

The INDEPENDENT

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Conquest Headlines Seminar Series

The 20th century witnessed state-sponsored carnage on an unprecedented scale. What made this era so vulnerable to Hitler, Stalin, Mao, Pol Pot and other bloody tyrants? How can future atrocities be prevented?

On January 19, historian **Robert Conquest**, (senior research fellow, Hoover Institution; author of *Reflections on a Ravaged Century*, *Harvest of Sorrow*, and *The Great Terror*) noted that this road to genocide was paved by rogue ideologies that elevated the State over individual rights and the institutions of civil society.



Renowned historian and author **Robert Conquest** addresses the Independent Policy Forum.

Spread by society's intellectual elites, these "isms" shared a belief in creating a Utopia on earth – immediately and at *any* cost. Lying, re-writing history, even rationalizing mass murder

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New Book Seeks End of Death Taxes

Over the twentieth century, non-profit foundations have grown tremendously, and have changed their orientation substantially. Early in the century, large foundations, created by the wealth of entrepreneurs such as John Rockefeller, Henry Ford, and Andrew Carnegie, directed their resources toward projects that

WRITING OFF IDEAS

*Taxation,
Foundations, and
Philanthropy in America*

Randall G. Holcombe

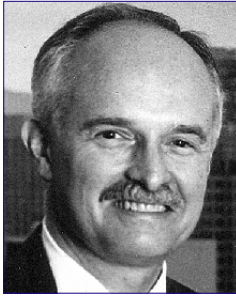
THE INDEPENDENT INSTITUTE

could show tangible benefits, such as curing diseases, building libraries, and endowing educational institutions.

Although foundations still devote considerable resources to these causes, increasingly they are funding programs to change government policy. The history of foundations raises numerous policy questions that The Independent Institute's new book, *WRITING OFF IDEAS: Taxation, Foundations, and Philanthropy in America*, examines in detail:

- Foundations are treated highly preferen-

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President's Letter:

Ideas Do Indeed Have Consequences

Cornered by recent news revelations, Oracle Corporation finally admitted its sponsorship of an astounding, covert campaign that attempted to smear the program of The Independent Institute. Instead of being willing to debate the issues openly and honestly, the \$400 billion-dollar company felt it needed to use back-alley tactics, subterfuge, and disinformation in order to distract public attention from the powerful and influential results of the Institute's 12-year research and publications program on competition and antitrust in high-technology markets, including our book, *Winners, Losers & Microsoft*. In other words, this incredible campaign stemmed from Oracle's great fear that the ideas stemming from our program were a serious threat to its ambitions in Washington to use government power for its own purposes.

In its lead editorial, *The Wall Street Journal* condemned Oracle's behavior as "slimy," rightly characterized the claim that the Institute was a "front group" for Microsoft as "laughable," and praised the Institute, stating, "*They win support precisely because they aren't for sale. . . [they] operate in a different ethical universe than Oracle.*"

This episode reconfirms that public-policy debate is fundamentally determined by the battle of ideas and those who either ignore this fact or try to silence honest inquiry and debate will pay the consequences.

The Institute's entire program of non-politicized scholarship and education embodies an unwavering commitment to seeking truth in all aspects of government policy. Particularly timely have been recent Independent Policy Forums with **Robert Conquest** (page 1) and other distinguished scholars and policy experts, our new books, *Writing Off Ideas* (page 1) and *Fire & Smoke* (page 5), our quarterly journal, *The Independent Review* (page 5), and much more.

Ideas do indeed have consequences.

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Independent Policy Forums: Tyranny • Environment • Sports Coliseums • Civil War*(continued from page 1)*

became the norm for zealots and fellow-travelers who subordinated truth, justice, even their self-identity, for their party, sect or cause.

While in the West, these ideologies now lie either discredited, or in some cases, merely dormant, the mindset which propagates them is very much alive, Conquest said. How then can we stave off future assaults on civilization?

According to Conquest, military might is not the remedy for thwarting home-grown totalitarianism; instead, an intellectual defense is needed. A liberal education is essential, and history should comprise the core of a solid curriculum. For a republic founded on the principle of self-government, the “eternal vigilance” advised by Jefferson requires educating the young about mankind’s triumphs and defeats—and of the historic opportunities that freedom brings.

Conquest’s talk was repeatedly broadcast on “History on Book TV” on C-SPAN2.

