

Culture and the Wealth of Nations

by Don Lavoie
and Emily Chamlee-Wright

Who are the inhabitants of the marketplace? Are they the spiritless, calculating robots depicted in so much economic theory? Or are they the heartless money-grubbing corporate executives depicted in television and film who assume that theft, murder, and environmental degradation are all part of good business?

In mainstream economic theory, the market is presented almost as a dead place in which economic actors are more machines than human beings. In popular culture, businesspeople are indeed more lifelike, but they usually take on only the base and evil qualities humans possess. What we would like to offer is an alternative view, one in which markets are seen as an integral part of human culture. As part of our culture, the market is an arena in which human beings can create meaning in their lives and express their spirit.

In order to understand the market as an animated sphere of human engagement, we must take seriously the role culture plays in the economy. We aim to do this by exploring the concept of "culture" in its fullest sense—as the framework of shared meaning for a people. This concept of culture thus includes traditional beliefs and cus-



Cato Journal editorial board member Judy Shelton and adjunct scholar Roberto Salinas-León look on as Mexican president Vicente Fox welcomes José Piñera to a small dinner at Los Pinos, the presidential residence, after Cato's Annual Monetary Conference, held this year in Mexico City. Other Cato scholars also joined the dinner, along with Fox's senior economic ministers.

tomary practices; the so-called high arts such as literature, painting, dance, and opera; and all the elements of popular culture, including soap operas, M-TV videos, dime store novels, and blockbuster movies. We take all of those elements of culture seriously because all play an important role in how markets develop, how they are perceived, and how people choose to express themselves as participants in the market process.

Why Culture Matters to Economic Development

The basic question development economists ask is, "Why do some economies generate tremendous wealth and prosperity, while others persist in poverty?" Though the answer to this question is multifaceted, including objective factors such as resource endowments and climate conditions, one of the most important elements in economic development is something that sounds thoroughly subjective: the culture. If there is a

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Prosecuting the War



Many of us at the Cato Institute find ourselves in an unusual position these days. In the first place, starting early last year, we found ourselves harboring generally positive thoughts about the incumbent president, a feeling we had rarely known. Despite his unfortunate initiatives on education centralization, energy subsidies, and some other areas, President Bush strongly advocated tax reduction, rejected the Kyoto agreement on global warming, and stuck to his guns on Social Security reform.

And then came September 11. Now we find ourselves not just supporting a president but supporting an American war. We have, of course, long criticized the United States' interventionist foreign policy. We warned that military intervention around the world was dangerous. We even warned that it could lead to terrorist attacks on the United States. But we always said that the United States would have to respond, and respond vigorously, to an attack.

Now we have been attacked. On September 11, Ted Galen Carpenter wrote: "The president should immediately seek the full authorization of Congress to use whatever military force is necessary against the guilty parties. If the perpetrator is a government, the objective of the United States should be nothing less than the removal of that government. If the perpetrator is a terrorist organization without government sponsorship, the objective of the United States should be to track down and eliminate the members of that organization."

We also sought to define the nature of the conflict. As Ed Crane wrote in the last issue of *Cato Policy Report*: "Those attacks were attacks on the essence of America. They were not attacks on the 'mixed economy' or on the 'Third Way.' They were attacks on true liberalism—the idea that individual human life is important and that social institutions should reflect that fact."

President Bush and his team have made a good start in eliminating those who attacked us. The president offered a vigorous but measured response, carefully planned and focused on the perpetrators of the September 11 atrocities and those who harbored them.

Cato scholars will be offering several recommendations as we continue the war against the terrorists who attacked America, including the following:

Improve Civil Defense. Administration officials tell us that "there is a clear, present danger" of worse attacks than we have experienced, a point that government reports have made over the past decade. Yet, as a November 2000 Cato study warned, the federal government has done little to educate Americans about how to respond to nuclear, biological, or chemical attacks or to stockpile antidotes and anti-viruses. It's time to do so.

