosperity, and Liberty, shares inspiring examples of how technology and entrepreneurship are solving important problems, in areas ranging from mobile apps for education and healthcare, to housing and water quality.

We invite you to join with “The Independent Institute is our beacon for the future of liberty!” —George Gilder, bestselling author, Wealth and Poverty

us to advance these and other market-based alternatives to government folly—and to build a better future—by becoming an Independent Member.

With your tax-deductible membership, you can receive a FREE copy of Pope Francis and the Caring Society, plus other benefits (please see envelope).

We look forward to working with you to advance all that only a free society can provide!
President Clinton, according to Eland, is under-

By most relevant measures, President Reagan, perhaps even soul searching, with its contrarian Bush I, Clinton, and Bush II.

Hoover, Eisenhower, Nixon, Ford, Carter, Reagan, Bush I, Clinton, and Bush II.

The growth of federal power: Harding, Coolidge, Hoover, Eisenhower, Nixon, Ford, Carter, Reagan, Bush I, Clinton, and Bush II.

Achieving Limited Government.


Eland doesn't hold back as he scrutinizes the record of eleven American presidents since the end of World War I who pledged to restrain or reverse the growth of federal power: Harding, Coolidge, Hoover, Eisenhower, Nixon, Ford, Carter, Reagan, Bush I, Clinton, and Bush II.

*Eleven Presidents* is sure to provoke discussion, perhaps even soul searching, with its contrarian findings. Here are a few:

- By most relevant measures, President Reagan, actually failed to restrain Leviathan. During his tenure, federal spending rose, the nonmilitary federal workforce increased, and the national debt grew as a share of GDP—even more than under previous presidents after World War II.

- President Clinton, according to Eland, is underrated for restraining of government growth. He cut federal spending more than any president since Truman, shrank the federal workforce by 350,000, lowered trade barriers, scrapped Depression-era banking restrictions, and ended unfunded federal mandates on the states.

- Clinton ordered the U.S. military to intervene in many overseas conflicts, but he managed to avoid embroiling troops in a large-scale ground war. The same cannot be said of George W. Bush, who landed the military in two costly long-lasting quagmires. He also signed Medicare Part D, at the time the largest expansion of federal entitlements since 1965.

Eland reserves his highest praise for two unsung heroes of limited government: Warren Harding and Calvin Coolidge. Pundits have focused on the Teapot Dome scandal and Silent Cal’s quiet personality, but America’s Founders would have lauded their limited-government policies.

“Had the Constitution’s framers been able to evaluate Harding and Coolidge,” Eland writes, “they likely would have lauded them for maintaining peace, prosperity, and liberty and for trying to stay within the limited role for the executive enshrined in the Constitution.”

It’s essential to set the historical record straight and give credit where it’s due. But *Eleven Presidents* achieves more than this. It gives readers insights for helping to return America to the constitutional republic the Founders created it to be.

Anyone eager to champion limited government and prevent Big Government’s ongoing attack on civil and economic liberties will become more effective after having absorbed Eland’s timeless lessons.

For more information, see www.independent.org/books.
Independent Institute in the News

Center on Entrepreneurial Innovation

“Local communities have lost too much self-determination. As recent catastrophes show, it’s time to empower local fire districts and private landowners to direct prevention efforts year-round, and increase their own proactive capabilities. This would establish proper priorities and stricter accountability, and ensure greater efforts to protect the public.”

—Lawrence J. McQuillan in The San Francisco Chronicle, 10/31/17

Center on Law and Justice

“Gun control” is code for unconstitutionally criminalizing the possession of common firearms by ordinary citizens. Just like our response to 9/11, our reaction to the Las Vegas massacre should be that we continue to live and stand strong as free Americans.”

—Stephen P. Halbrook in The Sacramento Bee, 10/12/17

Center on Educational Excellence

“ESAs are the latest advance in educational innovation that offer all students, regardless of their income or address, the opportunity for personalized learning customized by those who know and love them best: their parents.”

—Vicki E. Alger in The Washington Times, 12/6/17

Center on Healthcare Choices

“We don’t require people to buy broccoli. Or eat spinach. We don’t require them to exercise. Or join a health club. By the same logic, we shouldn’t require them to buy health insurance unless there is a very strong reason to set aside the normal presumption in favor of individual liberty.”

—John C. Goodman in Forbes, 11/20/17

Center on Peace and Liberty

“To explain Spain’s repression, follow the money. Although Catalonia has a separate culture from Spain, it is a cash cow for the Spanish government. It is Spain’s wealthiest region and supplies more in tax dollars to the central government than it gets back.”

—Ivan Eland in Newsweek, 10/19/17

Center on Global Prosperity

“Macron’s reforms should frighten no one. We know they work. An obvious example is Germany, France’s neighbor, which implemented them more than a decade ago and whose economy is a locomotive that not even the recent and dreadful European decade could stop.”