● **SAVING THE ENVIRONMENT: Government, Friend or Foe?** (February 2): Environmental protection has been a top public concern for 30 years. Unfortunately, the history of



(clockwise from top left) **Peter Huber, Michael de Alessi, Thomas Graff, and Sally Fairfax** address Independent Policy Forum on the environment.

government environmental regulation and resource management shows that good intentions do not guarantee good results. Could private conservation and market-based incentives succeed where bureaucratic policies have failed?

*(continued on page 6)***New Book Seeks End of Death Taxes: *Writing Off Ideas****(continued from page 1)*

tially by the tax system. Is this justified?

- Who monitors foundations and to whom are they accountable?
- Should foundations live forever?
- Is greater government oversight of foundations warranted or would such proposals be injurious to the public welfare?

In analyzing America’s non-profit foundations, **WRITING OFF IDEAS** arrives at many provocative conclusions:

- Virtually all large foundations were established with the fortunes of people who had accumulated substantial wealth in the market economy. When the donors died, the foundations did not always adhere to the donors’ intentions when spending foundation funds.
- Often, the mandates of foundations are so broad as to allow those in charge to design their own agenda, independent of the intentions of the donors.
- Academic research goes through a peer review process before it is published, making scholars accountable to a broader scholarly community for their ideas. Those writing for a popular audience are accountable to the marketplace to sell their products. Chari-

*(continued on page 7)***Comments on *Writing Off Ideas*:**

*“Foundations play a large but unexamined role in our culture. Do they operate in the public interest? Are they accountable? Do they further the goals of their founders? I know of no better way to pursue these fascinating questions than to read **Writing Off Ideas**.”*

—**TYLER COWEN**, General Director, Mercatus Center, George Mason Univ.

*“**Writing Off Ideas** is a scholarly, thought-provoking, and eloquently-written book.”*

—**THOMAS J. DiLORENZO**
Professor of Economics
Loyola College in Maryland

“This thoroughly-written book provides a valuable historical perspective on how tax laws have shaped foundations in America.”

—**STEVEN N. HILTON**
President, Conrad Hilton Foundation

*“**Writing Off Ideas** is especially timely, arriving at the outset of what will soon be known as ‘The Philanthropic Decade.’”*

