



# Independent

NEWSLETTER OF THE INDEPENDENT INSTITUTE

## IN THIS ISSUE

- 1 Democratic Socialism
- 2 President's Letter
- 3 New Book:  
*War and the  
Rogue Presidency*
- 4 Independent Institute  
in the News
- 5 *The Independent  
Review: The Road to  
Crony Capitalism*
- 6 An Evening with  
Tucker Carlson
- 7 Golden Fleece® Award:  
DMV Called Out  
for Long Lines,  
Mismanagement,  
and Criminal Fraud
- 8 *Quarterly Briefing Calls:*  
Offer Insights



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## Democratic Socialism: A Contradictory Threat to Liberty and Prosperity

By Benjamin Powell



With a growing number of politicians self-identifying as socialists—including two newly elected to the House of Representatives—Americans need to ask themselves a question that didn't appear on any ballot: Are you ready for socialism?

It's an especially interesting question because most Americans don't really understand what socialism is—or the consequences of embracing it.

I saw this up close last July, when I attended the largest socialist conference in the United States. Attendees varied widely on how far down the road to full-blown socialism they wanted to go. Some favored completely replacing private ownership of the means of production with collective ownership and government control—the very definition of socialism. But others favored small moves in specific sectors, such as energy or healthcare.

In practice, socialism is not an either-or designation. We can think of pure capitalism and pure socialism on opposite ends of a spectrum, but all existing countries fall somewhere between these poles based on how much the government owns, controls, or regulates the means of production, distribution, and exchange without regard to individual choices and markets.

The countries closest to the socialist end of the spectrum—the former Soviet Union, Mao's China, Castro's Cuba, and Maduro's Venezuela—have been universally awful by most measures of economic development and human well-being.

Countries closer to the market-economy end of the spectrum outperform the less-free countries, as shown by the Economic Freedom of the World index and other studies. Scandinavian countries are not an exception to this rule—they're mostly capitalist. Unfortunately, that's not what some people want to hear. Apologists of the left don't like it when self-described “democratic socialists” such as Sen. Bernie Sanders and Rep. Alexandria Ocasio-Cortez are called out for the failures of real state socialism.

But here's the problem they fail to recognize. The word “democratic” isn't magic fairy dust when put in front of “socialist.” The socialist portion of democratic socialism still means the government has immense control over economic decision-making and will generate stagnation.

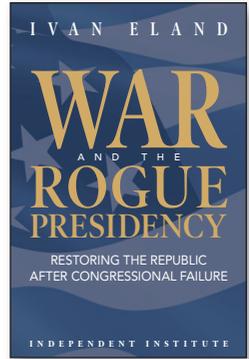
*(continued on page 6)*

**Benjamin Powell** is a senior fellow at the Independent Institute. With Robert Lawson, he is co-author of the forthcoming book, *Socialism Sucks: Two Economists Drink Their Way Through the Unfree World* (Regnery Publishing). An earlier version of this column ran in *The Washington Examiner*, 11/14/18.



NEW BOOK

# War and the Rogue Presidency: Restoring the Republic after Congressional Failure



The Office of the President of the United States of America isn't what it used to be—it's morphed into an overgrown beast. Originally envisioned as a branch of government that would mostly just carry out the will of Congress, it is now

a wide variety of tax measures, even the IRS itself, originated in wartime. Numerous social programs also began in response to wars, as well as numerous federal interventions in the economy more broadly.

The growth in executive power has not merely created a bloated government. The problem is worse because presidents now routinely get involved in realms once viewed as constitutionally off-limits—and few in politics voice any principled objections.

This unacknowledged constitutional crisis is the proverbial elephant (or donkey) in the room that Republican and Democratic lawmakers are too timid to confront and rein in. Yet, tame it they must if the American people are ever to reach the promised land

of peace, prosperity, and liberty.

More than a history of executive branch transformation, *War and the Rogue Presidency* points out precisely how Congress has failed the people—thus enabling future lawmakers to avoid similar pitfalls. Offering numerous recommendations to put Congress back in the driver's seat of the federal government, Eland's analysis is an important contribution toward fulfilling the Founders'

mission of creating "a more perfect union."

At a time when partisan acrimony has reached new heights, *War and the Rogue Presidency* offers food for thought of interest to progressives, conservatives, and libertarians alike. Above all, readers will come away understanding how the presidency lost its constitutional bearings—and how Congress can become the proper check on executive power as the framers of the Constitution intended.

For more information, see [www.independent.org/books](http://www.independent.org/books)

in many ways the dominant player, presiding over a bureaucracy with vastly more resources and powers than were authorized by the Constitution. Ironically, the main cause of this transformation is Congress itself.