Round Up al-Qaeda Operatives in the United States. Our leaders are right to warn us against hate crimes directed at Muslims and at people who "look like Arabs." We must not forget the kind of country we are. But when we find people living in this country who are involved in a terror network, we need to move forcefully. No one has the right to come to this country for the purpose of mayhem and murder.

Spend Our Defense Dollars Wisely. Advocates of increased military spending have seized on the atrocities of September 11 as an excuse to spend "hundreds of billions more" on the military. But we don't need another million men, or more tanks and cruise missiles, to fight this war. Instead of throwing money at the problem, we should take a close look at the Pentagon's budget and reallocate resources to real needs such as civil defense, missile defense, and human intelligence. We should close obsolete military bases, terminate wasteful and unnecessary weapons programs, and withdraw our troops from Korea.

Reorient Drug War Resources to the War on Terrorism. Some officials have compared the new war on terrorists with the war on drugs. That's a depressing thought: we've been fighting the drug war for 87 years, and drug use is as high as ever. A better tack is to take the \$40 billion we spend annually on the futile drug war and reallocate it to the war on terrorism.

Protect Civil Liberties. Cato scholars Robert Levy and Timothy Lynch have been among the most forceful critics of President Bush's executive order empowering himself to order military trials of non-U.S. citizens—even if they are arrested here, are tried here, and reside here legally. People legally residing in the United States have rights that must be protected. We should also be very concerned about the expansion of federal search and surveillance powers—involving bank accounts, e-mail, business records, and so on—in the name of fighting terrorism.

Protect the Taxpayers. The federal government will need to increase spending in some areas to fight terrorism. But since September 11 we have seen everything from peanut subsidies to steel protectionism justified in the name of national security. A more sensible approach would be to cut low-priority spending in order to fund higher-priority needs.

Usually, libertarians enter public debates to call for restrictions on government activity. In the wake of September 11, we have all been reminded of the proper purpose of government: to protect our lives, liberties, and property from violence. Now would be a good time for the federal government to do its job with vigor and determination.

“Now would be a good time for the federal government to do its job with vigor and determination.”

—David Boaz

Fourth conference in China features Piñera, open forum

Cato Returns to China for Pension Conference

According to the *Asian Wall Street Journal*, “The experts seem to agree about what needs to be done. In November, at a conference cosponsored by the U.S.-based Cato Institute and Peking University’s China Center for Economic Research, there was near-universal agreement that fully funded universal accounts were the way to go. Most important, a consensus among bureaucrats at the Ministry of Labour and Social Security seemed to be spreading.”



Mao Yushi of the Unirule Institute and Justin Yifu Lin of the China Center for Economic Research, two of the leading liberals in Beijing, were among the speakers at the Cato Institute’s fourth conference in China.

Titled “China’s Pension System: Crisis and Challenge,” the all-day event was held on November 8 at the Great Wall Sheraton Hotel in Beijing. It drew a capacity crowd and was covered by more than 50 reporters from U.S and international news media, including China’s state television.

The next day at Peking University, Cato held an open forum that was attended by more than 150 of China’s top students. Cato president Ed Crane discussed the conflict between civil and political society. Cato’s José Piñera, Michael Tanner, and Ian Vásquez also spoke on social security, the welfare state, and globalization. Cato has now held four conferences in China, beginning with the 1988 Shanghai conference that featured Milton Friedman.

Justin Yifu Lin, director of the CCER and one of China’s leading advocates of market liberalization, codirected the conference with Cato’s Jim Dorn and Tanner. The keynote address was given by Sun Jian Yong, deputy director-general of social insurance fund supervision at the Ministry of Labour and Social Security. Sun, who has been very influenced by Piñera’s pension privatization in Chile, called for “mar-



Cato president Edward H. Crane and conference organizer James A. Dorn at the opening session of “China’s Pension System: Crisis and Challenge” in Beijing on November 8.

ketization of retirement” and fully funded pensions. He invited Piñera, who also spoke at the conference, to the ministry to address the senior staff.