—**NEAL B. FREEMAN**, Chairman,
Foundation Management Institute

The Independent Institute in the News

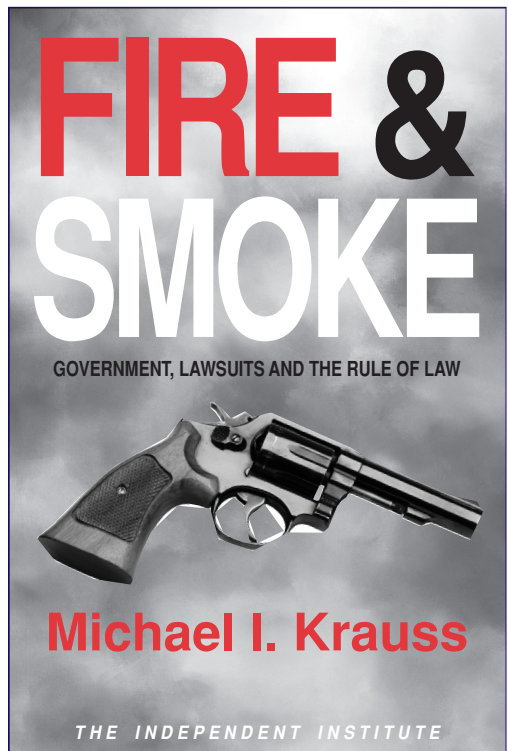
- **Hot Talk, Cold Science** author **S. Fred Singer** discussed global warming on the PBS Frontline/NOVA program. “What’s Up with the Weather?” (4/18), and in the lead paragraph of his Earth Day column for *The Washington Times*, quoted academic affairs director **Carl Close** (4/22). *WorldNetDaily* columnist Geoff Metcalf posted his interview with Singer (5/7) after interviewing him earlier on KSFO AM (4/17). Singer also organized a congressional seminar, “What’s Wrong with U.N. Climate Science?” (5/30), and was quoted in an article, “Global Warming May Be Beneficial,” in *USA Today*’s monthly magazine (June).
- Columns by **Money and the Nation State** author and advisory board member **Steve Hanke** discussed the dollarization of Ecuador’s currency in *Forbes* and the *Wall Street Journal* (3/31, 5/8).
- Research director **Alex Tabarrok**’s op-ed on K-12 scholarships appeared in the *Oakland Tribune* and *Alameda (CA) Times-Star* (4/12). Public affairs director **Rob Latham** was quoted on the Independent Scholarship Fund (ISF) in *The Contra Costa Times*, *Valley Times*, *West County Times* (4/3) and *San Francisco Chronicle* (4/9). Urban affairs writer Lee Hubbard’s column mentioning the ISF ran in such newspapers as the *Macon (GA) Courier* (6/7), *Atlanta Daily World*, *Charlotte (NC) Post*, *Pensacola (FL) Voice*, and *Westside (FL) Gazette* (6/8).
- Research fellow **Charlotte Twhight** testified before Congress on H.R. 220, the “Freedom and Privacy Restoration Act,” on (5/18) and an excerpt from her *Independent Review* article, “Watching You,” appeared in the Spring edition of *The Free Speaker*, a publication for high school student debaters. **Jeffrey Hummel**’s article on Martin Van Buren in *The Independent Review* was the basis for a column by the *Las Vegas Review-Journal*’s Vin Suprynowicz (3/26).
- The Independent Institute book, **Winners, Losers & Microsoft**, was favorably reviewed in the *Courier-Journal (KY)* (4/23), and received kudos from *Newsweek* columnist Robert J. Samuelson (4/17), *Reason* (April), *Financial Times* columnist Amity Shlaes (5/4), *Control* magazine (May), *Red Herring* (June), and *Ideas on Liberty* (June). Co-author **Stan Liebowitz**, who appeared on PBS’s *NewsHour with Jim Lehrer* (4/3), was quoted in *The Arizona Republic* (4/2), *Computerworld* (4/3), *Dallas Morning News* (4/4, 6/2, 6/8, 6/9), *Fort Worth Star-Telegram* (4/5), *Wall Street Journal* (5/1), *Seattle Post-Intelligencer* (5/4, 5/17), *Sacramento Bee* (6/8), *Mitchell County (IA) Press-News* (5/31), and *Sunday Capital (MD)* (6/11). Co-author **Stephen Margolis** was quoted in the *Sacramento Bee*, *News and Observer (NC)* (4/4), and *The Technician (NC)* (4/11), and interviewed on NPR’s “Talk of the Nation” (6/9). Tom Burke, who writes a column on information systems for *Furniture Design & Manufacturing* magazine (March), gave “Book of the Month” honors to the book.
- The Institute’s **Open Letter on Health Care Reform** was reprinted in the *AAPS News* (March) and mentioned in the *Malden (MA) Evening News* (3/14). **Alex Tabarrok**’s op-ed opposing drug price controls appeared in the *Patriot-News (PA)* (5/31) and *Forsyth County (GA) News* (4/26). Tabarrok’s op-ed chastising the IMF ran in the *Pittsburgh Tribune-Review* (4/22), and another op-ed on antitrust was published in the *Eastside Business Journal (WA)* (5/1), *Business First (OH)* (5/5), and *San Antonio Business Journal* (5/12). The *East Bay Business Times* quoted Tabarrok in separate articles on the Federal Reserve’s interest rate hike and Gov. George W. Bush’s proposal to privatize Social Security (5/29). Tabarrok was also quoted by *Computer Reseller News* (5/15) regarding antitrust, John Elvin of *Insight* on bounty hunters (6/19), and Lawrence Morahan of *CNSNews.com* on drug prices (5/16).
- **That Every Man Be Armed** author **Stephen Halbrook** argued before the U.S. Supreme Court that the 30-year prison sentence enhancements given to four Branch Davidians who survived the Waco siege should be struck down. On June 5th, a unanimous Court struck down the enhanced sentences.
- Articles on antitrust appeared in *Ideas on Liberty* (June) and the *Pittsburgh Tribune-Review* (6/10) by **Antitrust and Monopoly** author **D.T. Armentano**, who also was interviewed on KPQD FM (6/5).
- Research fellow and author of **Fire & Smoke** **Michael Krauss**’s op-ed on government lawsuits ran in *The Washington Times* (6/23). Columnist Bruce Bartlett favorably cited the Institute’s book, **Writing Off Ideas** (6/26). ●

*Independent Policy Report:***Lawyers, Tobacco, Guns, and Money**

The State of Mississippi's lawsuit against tobacco companies in 1994 was quickly emulated by more than a dozen other states and the federal government. In the past year, many government entities have applied the legal precedent of the tobacco suits by bringing civil actions against gun manufacturers and distributors. Although courts have dismissed municipal suits against gun makers in Miami, Bridgeport, and Cincinnati, several gun manufacturers have declared bankruptcy. And other governments, such as the State of New York, are piling on.