In *War and the Rogue Presidency: Restoring the Republic after Congressional Failure*, presidential scholar and Independent Institute Senior Fellow **Ivan Eland** (*Eleven Presidents, Recarving Rushmore, The Empire Has No Clothes*) traces the trajectories of the executive branch and Congress, from the Constitutional Convention to the Obama and Trump years, cataloguing the de facto transfer of power from "the people's branch" to an increasingly emboldened "rogue" presidency.

Congress's perennial in-fighting, Eland explains, often inhibits passage of promising legislation and effective oversight of the executive branch. Moreover, the legislature is especially prone to shirking its constitutional responsibilities during wartime, when Congress is all too willing to let presidents set the agenda, often even on domestic issues and at the expense of constitutional protocol. As a result of this inaction and cowardice, Eland shows, wars have become major inflection points in the growth of executive power at home and abroad.

The list of federal domestic programs launched during wartime is staggering. On the revenue side,

"A must read for those concerned about the decline of the checks and balances envisioned by our Founding Fathers."

—**Lawrence J. Korb**, former Assistant Secretary, U.S. Department of Defense

- James J. Heckman**  
Nobel Laureate in Economic Sciences, University of Chicago
- Wendy Kaminer**  
Contributing Editor, The Atlantic
- Lawrence Kudlow**  
Director, National Economic Council
- 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, Ohio State University
- Thomas Gale Moore**  
Senior Fellow, Hoover Institution
- Charles Murray**  
Emeritus Scholar, 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 the Bastards and The Baby Boom
- James R. Otteson, Jr.**  
Professor of Economics, Wake Forest University
- Thomas J. Peters, III**  
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 Rochester
- Daniel N. Robinson**  
Distinguished Professor Emeritus of Philosophy, Georgetown University
- Paul H. Rubin**  
Samuel Candler Dobbs Professor of Economics, Emory University
- Bruce M. Russett**  
Dean Acheson Professor of International Relations, Yale University

- Pascal Salin**  
Professor of Economics, University of Paris, France
- Vernon L. Smith**  
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- Joel H. Spring**  
Professor of Education, Queens College and Graduate Center, City University of New York
- Rodney Stark**  
Distinguished University Professor of the Social Sciences, Baylor University
- Richard L. Stroup**  
Adjunct Professor of Economics, North Carolina State University
- Arnold S. Trebach**  
Professor of Criminal Justice, American University

- William Tucker**  
Author, The Excluded Americans: Homelessness and Housing Policies
- Richard E. Wagner**  
Hobart R. Harris Professor of Economics, George Mason University
- Paul H. Weaver**  
Author, News and the Culture of Lying and The Suicidal Corporation
- Walter E. Williams**  
Distinguished Professor of Economics, George Mason University

## Independent Institute in the News

### Center on Energy and the Environment

“By 2025, between mothballed coal-fired and nuclear power plants, we could see the loss of 100 gigawatts of power—enough to supply 25 million American households. Can we realistically expect renewables to fill that void? As a practical matter, the answer is no.”

—**William F. Shughart II** in *The Washington Times*, 12/12/18

### Center on Entrepreneurial Innovation

“Many Californians are no longer shocked by reports that state officials have spent millions of tax dollars to settle sexual misconduct claims against state legislators, legislative staff and other public and university employees. Ten public university campuses alone have paid multimillion-dollar settlements. Such payments need to stop; they’re a disgusting use of taxpayer funds and an insulting betrayal of the public trust.”

—**Lawrence J. McQuillan** in *The San Francisco Chronicle*, 11/14/18

### Center on Peace and Liberty

“The root of the problem is the acceptance by the public, media and even other branches of government of the modern-day ‘imperial presidency,’ which has grown excessively powerful compared to what the Constitution’s framers had envisioned.”

—**Ivan Eland** in *The Hill*, 12/23/18



SENIOR FELLOW IVAN ELAND ON  
CTV, 12/31/18

### Center on Healthcare Choices

“The Trump reforms will also make the tax treatment of health insurance fairer. For the first time in the history of the income tax law, people will be able to get the same tax relief for health insurance acquired at work as they get when they obtain their own insurance.”

—**John C. Goodman** in *Forbes*, 12/19/18

### Center on Educational Excellence

“As our nation’s budget deficit reaches frightening levels for a booming nation with low unemployment, we need fiscally to ‘do more with less.’ One place to start is reforming our system that lures too many students into degree programs inappropriate on both academic training and labor market grounds.”