In his luncheon remarks, Piñera, co-chairman of the Cato Project on Social Security Privatization, discussed privatization of pensions in Chile and applied the lessons to China, saying that the country that will host the Olympics in 2008 may be the first to cross the finish line in cre-

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Conferences in Mexico City, Montreal, and Beijing

P. J. O'Rourke Speaks in Seven Cities

◆**October 2:** Congressional legislation that would grant new powers sought by the Justice Department in the wake of the September 11 terrorist acts was discussed at a Cato Policy Forum, “**Fighting Terrorism, Preserving Civil Liberties.**” Rep. Bob Barr (R-Ga.) said that the government already has enough power to fight a war on terrorism; the problem has been in the use of that power. Solveig Singleton of the Competitive Enterprise Institute said that there should be more of a focus on improving the intelligence capability and competence of the Federal Bureau of Investigation and the Central Intelligence Agency than on expanding their legal powers. Law professor Jonathan Turley of George Washington University said that the legislation—known as the PATRIOT Act—could be consistent with the Constitution but that we must be concerned with the chilling effect it could have on society. Stuart Taylor of the *National Journal* questioned whether the threats to civil liberties posed by the act are really as great as some people charge.

◆**October 2:** The Cato Institute hosted a City Seminar, “**Human Dignity and the Assault on Liberty,**” in Chicago. P. J. O'Rourke, H. L. Mencken Research Fellow at the Cato Institute and author of a

new book, *The CEO of the Sofa*, warned, “Don't forget, when you send your problems to be solved by the government, you are sending your problems to Gary Condit.” Other speakers included Cato's Doug Bandow, Jerry Taylor, and Ed Crane.

◆**October 11:** While Congress and the president were tripping over one another in their rush to pass an economic stimulus package, William A. Niskanen, chairman of the Cato Institute, made “a case for Congress to do almost nothing.” At a Cato Policy Forum, “**Is Fiscal Stimulus Desirable? If So, What Works Best?**” Niskanen warned that a “grab bag” of provisions, including extra spending, would probably do more harm to the economy than would doing nothing. Chris Edwards, director of fiscal policy studies at the Cato Institute, endorsed repeal of the destructive alternative minimum corporate tax. Douglas Holtz-Eakin, chief economist at President Bush's Council of Economic Advisers, and Rep. Jim Saxton (R-N.J.), chairman of the Joint Economic Committee, also spoke. The same morning Niskanen, Edwards, and Cato senior fellow Alan Reynolds discussed these issues at a Capitol Hill briefing.

◆**October 16:** In Austin, Texas, the Cato Institute hosted a City Seminar, “**Human Dignity and the Assault on Liberty.**” Speakers at the event included P. J. O'Rourke; Doug Bandow; Ted Galen Carpenter, Cato's vice president for defense and foreign policy studies; and Ed Crane.

◆**October 17:** At least one of the three new tactical fighter programs—the F/A-18E/F, the F-22 Raptor, and the Joint Strike Fighter—should be canceled altogether, said Ivan Eland at a Cato Policy Forum, “**The Future of the Bomber Force.**” Eland, director of defense policy studies at the Cato Institute, proposed canceling the F-22, a \$200 million fighter plane designed for air battle with Soviet fighters, and starting a research and development program for a new bomber immediately. Jack Spencer of the Heritage Foundation recommended developing an advanced air-launched cruise missile that would allow bombers to strike from a safer distance. Gen. Richard Haw-

ley (USAF-Ret.) advocated moving toward a single bomber, the B-2. John Tirpak, senior editor at the Air Force Association, discussed the post-Cold War shift in strategic emphasis from Europe to Asia.