—Alvaro Vargas Llosa in The Hill, 10/18/17

Media Reach: 2nd Quarter FY 2018
(October, November, December 2017)

1.063 Billion Total Media Reach

John C. Goodman on FOX Business Network, 10/20/17

Visit our Newsroom at independent.org/newsroom to read these articles and more.
The United States has long been the top destination for migrants, but in recent years more people than ever—about 1 million annually—have found their way to the land that John F. Kennedy and Ronald Reagan called “a nation of immigrants.” Consequently, the share of foreign-born U.S. residents is now just under its all-time high of 14.8 percent in 1890.

Although the influx has been met with public controversy, social scientists have been largely ambivalent or optimistic, viewing the free movement of workers as a net benefit to the United States akin to the gains from international free trade. However, not every academic researcher holds this view.

As The Independent Review co-editor Robert M. Whaples writes in our winter 2018 issue, “One noted exception to this ‘economistic perspective’ is George J. Borjas—author of a stream of important research articles on the economics of immigration and a recent, influential book, We Wanted Workers: Unraveling the Immigration Narrative.”

Borjas, who teaches labor economics at Harvard Univ., contributes the feature article for our immigration symposium. It’s followed by replies from Garret Jones (George Mason Univ.) and Independent Institute Senior Fellow Benjamin Powell (Texas Tech Univ.). The following quotes may give you the flavor of the debate:

Borjas: “Immigration [to the United States] is responsible for a huge redistribution of wealth, totaling around half-a-trillion dollars per year, from native workers who compete with immigrants to those natives who use or employ immigrant labor.”

Jones: “One side effect of immigration deserves particular attention: the populist backlash against immigration itself.”

Whaples: “In the interdisciplinary spirit of The Independent Review, we hope that these articles will push readers to consider immigration in its broadest context.”

This symposium is another example of our aim of raising the quality of public-policy debate. Read it, and tell us whether or not you agree.

Origins and Goals of Public Choice

Also notable in our winter issue is co-editor Michael C. Munger’s critical review essay about Democracy in Chains, a controversial National Book Award Finalist by historian Nancy MacLean. As of November 16, the essay has been cited in 34 media outlets, including Forbes, National Review, Reason, Wall Street Journal, and Washington Post.

A professor at Duke University (where Munger also teaches), MacLean claims to have uncovered a systematic plan to rob America of its democratic institutions, a caper allegedly masterminded by the late Nobel laureate economist (and Independent Institute Board of Advisors member) James M. Buchanan, author of books such as Democracy in Deficit and The Limits of Liberty.

Buchanan, it is true, led a scholarly field that seeks to view politics realistically, not romantically; the findings of public-choice analysis therefore often stray from the textbook version of democracy taught in high-school civics. But it’s also true that Buchanan disdained the entrenched elites who undermined the aspirations of ordinary people. Democracy in Chains, however, neglects this “populist” facet of Buchanan. For this reason and others, Munger argues that the book is best viewed as a work of speculative historical fiction.

Munger’s takedown is withering, but it’s his masterful presentation of public-choice theory that makes his article must reading. Highly recommended!

See www.independentreview.org
Although many in Congress may be focused on easing the government’s burden on households and making the United States more competitive globally, policymakers in two of the nation’s four largest states appear to have been doing the opposite.

California (the most populous U.S. state, with about 40 million residents) and New York (the four largest, with about 20 million people) are the lowest ranked in economic freedom and opportunity, according to Economic Freedom of North America 2017, a study published in December by Canada’s Fraser Institute in conjunction with the Independent Institute.

Ranking 49th out of 50, California has policies more harmful to economic freedom and opportunity than any state other than New York. Its potent combination of high taxes and regulatory overreach has been so toxic for economic opportunity that many workers and employers have fled the golden state for greener pastures.

“California’s lack of economic freedom helped motivate more than 10,000 businesses to leave the Golden State, reduce operations, or expand elsewhere during the past seven years,” said Lawrence J. McQuillan, Senior Fellow and Director of the Independent Institute’s Center on Entrepreneurial Innovation.

California’s high-tax/regulatory squeeze has also contributed to an exodus of workers. Census data show that 3.5 million people left California from 2010 to 2015. “The loss of talent and creativity is staggering, and bad policies coming out of Sacramento will drive more people away,” McQuillan said.

For California, which was once widely considered the “promised land” of innovation and opportunity, the message is crystal clear. “The 2017 report shows the public, news media, and policymakers in Sacramento what changes need to be made to make California competitive in the future,” said Independent Institute Founder and President David J. Theroux.

Fortunately, there is good news for some Americans. New Hampshire ranked highest in economic freedom for the third year in a row, scoring 8.3 out of 10 in measures of government spending, taxation, and labor market restrictions based on 2015 data, the most current available. Texas and Florida (the second and third most populous states, respectively) tied for second place, South Dakota ranked fourth, and Tennessee placed fifth.