In the new Independent Institute monograph, *FIRE & SMOKE: Government, Lawsuits, and the Rule of Law*, government "recoupment" lawsuits are carefully examined and found to be flagrant abuses of the constitutional separation of powers, seriously undermining hundreds of years of common-law adjudication.

Author **Michael Krauss** (professor of law, George Mason U.) systematically dissects the tobacco and firearm recoupment lawsuits. He shows how such lawsuits betray every criterion of sound, effective, and just tort law. These lawsuits can show no damages, no proximate causation, and no wrongdoing. Similarly, governments have no direct damages to claim against manufacturers and cannot legally stand in the place of individual smokers or their families. Readers will also marvel at Krauss's analysis of the Multistate Agreement to settle the tobacco



litigation by forty-six state attorneys general.

FIRE & SMOKE finds that recoupment lawsuits are incompatible with civil freedoms and the institutions of a free society. (*FIRE AND SMOKE*, 64 pp., \$12.95 postpaid; online see http://www.independent.org/tii/catalog_pr/policy_FireAndSmoke.html.)•

*The Independent Review:***Debunking the “New” Urban Planning**

Since the 1920s, city planners have used zoning laws to shape the contours of civic life. Their grip is now tightening under a new movement—called “smart growth” or “new urbanism”—which favors laws to promote high-density living and reverse the flight to the suburbs.

According to economist **Randal O’Toole** (“Is Urban Planning ‘Creeping Socialism’?” *The Independent Review*, Spring 2000), smart growth is a deeply flawed paradigm. To create a more livable city, it favors minimum-density requirements, strict design codes, and limits on automobiles and parking. But these policies will only make city life more hectic, O’Toole argues.

Smart-growthers in Portland, Maine, for example, hope to increase its population by 75 percent and add 120 miles of rail transit. But population growth of this size would overwhelm any reduction in the rate of car usage, causing three times more traffic congestion and far slow-

er travel time. Air quality would worsen too, since stop-and-go traffic burns fuel less cleanly.

Nor does rail transit offer much hope, since it usually carries fewer people than one lane of freeway. “Although originally promoted as less expensive than highways, rail transit projects being considered by more than sixty U.S. cities typically cost around \$50 million per mile—enough to build 2.5 miles of four-lane freeway.” Unit costs of other new services—sewage, water, roads, schools—also increase when all redevelopment costs, including the tearing up of existing low-density infrastructure, are included.

“Smart growth is a threat to freedom of choice, private property rights, mobility, and local governance,” O’Toole concludes. “[It] is clearly an example of creeping social regulation, if not creeping socialism.” (For the article, see <http://www.independent.org/tii/content/pubs/review/TIR44OToole.html>.)•

Independent Policy Forums: Tyranny • Environment • Sports Coliseums • Civil War

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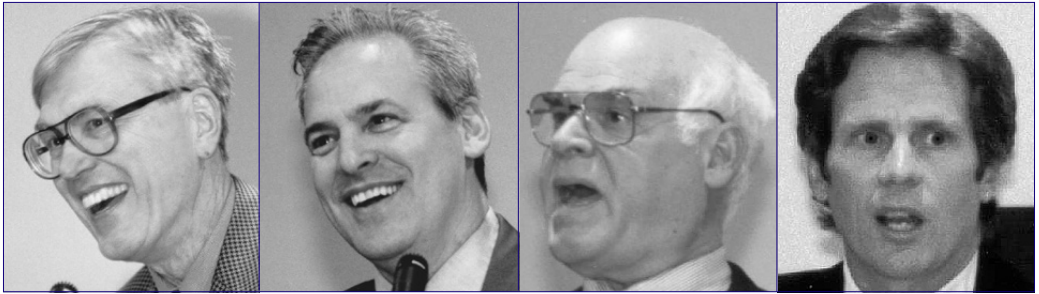
This question was discussed by **Peter Huber** (senior fellow, Manhattan Institute), **Michael de Alessi** (director, Center for Private Conservation), **Thomas Graff** (senior attorney, Environmental Defense Fund) and **Sally Fairfax** (professor of natural resources, University of California, Berkeley).