◆**October 18:** It is a false comparison to equate the nation building that followed World War II in Germany and Japan with anything the Clinton administration did abroad, said Gary Dempsey at a Cato Book Forum, *Fool's Errands: America's Recent Encounters with Nation Building.* Dempsey, foreign policy analyst at the Cato Institute, and coauthor Roger Fontaine, a former national security official, pointed out that there were no political or civil foundations to build on in Haiti, Somalia, Bosnia, Kosovo, or, more recently, Afghanistan. James P. Pinkerton, syndicated columnist and aide to former president George H. W. Bush, agreed that nation building is risky but argued that it will nevertheless be necessary in Afghanistan.

◆**October 18:** The precautionary principle—the environmental version of the admonition “first, do no harm”—has been invoked by many people to justify policies to control, if not ban, any technology that cannot be proven to cause no harm. At a Cato Book Forum, *The Precautionary Principle: A Critical Appraisal of Environmental Risk Assessment*, author Indur Goklany argued that the use of this principle to justify such policies is flawed and counterproductive because it ignores the possible calamities that those very policies might create or prolong.

◆**October 19:** The Cato Institute and the Ronald Reagan Presidential Library Foundation cosponsored a **City Seminar and Luncheon featuring P. J. O'Rourke** in Los Angeles.

◆**October 22:** The Cato Institute hosted a City Seminar, “**Human Dignity and the Assault on Liberty,**” in San Francisco. Featured speakers included P. J. O'Rourke; David R. Henderson, author of *The Joy of Freedom*; C. Wayne Crews, director of technology policy studies at Cato; and Cato's executive vice president David Boaz.



At Technology and Society Conference, Robin Gross of the Electronic Frontier Foundation argues that new technologies are enabling companies to protect their intellectual property content more than normal copyright law provides.

District of Columbia insurance commissioner Lawrence Mirel tells a November 2 Policy Forum that our health insurance system insures “a lot of things that aren’t insurable” because they’re not rare, not major, and not something people want to avoid.



Former AMA president Daniel “Stormy” Johnson listens as Sue Blevins discusses her new Cato book, *Medicare’s Midlife Crisis*, at a November 8 Book Forum.

Technology guru John Perry Barlow, keynote speaker at the Fifth Annual Technology and Society Conference, said that new technology is making intellectual property protection obsolete.



Cato adjunct scholar Randy Barnett of Boston University Law School asks a question about intellectual property law at the Technology and Society Conference, “The Future of Intellectual Property in the Information Age.”



◆ **October 24:** The Cato Institute held its 19th Annual Monetary Conference, “Money and Markets in the Americas: A New Agenda,” in Mexico City. The conference was cosponsored with *The Economist*, UBS, and TV Azteca. Featured speakers included Francisco Gil Díaz, Mexico’s minister of finance; Robert McTeer Jr., president of the Federal Reserve Bank of Dallas; Guillermo Ortiz, governor of the Banco de Mexico; Roberto Salinas-León and Ricardo Salinas Pliego of TV Azteca; Cato senior fellow Steve H. Hanke of Johns Hopkins University; Allan H. Meltzer of Carnegie Mellon University; Miguel E. Bonangelino of the International Monetary Fund; Judy Shelton of DUXX Graduate School; Cato’s José Piñera; and Robert Mundell, Nobel laureate in economics.

◆ **October 24:** The Cato Institute hosted a City Seminar, “Human Dignity and the Assault on Liberty,” in Denver. Featured speakers included P. J. O’Rourke; David Boaz; C. Wayne Crews; and John Malone, chairman of Liberty Media and Cato Institute board member. Malone described his experiences in Manhattan on September 11.

◆ **October 25–28:** The Cato Institute held its Cato University Fall Weekend Seminar, “A World of Trade, Peace, and Freedom: The Relationship between Globalization and Civilization,” in Montreal. Featured speakers included Tom G. Palmer, Cato senior fellow and director of Cato University; Dartmouth College economics professor Doug Irwin; Brink Lindsey, Dan Griswold, and Aaron Lukas of Cato’s Center for Trade Policy Studies; Emily Chamlee-Wright of Beloit College; George B. N. Ayittey of American University and the Free Africa Foundation; and Cato’s David Boaz.