Economic performance is tied to economic freedom, the report shows. In the most-free states, the average per capita income in 2015 was seven percent above the national average, whereas the least-free states had incomes of roughly five percent below the national average.

Unfortunately, the average score for U.S. states in the all-government index (federal plus state) has fallen from 8.20 in 2004, to 7.78 out of 10. This decline is driven largely by changes at the federal level. In comparisons with other countries, the United States ranked 11th (tied with Canada) out of 156 countries.

The 2017 report, which also ranks economic freedom in 32 Mexican states, and 10 Canadian provinces, was co-authored by Fred McMahon, Dean Stansel, and José Torra of Canada’s Fraser Institute, which partners with the Independent Institute in the EFNA (Economic Freedom of North America) Network.
K-12 Students Thrive with Education Savings Accounts

From agriculture to tourism and from Hollywood to Silicon Valley, California is a leader in many industries. Unfortunately, its K-12 public-school system is not one of them. Student achievement scores put the state among the bottom five in the nation for reading and math. The Golden State could fix this problem and become a national leader, however, if lawmakers in Sacramento pass legislation to create Education Savings Accounts (ESAs), according to Independent Institute Research Fellow Vicki E. Alger.

“ESAs empower parents and guardians to customize their children’s education, and would foster an educational landscape that can quickly adapt to meet the diverse needs of students and their families,” Alger writes in the new Independent Policy Report, Customized Learning for California: Helping K-12 Students Thrive with Education Savings Accounts.

ESAs put parents in charge of their children’s education funding so they can pay for things such as tuition, special education therapies, tutoring, and online curricula. This is done through a dedicated-use debit card that allows parents to purchase eligible education services and supplies.

Today ESAs are helping more than 11,000 students in states with operational programs: Arizona, Florida, Mississippi, and Tennessee. These programs rely on public funding through legislative appropriations. Alger, in contrast, proposes a California ESA program that relies on a different funding mechanism: tax-credit contributions. Alger estimates that her tax-credit ESA proposal would generate net savings to local schools and the state.

In 2017, at least 17 bills enacting or expanding ESA programs were introduced in 13 states. It’s easy to see why they enjoy growing popularity. ESAs empower parents and guardians to personalize their children’s education.

If they are adopted on a mass scale—if every K-12 student were eligible to participate—then ESAs would foster an educational landscape that could quickly adapt to meet the diverse needs of students and their families. That’s something California’s current public-school system, which rations education based on where a child’s parents can afford to live, seems incapable of doing.

With the publication of Customized Learning for California, lawmakers in the nation’s largest state have no excuse for accepting educational mediocrity.

See www.independent.org/publications/policy_reports/.

(continued from page 1)

It’s the Spending, Stupid! Chronic budget deficits and a record national debt are direct results of profligate public spending, not losses of revenue. If the federal government won’t balance its budget by raising enough revenue to cover its expenditures, it should heed the advice of Adam Smith (and Charles Dickens’s Mr. Micawber) by lowering spending to meet its revenue. Entitlements reform, anyone?

The 2017 tax law isn’t perfect, but it’s worth noting overall. Most taxpayers will get to keep more of their own money, and the economic pie will grow faster. Still, much work lies ahead on the path to economic freedom and prosperity for all.
Sponsor Spotlight: Terry L. Gannon

Independent Institute is proud to have some of the most dedicated donors for liberty. It is not unusual for Independent to engage with our donors and know they have been contributing for ten or twenty years or more! Terry L. Gannon of Woodside, California, is one longtime donor who has supported Independent in many ways. A retired electrical engineer (Ph.D., University of California, Santa Barbara) and technology executive (TeraGen, among others), Terry recently dropped by our headquarters with his wife Carolyn to discuss our forthcoming projects to inspire and educate current and future generations of leaders by providing innovative, market-based solutions to the problems facing our nation and world.

For over a decade, Terry and Carolyn have seen how our peer-reviewed research and publications create a unique knowledge base for policymakers, academics, and students. They support our ambitious outreach to Millennials, business and civic leaders, and the media, to spur new thinking on liberty and free markets to solve pressing state and national problems. The Gannons also foster our solution-oriented work that connects free-market opportunities and technology to alleviate poverty and provide opportunities for upward mobility across the globe. Here’s a word from Terry:

“The Independent Institute provides an incredible return on investment by aggressively addressing the broad set of issues we face today. Its influential work is having a positive impact. The Independent Institute is mission focused, and I would encourage anyone interested creating a future of peaceful, prosperous, free societies to join me by contributing today.”


Located adjacent to Silicon Valley, the Independent Institute is a non-partisan, non-profit whose mission is to boldly advance peaceful, prosperous, and free societies grounded in a commitment to human worth and dignity. For more information on how you can help advance our mission, please contact Development Director Stephanie Watson at swatson@independent.org or (510) 632-0824.