

Introduction

Terry L. Anderson and Richard Sousa

During the grueling campaign to win his party's nomination and the head-to-head competition with John McCain, candidate Barack Obama brought his message of "hope and change" to a country yearning for both. President Obama entered the White House with a set of challenges that no U.S. president in recent history has faced. He confronts an economic crisis of proportions unthinkable just a few short months before, unpopular wars in Iraq and Afghanistan, diminished loyalty among longtime international allies, the continued threat of terrorism, and a populous questioning the ability of all branches of government to govern and doubting the efficacy of markets. Add to all of this the massive bailout and stimulus packages, a burgeoning national debt, political partisanship at its height, climate change, aging infrastructure, skyrocketing health-care costs, and failing schools, and the list seems to include everything but curing the common cold.

The question is whether the momentum of the president's campaign, election, and inauguration is enough to implement the changes necessary to meet the hopes and expectations of the American citizens.

The president has said repeatedly that his highest priority is solving the country's economic problems—getting people back to work,

stabilizing financial markets, freeing up frozen credit markets, and, in general, rebuilding confidence in the U.S. economy. But he acknowledges that improving the economy is not the only problem. His solution to the economic crisis, and all the other problems, is a massive spending spree unprecedented in U.S. history.

Typically, little is accomplished in a presidential administration's first hundred days, but many are looking at the hundred-day mark as the first milestone for the Obama administration. The path followed since January 20 should foreshadow President Obama's direction for the rest of his presidency. That path clearly calls for a greater role for the government in the economy at the industry, firm, and individual levels.

No one would argue that the economy has not faltered, but it does not follow that the cause is the failure of the fundamental principles on which the U.S. economy is built. Those principles, which underpin our market system, are free markets, an open economy, free trade, the rule of law, and well-defined and uniformly enforced property rights.

The Hoover Institution's Task Force on Property Rights, Freedom, and Prosperity was established in late 2008 to study those principles in the context of historical and contemporary examples and to promote meaningful dialogue about their effectiveness. The task force's eleven members fully embrace the goal of examining the role of government in providing a stable legal system for protecting property rights and encouraging economic growth while promoting individual responsibility and liberty.

When the task force met in early March 2009, the magnitude of the issues facing the Obama administration was becoming increasingly clear. Because the members of the task force felt their expertise could shed light on how those issues could be handled without spilling as much governmental red ink, they decided to write this book. Eight members of the task force (three could not participate due to other commitments) and two outside experts wrote chapters

analyzing the Obama administration's approach to a wide range of public policies.

To be clear, this is not a book solely about the first hundred days of the Obama presidency; it is a book about how a stable rule of law, secure property rights, and an open economy provide the foundation on which the administration can build more effective policies in the next 1,300 days. The consistent theme of this book is that we should not abandon the principles that have served us so well throughout our history. We should not make decisions now, based on the political expediency of action, polling, and special-interest pressures, that will have long-run ill effects—whether anticipated or not.

From the name of the task force one can correctly infer that it is populated with economists and legal experts who study the evolution of property rights, their protection, and their importance to economic growth. This team of scholars tackled a subset of policy issues to which their expertise applied; doing more would have required a much larger team and would have resulted in a longer, inaccessible tome. The intent of the coverage here is to provide a lens through which other policy issues can be examined. Some chapters offer prescriptions to President Obama and suggest specific solutions to the problems his administration is facing. Others are more general and wide sweeping, offering counsel based on sound economic principles and clear-thinking incentive schemes.

The policy analyses and recommendations in this book are not meant to criticize without being constructive, but are meant to offer alternative approaches and guidance on how to avoid pitfalls. Because the economy has received so much attention from the Obama administration, the lead chapters examine the incentives, good and bad, found in the proposed financial fixes. The first three chapters suggest regulatory reforms for the banking sector and analyze President Obama's tax policies. The chapters that follow analyze narrower policy issues—patents, global warming, green jobs,

labor, health care, and infrastructure investment. The book concludes with a discussion of the important interface between the Obama administration's policies and the global economy, especially as those policies may discourage trade and growth through protectionism. That chapter appropriately asks whether President Obama's leadership and charisma can prevent the United States from following a path of protectionism that will not only harm the U.S. economy but slow the world's path to economic recovery.

The Hoover Institution Task Force on Property Rights, Freedom, and Prosperity, which was the catalyst for this project, includes Terry Anderson (Hoover Institution and PERC) and Gary Libecap (Hoover Institution and University of California, Santa Barbara) as cochairs and members Daron Acemoglu (MIT), Charles Calomiris (Columbia University), Richard Epstein (Hoover Institution and University of Chicago Law School), Stephen Haber (Hoover Institution and Stanford University), James Huffman (Lewis and Clark Law School), Scott Kieff (Hoover Institution and Washington University School of Law), Jonathan Macey (Yale Law School), James Robinson (Harvard University), and Henry Smith (Harvard Law School). The eight members who participated in this publication were joined by Jagdish Bhagwati (Nobel laureate from Columbia University) and Kevin Hassett (American Enterprise Institute).

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