◆ **October 26:** The Cato Institute hosted a City Seminar, “Human Dignity and the Assault on Liberty,” in Houston. Featured speakers included P. J. O’Rourke, Denis Calabrese of Americans for Fair Taxation,

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and Cato's Ted Galen Carpenter and Ed Crane.

◆**October 30:** Whether the war on terrorism should be expanded beyond the Taliban was the topic of a Cato Policy Forum, "How Should the War on Terrorism Be Prosecuted?" Robert Novak, syndicated columnist, said the war should be expanded to include Iraq because it is a "nasty, dictatorial, ugly country." Kim Holmes of the Heritage Foundation agreed. Michael Ledeen of the American Enterprise Institute expressed optimism that the war on terrorism could be won because people in Afghanistan want better lives. Amb. Chas. Freeman of the Middle East Policy Council expressed concern that America wasn't living up to its promise to avoid starting a war against Islam. Dave McIntyre of Analytic Services, Inc., said that there is no best way to win this war, only choices among many bad options.

◆**October 30:** Antidumping laws are proliferating rapidly throughout the world, limiting markets for or closing them to U.S. exporters and threatening to reverse gains achieved through years of market access liberalization, said panelists at a Cato Policy Forum, "The Antidumping Epidemic: Causes, Victims, Implications, and Potential Solutions." Brink Lindsey, director of Cato's Center for Trade Policy Studies, said more emphasis should be placed on U.S. exporters hurt by the antidumping laws of other countries and domestic importers. James Sumner of the USA Poultry and Egg Export Council and Chuck Lambert of the National Cattlemen's Beef Association explained how exporting industries have become vulnerable to attack abroad because of the aggressiveness of the U.S. steel industry in using antidumping legislation to eliminate competition. Thomas Prusa of Rutgers University said that new users of antidumping policies are filing cases at a greater rate than the United States or the European Union.

◆**October 31:** At *Junk Science Judo: Self-Defense against Health Scares & Scams*, a Cato Book Forum held on Halloween, author Steven J. Milloy outlined the numerous ways interest groups use junk science to scare people. Milloy, creator of junkscience.com and author of two previous Cato books on junk science, explained how to separate good science from bad and how to fight back against the peddlers of statistical pap.

◆**November 1:** The growth of personal investment "offers the prospect of revolutionizing politics in the next decades," said John Hood at a Cato Book Forum, *Investor Politics: The New Force That Will Transform American Business, Government, and Politics in the Twenty-First Century*. The result of about half of all Americans owning stocks and bonds in individual retirement accounts and 401(k) plans is that fewer Americans are looking to Wash-

ington to take care of their needs, said Hood, president of the John Locke Foundation. Ramesh Ponnuru of *National Review* and Daniel H. Pink, who was a speechwriter for Al Gore when he was vice president and is the author of *Free Agent Nation*, commented.

◆**November 1:** Federal Communications Commission regulators and the broadcasting giants have colluded to craft rules that favor large licensed broadcasters and penalize unlicensed amateurs and local micro-broadcasters, said Jesse Walker at a Cato Book Forum, "Freedom on the Airwaves: Does Rebel Radio Have a Future in America?" Walker, associate editor of *Reason* magazine and author of *Rebels on the Air: An Alternative History of Radio in America*, discussed the legal barriers that established broadcasters have erected to ensure their control. Tom Hazlett of the American Enterprise Institute noted that the FCC was set up to protect the interests of incumbent operators.

◆**November 2:** Employer-based health plans might deal better with two different kinds of health care needs through two separate tiers of payment, said D.C. insurance commissioner Lawrence Mirel at a Cato Policy Forum, "Less Health Insurance and Better Health Care: Two-Tiered Health Benefits Models." Mirel suggested that high-deductible group insurance policies could cover catastrophic illnesses and individual health accounts could handle routine health care expenses. Kenneth J. Linde of Destiny Health Insurance Company and Helen Darling of the Washington Business Group on Health also participated.