—**Richard K. Vedder** in *Forbes*, 10/22/18

“Want better pay for teachers and higher student achievement? Then put parents, the real education experts, back in charge.”

—**Vicki Alger** in *Washington Examiner*, 9/28/18



RESEARCH FELLOW DAVID BEITO ON C-SPAN  
AT THE STUDENTS FOR LIBERTY CONFERENCE  
1/18/2019

### Center on Global Prosperity

“The U.S. should be more welcoming, too. The mostly middle-class Venezuelans who have flown to Miami have largely managed to receive asylum, but they represent only a tiny fraction of those trapped in legal limbo in Latin America. The liberal democracies of the Western Hemisphere should agree to share responsibility for the humanitarian casualties of Venezuela’s tyrant. They would all benefit from the contributions of Venezuelans desperate to live and work in freedom and peace.”

—**Alvaro Vargas Llosa** in *The Wall Street Journal*, 10/10/18

### Center on Law and Justice

“Today, gun registration and prohibition schemes are depicted as benign and progressive. Being inherently good, government should keep strict track of gun owners and ban guns it pejoratively labels “assault weapons,” we’re told. Our Bill of Rights says otherwise.”

—**Stephen P. Halbrook** in *Investor’s Business Daily*, 11/15/18

THE INDEPENDENT REVIEW

# The Road to Crony Capitalism

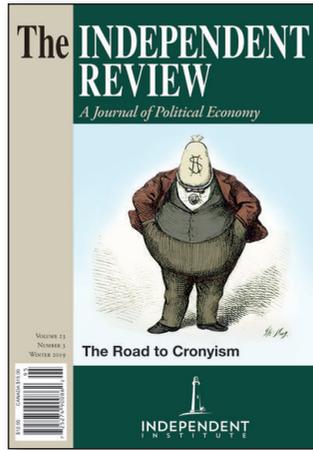
Although the political left and right look at issues from opposing perspectives, on some issues they can at least reach agreement there's a problem. (In such cases, they still clash over the cause and cure for the problem.) One such issue: the political favoritism displaced toward elite classes in modern society—i.e., the notion that the economic rules of the game are tilted in favor of those with political power and social connections. For better or worse, the term with the most currency is “crony capitalism.”

Is crony capitalism endemic to the U.S. economy, and if so, then why? *The Independent Review's* Winter 2019 symposium examines whether or not free-market economies have an inherent tendency to lapse into cronyism and what measures, if any, could fix the problem.

After an introduction by **Robert M. Whaples** (Independent Institute and Wake Forest Univ.), the symposium kicks into high gear with “The Road to Crony Capitalism,” by **Michael C. Munger** (Duke Univ.) and **Mario Villarreal-Diaz** (Univ. of Arizona).

Do free-market economies have inherent weaknesses that create long-run tendencies toward cronyism? If so—and the evidence suggests this is the case—then the best dose of prevention may be to empower entrepreneurs who do not want to become rent seekers and also constrain state actors from selling off rents in the first place.

**Geoffrey M. Hodgson** (Univ. of Cambridge) follows this with “Capitalism, Cronyism and Democracy.” Although cronyism and corruption are less common in democratic countries than in non-democratic ones, statistical correlations don't settle the question of whether or not free-market



THE INDEPENDENT REVIEW  
WINTER 2019

economies tend to degenerate into corporate cronyism. More suggestive, Hodgson argues, is the fact that cronyism and corruption existed long before the advent of capitalism, large corporations, and democracy.

Next is a historical analysis by **Burton W. Folsom Jr.** (Hillsdale College), “The Fall and Rise of Laissez Faire in the United States, 1789–1900.” According to Folsom, corporatist cronyism didn't come to the United States gradually or inevitably, as Munger and Villarreal-Diaz seem to imply. Rather, it came during George Washington's presidency, endured until the relatively laissez-faire period of the Gilded Age, and returned with a vengeance when the Progressive Era inaugurated a new reign of interventionism and cronyism.

In “Dynamism as a Bump on the Road to Crony Capitalism?,” **Michelle Albert Vachris** (Virginia Wesleyan Univ.) argues that restoring the U.S. economy to its former dynamism could be the key to reducing corporate cronyism. This approach, however, might require a major shift in cultural values in favor of business, entrepreneurship, classical liberalism, and the bourgeois

virtues that contributed to the Great Enrichment of the nineteenth century.