Using examples of private fisheries he described in the book, *Earth Report: 2000*, de Alessi argued that private ownership creates incentives to channel people's ingenuity into protecting resources, while government ownership does not. Oyster beds in Washington State, for example, are privately owned – and thriving – while those in Maryland are publicly owned and

Sally Fairfax noted that conservation was almost exclusively the province of private groups from the 1850s to 1900. When government got into forest management, it imported a German bureaucratic approach entirely inappropriate for a large country rich in forests.

“As a person with a degree in forestry, I would never defend the National Park Service anywhere,” Fairfax said.

● **PRO TEAM SPORTS: Are Politics and Corruption Winning?** (March 7): Americans love pro baseball, basketball, football and hockey, but has their passion allowed them to be squeezed in a vice grip? Many sports fans recognize that pro teams and stadiums are costly,



(left to right) *Sports economists* **Roger Noll** and **Rodney Fort** and *Civil War historians* **Henry Mayer** and **Jeffrey Rogers Hummel** address *Independent Policy Forums*.

struggling.

“There’s no doubt that many of the world’s fisheries are in a state of decline,” said de Alessi. “All too often, it’s because government conservation programs have failed to understand and take account of the importance of these institutions and the incentives that they create.”

Peter Huber (author, *Hard Green*) argued that technology – not politics or markets per se – is the answer to environmental problems. Agriculture, for example, is where the environment sees the most human impact. Yet while the U.S. has grown tremendously in the last 100 years, Huber said, the amount of farmland under cultivation is the same, thanks to the new fertilizers, pesticides, high-yield grains and land-intensive farming techniques (the very practices denounced by “soft green” environmentalists).

Similarly, the amount of U.S. forestland today is the same as in 1920, due to private reforestation. In fact, “we’re sequestering so much carbon in this growing forest, that it is more than off-setting, as best as anybody can measure, our net carbon emissions,” said Huber.

Thomas Graff argued that both private incentives and government have important roles to play, even if the latter is limited to calling on the courts as the last resort.

but they also believe that they are good investments, providing the community with more jobs, sales revenues and tax receipts.

Unfortunately, this belief is usually unfounded, according to sports economists **Roger Noll** (Stanford U., co-editor of *Sports, Jobs & Taxes*) and **Rodney Fort** (Washington State U., co-author of *Hard Ball*). “There has yet to be a stadium built in the last 20 years for which that is true,” said Noll. “The act of creating the sports facility doesn’t cause [people] to have more income to spend, it merely redistributes wealth.” Since stadiums are patronized mostly by local sports fans, money that fans spend on tickets, hotdogs, and parking is money that would have been spent on other local entertainment, such as movie tickets and restaurant meals.

Pro leagues, Fort argued, also act against the interests of the local community by helping teams exert political power. Two-thirds of the price of a ticket, for example, goes to team owners and players, but few athletes or owners live in the home city. Yet mayors cave in to the demands of leagues and team owners for ever-increasing shares of rising ticket prices, out of fear that teams will move elsewhere and they will lose re-election for “losing” the team.

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New Funding Opportunities at The Independent Institute

Because of the generous support of our members, The Independent Institute has been acclaimed as the world-renowned research and educational organization that leads the intellectual battle to reduce the burdens of government. To continue producing top-quality analysis and educational programs that will redirect public debate, we are currently developing new programs that will be instrumental in promoting the ideals of a free society:

- **Center for Crime Reduction and Individual Responsibility:** The new Center will expand the Institute's comprehensive public-policy research and educational program on effective "citizen-based" solutions to reduce and prevent crime. Producing at least one book and three in-depth *Independent Policy Reports* annually, each study will assemble detailed analysis, and present concrete policy recommendations.
- **Website Redesign:** A complete redesign of the Institute's website will provide visitors with quicker access to our research, publications, events and news.
- **Student Program in Educational Excellence:** This program comprises three excellent youth programs—the Independent Scholarship Fund, Summer Seminars in Political Economy and Student Intern Program. These programs provide youth—from kindergarten through college—with the essential resources and tools to become effective and influential leaders in the 21st century.

Your financial support of these new and expanded programs will help us seize real opportunities to effectively educate and influence youth and mainstream opinion audiences, while making landmark changes in the public-policy debate.