◆**November 6:** Although it may be necessary for law enforcement to use unsavory and even dangerous informants, there must be safeguards to protect the public from the types of abuses that have plagued the Federal Bureau of Investigation's Top Echelon Informant Program, said *Boston Globe* reporter Ralph Ranalli at a Cato Book Forum, *Deadly Alliance: The FBI's Secret Partnership with the Mob*. The FBI courted dangerous felons and protected them from prosecution in exchange for inside



Director of government affairs Susan Chamberlin introduces speakers at a Cato briefing on Social Security held on Capitol Hill.



At an October 30 Policy Forum, columnist Robert Novak argues that the war on terrorism must be extended to Iraq.

information about organized crime, Ranalli said.

◆**November 7:** The nuclear deterrence relationship will not change after the United States deploys a limited national missile defense, said Pentagon official Robert M. Soofer at a Cato Policy Forum, “**Should the United States Agree to China’s Nuclear Expansion in Exchange for National Missile Defense?**” Soofer said that Washington has assured Beijing, which has an ongoing nuclear modernization program, that the Bush administration will build a limited national missile defense to counter rogue nations, not as a threat to China. Derek Mitchell of the Center for Strategic and International Studies said that Washington should not try to link national missile defense with China’s nuclear expansion because each nation eventually will act in its own interests. Alan Romberg of the Henry L. Stimson Center and Rear Adm. Eric McVadon of the U.S Navy (ret.) also commented.

◆**November 8:** At the Great Wall Sheraton Hotel in Beijing, China, the Cato Institute and the China Center for Economic Research held a joint conference, “**China’s Pension System: Crisis and Challenge.**” Featured speakers included Sun Jian Yong, head of China’s public pension system; Fred Hu of Goldman Sachs; Guo Shuqing of the People’s Bank of China; David Hatton of ING Pension Trust; Yang Wan of the World Bank; José Piñera, president of the International Center for Pension Reform and co-chairman of the Cato Project on Social Security Privatization; Mao Yushi of the Unirule Institute; and Liu Mingkang of the Bank of China.

◆**November 8:** The growth of Medicare forced senior citizens into a regime that restricts their health care choices and fails to protect them against catastrophic medical costs, said author Sue Blevins at a Cato Book Forum, *Medicare’s Midlife Crisis*. Blevins pointed out that, even before Medicare was created in 1965, most seniors were protected by a safety net of medical assistance. Thomas Saving of the President’s Commission to Strengthen Social Security dis-

cussed the importance of opening Medicare to market forces. Daniel “Stormy” Johnson, former president of the American Medical Association, and Joseph Antos of the American Enterprise Institute commented.

◆**November 14:** The Cato Institute hosted a City Seminar, “**Human Dignity and the Assault on Liberty,**” in Boston. Featured speakers included P. J. O’Rourke; Cato’s David Boaz and Chris Edwards; and Thomas M. Finneran, Speaker of the House of Representatives of the Commonwealth of Massachusetts.



Ramesh Ponnuru of National Review, former Al Gore speechwriter Daniel Pink, and John Hood discuss Hood’s book *Investor Politics* at a November 1 Book Forum.

◆**November 14:** The Cato Institute and *Forbes* ASAP cosponsored the Fifth Annual Technology and Society Conference, “**The Future of Intellectual Property in the Information Age.**” Featured speakers included Rep. Rick Boucher (D-Va.), James V. DeLong of the Competitive Enterprise Institute, Tom W. Bell of Chapman University School of Law, Beryl Howell of the Senate Committee on the Judiciary, Mike Godwin of the Center for Democracy and Technology, and John Perry Barlow of the Electronic Frontier Foundation.