**Walter E. Block** (Loyola University New Orleans) follows with “Crony Capitalism vs. Pure Capitalism.” Crony capitalism is a pox that has always infected real markets and is likely to rear its ugly head even more in the future, Block argues. Although he lauds Munger and Villarreal-Diaz's article in support of this claim, Block disputes some of the finer points, hoping his critique may better ward off crony capitalism.

**Nick Sorrentino** (AC2News.com) also makes distinctions he believes add clarity. In “We Cannot Let Cronyism Overrun Our Economic Garden,” he argues that crony capitalism is not a destination at the end of a road. An apt metaphor is one of weeds choking a garden, weeds that can be managed with tools such as exposure and moral suasion.

**Christopher J. Coyne** (George Mason Univ.) and **Abigail R. Hall** (Univ. of Tampa) close the symposium with “Cronyism: Necessary for the Minimal, Protective State.” Cronyism would be rampant even if government were limited solely to providing core protective functions, they argue. With its rent seeking, rent extraction, and revolving door, the U.S. military sector could be the poster child for peak cronyism.

See [www.independentreview.org](http://www.independentreview.org)

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## EVENT

## An Evening with Tucker Carlson

America's elites are grossly out of touch with ordinary people and have little understanding of their concerns, according to **Tucker Carlson**. On October 16, the popular Fox News host brought his message to Alameda, Calif., for an intimate evening event sponsored by the Independent Institute.

Drawing on his bestseller, *Ship of Fools: How a Selfish Ruling Class Is Bringing America to the Brink of Revolution*, Carlson argued that our current political and cultural polarization stems from a backlash against the entrenched elites and the manufactured consensus they've long championed from atop the culture's commanding heights. Ordinary Americans, he declared, are simply fed up with self-righteous elites for having stifled dissent on issues that matter—the economy, government, and war.

While many pundits frame the current politicization in terms of conservative versus liberal, or red state versus blue state, Carlson argues that standard political affiliations don't provide a clear lens through which to view it because the



polarization runs so deep.

"Left and right are no longer meaningful categories in America," he wrote in an op-ed

for the *San Francisco Chronicle* two weeks prior to the event. "The rift is between those who benefit from the status quo and those who don't. That's rarely acknowledged in public, which is convenient for those who are benefiting."

Here's something else also rarely acknowledged, according to Carlson: The status quo opposing the populist backlash is rife with authoritarians in waiting. If given the opportunity, they wouldn't think twice about twisting the legal system to suit their own agenda and imposing censorship to ensure their propaganda goes unchallenged.

Yet despite the enormous consequences at stake, America would still be better off if both sides in the conflict took a measured response, Carlson argued.

"Hopefully, it'll be the kind of low-grade revolution where everybody learns something and nobody gets hurt," he wrote. "But it will be wrenching either way, because revolutions always are."

To watch the video of "An Evening with Tucker Carlson," go to [www.independent.org/events/](http://www.independent.org/events/).



## DEMOCRATIC SOCIALISM: A CONTRADICTIONARY THREAT TO LIBERTY AND PROSPERITY

(continued from page 1)

And, as history has shown over and over again, ultimately you can't have a free society without economic freedom. Democratic freedoms and economic freedoms go hand in hand. As Friedrich Hayek noted in *The Road to Serfdom*, once a country becomes "dominated by a collectivist creed, democracy will inevitably destroy itself."

The reason is simple. Centrally planned socialist economies concentrate economic power in the hands of government officials: Without such power they can't hope to "run things." Yet this same power limits the ability of ordinary people to freely exercise their will when they become dissatisfied with the government. That's because the government can punish them financially if they choose to oppose those in power.

Venezuela started off as a democratic socialist state when Hugo Chávez was freely elected in 1998. Then, with economic power centralized, his successor Nicolás Maduro tightened the screws in predictable fashion. He took care of his supporters while ignoring, harassing, or jailing the rest as the economy crumbled with falling oil prices and hyperinflation. Now, the democratic portion of "democratic socialism" is no more in Venezuela—it is merely socialist.

Some Americans think socialism is the answer for problems in our country. But the reality is that it would only make things far worse. America's democratic socialists need to learn more about the folly of the system they would have us embrace.

## CALIFORNIA GOLDEN FLEECE® AWARDS

## DMV Called Out for Long Lines, Mismanagement, and Criminal Fraud

The California Department of Motor Vehicles—a poster child for bureaucratic incompetence—has won the Independent Institute’s seventh **California Golden Fleece® Award**, given to California state or local agencies or government projects that swindle taxpayers or break the public trust.