For further information or to make a tax-deductible contribution toward one or more of these programs, please contact Ms. Michelle Moore, development director at The Independent Institute: Phone 510-632-1366 x111; Email MMoore@independent.org. ●

New Book Seeks End of Death Taxes: *Writing Off Ideas*

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table organizations are accountable to their donors for a continuing flow of funds. But foundations have a steady flow of funds from their endowments, so are unaccountable for the ideas they promote.

- The Carnegie, Rockefeller, and Ford foundations continue to influence public policy long after the death of their founders. William Gates' foundation could conceivably influence public policy for hundreds of years.
- Foundation-financed ideas play a major role in debates over public-policy issues, and have had a large influence on foreign policy, education, race relations, welfare, and even political issues such as voter registration and support of political parties and candidates.
- Over most of the twentieth century, foundation support for ideas has been biased towards the "liberal" end of the spectrum, although there has been less bias since the 1970s.
- Government oversight of foundations is undertaken almost entirely through tax law. In the late 1960s, Congress raised significant

questions about foundation operations and modified tax law in response. At the beginning of the twenty-first century, current law may be adequate, but continued vigilance is needed to prevent abuses from reappearing.

- Eliminating the estate tax would be one of the best ways to put foundations on an equal standing with other forms of giving.
- Government control of foundations, as occurs in Great Britain, would homogenize foundations, make them a mere extension of the public sector and reduce the support for innovative ideas. Such oversight would be counterproductive and is unwarranted.

Authored by **Randall G. Holcombe** (Professor of Economics, Florida State University), *WRITING OFF IDEAS* is a timely and relevant book on how tax policy serves to greatly distort the valued legacy of generous individuals. (*WRITING OFF IDEAS*, 277 pages, available for \$24.95 postpaid; for further information online, see <http://www.independent.org/tii/content/briefs/BriefWritingOffIdeas.html>.) ●

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INDEPENDENT SCHOLARSHIP FUND 

Scholarship Applications Double

The Independent Institute has announced the award of 165 scholarships from the Independent Scholarship Fund (ISF) for the 2000-2001 school year. The scholarships for children from low-income homes will be applied toward tuition at San Francisco East Bay private and parochial schools of their choice.

The number of applicants for ISF scholarships more than doubled from the previous year—from nearly 400 to 900 applications. The number of ISF scholarship recipients also increased from 107 in the 1999-2000 school year to 165 for the 2000-2001 school year—an increase of more than fifty percent.

“Increased awareness of the program and a strong demand for quality educational opportunities has fueled the enormous increase in applications,” said **Katherine Shearer**, Director of the Independent Scholarship Fund.

Last year, ISF scholarship recipients attended 45 different private and parochial schools in the East Bay. The number of schools involved in the ISF this year is expected to increase. ISF contributors include the Lowell Berry Foundation, James M. Bonavia Family Charitable Trust, James M. Bryan Family Fund, Clorox Company Foundation, Jerry Cohen Foundation, George Hoag Family Foundation, Dean & Margaret Lesher Foundation, Joseph R. McMicking Foundation, Sidney Stern Memorial Trust, and Wayne and Gladys Valley Foundation.

For further information or to make a tax-deductible contribution, please contact:

Ms. Katherine Shearer, Director, Independent Scholarship Fund

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Independent Policy Forums

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- **THE CIVIL WAR: Liberty and American Leviathan** (November 17): Historians **Henry E. Mayer** and **Jeffrey Rogers Hummel** provided trenchant insights about some of the crucial issues and actors of the Civil War. Henry Mayer (author, *All on Fire*) recounted a fascinating biography of abolitionist William Lloyd Garrison, a man whose thought and actions were greatly influential in the period leading up to the Civil War.

Jeffrey Hummel (author, *Emancipating Slaves, Enslaving Free Men*) argued that the Civil War represents the “simultaneous culmination and repudiation of the principles of the American Revolution.” Although slavery was abolished for the black population, Hummel said the vast Civil War-induced expansion of the power and scope of the federal government established a new sort of slavery through conscription, taxation, regulation, and the trampling of civil liberties and constitutional rights.

(For all Independent Policy Forums, transcripts are available for purchase at \$5.00, audio tapes \$18.95, and video tapes \$27.95 per copy post-paid; also view the text or listen in RealAudio by going to: <http://www.independent.org>, and clicking on “Events.”) ●

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