◆**November 16:** “The environmental movement in Sweden has been hijacked by extremists with little understanding of the economic realities that form the basis of modern society,” said Swedish environmentalist Robert Nilsson at a Cato Policy Forum, “**The Global Harm of Swedish Precaution.**” Nilsson, a professor of toxicology at the University of Stockholm who joined the Swedish EPA in 1974, warned that “the Swedish regulatory machine has moved ahead like a tank in devoting most of its energy toward eliminating insignificant and hypothetical risks for chemicals.” Nilsson said that other countries are following Sweden’s lead in zealously applying the “pre-

cautionary principle” and, in so doing, are threatening trade and health.

◆**November 29:** Availability of free health care for the uninsured makes paying for health insurance less attractive, said Bradley J. Herring at a Cato Policy Forum, “**Access to ‘Free’ Health Care: Restructuring the Safety Net.**” Herring, an economics professor at Yale University, said that the uninsured pay for only one-third of the medical care they receive. Randall R. Bovbjerg of the Urban Institute outlined recent trends in safety net care, discussing how commu-

nities have come to rely less on public hospitals to finance uncompensated care for the uninsured. Law professor David A. Hyman of the University of Maryland told how unfunded federal mandates imposed on hospitals result in expensive emergency room care in nonemergency situations.

◆**November 29:** The belief that the U.S. government can solve the social problems of other nations is mainly a result of perceived foreign policy successes, said H. W. Brands at a Cato Book Forum, “**A Return to Big Government?**” Brands, professor of history at Texas A&M University and author of *The Strange Death of American Liberalism*, said that the rise of liberalism after World War II was the result of Americans’ being willing to accept a larger government to fight the Cold War. *National Journal* columnist Jonathan Rauch said the war on terrorism would force Americans to reprioritize government functions, although that may not lead to a decrease in government. *Washington Post* columnist Sebastian Mallaby questioned whether liberalism has died. ■

Cato Forums can be viewed live or later on the Web with RealPlayer. Visit www.cato.org and select Audiovideo Archives.

The Great Debate on Intellectual Property

On November 14 the Cato Institute and Forbes ASAP cosponsored the Fifth Annual Technology and Society Conference, “The Future of Intellectual Property in the Information Age.” Among the featured speakers were Tom W. Bell of Chapman University School of Law and James V. DeLong of the Competitive Enterprise Institute. Excerpts from their remarks follow.

Tom W. Bell: Arguments about intellectual property ultimately turn on questions of values, not merely questions of fact or quantitative measures.

However, since copyright and patent law purportedly aims to strike a “delicate balance” between public and private interests, the relevant quantitative data matter. The rationale for copyright and patent protection relies on a showing that lawmakers have at least roughly approximated such a balance. But copyright and patent law has not struck, and indeed cannot strike, a delicate balance of public and private interests. Lawmakers can, at best, achieve only a rather *indelicate imbalance* of those private interests that get a spot at the legislative table.

We need to reconsider state action protecting copyrights and patents. Copyrights and patents function as a federal welfare program of sorts for creators. As are other welfare programs, copyrights and patents are necessary evils at best, and thus subject to reform efforts.

Some people might object to the characterization of copyrights and patents as purely utilitarian devices for maximizing social utility and argue instead that those intellectual properties represent natural rights that vest in creators.

Cases, legislation, and commentary on copyright and patent law leave little room for natural rights, however. The Supreme Court has, for instance, described copyright as “the creature of the Federal statute”—the Copyright Act—and observed that “Congress did not sanction an existing right but created a new one.” In another case, the Supreme Court observed: “The patent monopoly was not designed to secure to the inventor his natural right in his discoveries. Rather, it was a reward, an induce-

ment, to bring forth new knowledge.”

Of course libertarians often disagree with the Supreme Court. Some argue that copyrights and patents rely on a Lockean theory—that creators mix their efforts with their creations and thereby enjoy natural rights to their intellectual properties. That facially plausible extension of Locke’s theory does not withstand close scrutiny, however. Locke’s justification gives a creator clear title to only the particular tangible item in which he or she fixes his or her creative work.