Recent events have taken DMV incompetency to a new level. During the past year, long lines reflected a dramatic increase in wait times for California residents, while state lawmakers and their staff have access to a secret DMV office near the Capitol that does not require queuing. News stories about employees sleeping on the job and selling fraudulent driver’s licenses highlight a shocking lack of oversight and accountability. The mishandling of voter registrations, disability parking placards, and Real IDs underscore a culture of negligence at the DMV.

“The DMV is in shambles, and its ‘solution’ is to receive more taxpayer money,” writes Independent Institute Senior Fellow **Lawrence J. McQuillan**, director of the Center on Entrepreneurial Innovation. “But to truly fix the problems new leadership is required as well as structural and operational reforms.”

### DMV Needs New Leadership

With the retirement of DMV Director Jean Shimoto in December 2018, Shimoto’s chief deputy director Bill Davidson became the department’s new acting director. Given that so many problems occurred under the watch of Shimoto-Davidson, the DMV’s current leadership should be forced out soon, replaced by professional managers with business, personnel, and technology acumen, not by political hacks.



### Move Branch Functions Offsite, Delegate Authority to Private Partners

The less dependent that California residents are on DMV branch offices, the better. DMV’s self-service kiosks, in supermarkets and libraries across the state, are a step in the right direction. The option to bypass the DMV bottleneck should be available to more residents through partnerships with drug stores, auto dealers, and auto-parts retailers.



### Contract Out the Management of DMV Branches

Having the DMV contract out branch management to competitive businesses would enhance oversight and accountability with market discipline. Over the long term, government DMVs should be replaced by blockchain-based digital online platforms run by companies in a competitive environment. One such company offering “citizenry information services” is City Chain, now being piloted in Norway.

### More Private-Sector Technology

In a state that has led the global technology revolution, the agency should do more to integrate technological innovations into its operations. One area ripe for improvement is DMV’s outdated appointment-scheduling system, which requires visitors to wait up to eight weeks for an appointment.

A company called YoGov, headquartered in Oakland, can get its customers appointments in three to four weeks by continuously monitoring the DMV appointments calendars for cancellations, and matching their customers with openings at nearby locations. Were DMV to work with YoGov or a similar service, it would increase its scheduling efficiency.

A company called QLess, based in Pasadena, offers the possibility of enabling DMV to improve queues for walk-in customers with virtual check-ins and lines, as well as mobile notifications of wait times and place in line. The company has not contracted with California DMV, but its success in another state is encouraging—significantly reduced wait times, increased staff productivity, and improved morale.

Reforms such as these would save Californians hours of needless waiting.

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The seventh California Golden Fleece® Award report is written by Independent Institute Senior Fellow **Lawrence J. McQuillan** and is available at [www.independent.org/cagoldenfleece/](http://www.independent.org/cagoldenfleece/).

## Quarterly Briefing Calls Offer Members Unique Insights



If you've been following the Independent Institute for any length of time, you're probably well aware that our Fellows are highly sought-after speakers in the local, national, and international media spotlights. Last year they gave 257 radio and television interviews and published a whopping 914 op-eds and articles!

But as informative as articles and media appearances are, for personal learning nothing beats asking an expert questions of your own.

For members of the Independent Institute's Lighthouse Society, that opportunity takes the form of our *Quarterly Briefing* conference calls, in which callers from around the country phone in to hear moderated discussion on timely topics with our Fellows and get their questions answered.

Last September, Research Fellow **William J. Watkins Jr.** (*Crossroads to Liberty, Patent Trolls, Reclaiming the American Revolution*) treated our callers to his insights on the upcoming Senate Judiciary

Committee hearings for Supreme Court nominee Brett Kavanaugh. Watkins' insights were informed by having served as a prosecutor and a defense lawyer, and having practiced in various state and federal courts.

Then, just before November's midterm elections, Independent Institute President and Founder **David J. Theroux** and our new Executive Director **Graham Walker** discussed the ballot races and what they would mean for Millennials.

In February, Independent Institute Senior Fellow **Richard K. Vedder** shared with callers his insights about the problems facing higher education and how to fix them, drawing on his forthcoming book, *Restoring the Promise: Higher Education in America*. Mark your calendars: In April, Independent Institute Senior Fellow **Lawrence J. McQuilgan** will brief callers on technological innovations that can help solve major societal problems.

Hosted by Communications Manager **Rob Ade** (a former award winner at CNN), our *Quarterly Briefing Calls* are an exciting benefit for our Lighthouse Society members. Clear your calendar and take advantage of these intimate discussions with our Fellows.

For more information about our next event, please contact Development Director Stephanie Watson at [swatson@independent.org](mailto:swatson@independent.org) or call (510) 632-0824.

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