So the author, sitting in his garret writing, wins clear title to only the piece of



Tom W. Bell: “Copyrights and patents function as a federal welfare program of sorts for creators.”

paper and pen with which he has mixed his labor. It does not follow that the author can walk out into the street and say, “Shut down the presses; that’s my work you’re copying.”

Locke himself did not try to justify intangible property rights. More pointedly, copyright and patent protections contradict Locke’s justification of property. By invoking state power, a copyright or patent owner can impose prior restraint, fines, imprisonment, and confiscation on others. Were I now to start singing a copyrighted song, for instance, I would thereby infringe on someone’s intellectual property rights. But it’s my throat; it’s your ears. Where does anyone get the power to tell us we can’t do that? It comes from the Copyright Act—not natural law.

Because they gag our voices, tie our hands, and shut down our presses and our machine shops, copyrights and patents violate the very rights that Locke defended.

At any rate, Locke’s theory of proper-

ty runs little risk of convincing contemporary legislators or courts to forsake the prevailing utilitarian view of copyright and patent. The language of the Constitution’s Copyright and Patent Clause settles the issue. That language speaks in a utilitarian voice, justifying the exercise of state power as necessary “to promote the progress of science and useful arts.”

The Copyright and Patent Acts, though designed to counteract market failure, have themselves fallen into statutory failure. We thus need to encourage market-based alternatives to copyrights and patents.

Copyright and patent law provides emergency shelter to creations that but for these special statutory protections would have fallen through the cracks of common law and been left wandering homeless through the market economy.

Just as commentators call the special treatment afforded influential commercial interests “corporate welfare,” we might call copyright and patent law “creators’ welfare.” We ought to withdraw copyright and patent protection when and if it proves redundant. It’s an emergency measure.

Clearly, however, copyright and patent law can lay just claim to being a fairly efficient means of giving creators incentives. The creation of fungible and divisible rights by statute law does tackle a difficult problem, one important enough that the Founders thought it worthy of being addressed in the Constitution.

Yet if we don’t need those protections, they become not necessary evils but just plain old evils, and therefore unjustified.

Copyright and patent policy almost certainly fails at striking a delicate balance between public and private rights. Political authorities cannot measure all the relevant economic, legal, technological, and cultural factors that go into a calculation of the optimal level of protection. And even if they could, politicians could not balance those incommensurable values.

Furthermore, even if such a balancing act were possible, politicians would listen most to the parties closest at hand. We thus see in the Copyright and Patent Acts not so much a delicate balance of public and private interests as an indelicate imbalance that reflects bare-knuckled politics and spe-

cial interests' jockeying. Those who lobby for greater copyright and patent protection benefit from the rhetoric of property, asserting that they aim only to protect authors and inventors from theft.

So, what should libertarians and classical liberals do about the overextension of copyrights and patents? They should first of all take care to conserve their rhetorical resources. As more and more rights win the label "property," property risks losing all significance.

We also need to keep a lookout for clear imbalances in intellectual property. Notwithstanding the impossibility of delicate balances, we can tell when copyright and patent fall seriously out of whack. Just as Soviet planners surely knew that one kopek for a tractor was too low a price, for instance, we can be sure that if Congress passes a bill mandating that people making copies of DVDs will suffer death and dismemberment, it has gone too far.

Finally, we need to think harder about "exit" options that can privatize intellectual property protections. If private markets can provide adequate incentives for the creation of expressive works and novel inventions, after all, we want to move toward those markets.

Thus framing the problem properly is crucial. It is not a problem of natural rights. It is today a problem of devising an efficient welfare program that gives creators sufficient incentives and leaves the door open to market-based reforms.

James V. DeLong: Here's a good way to liven up a dull day: walk down the hall at the Competitive Enterprise Institute or Cato and ask, "So, what do you think about Napster?" Instantly, you will have a fight on your hands.

I especially recommend that this be done at lunchtime, for reasons that those of you who recall the food fight scene in *Animal House* will quickly understand. And I might add that if you do not remember that scene, you can rent the film for \$3 at your local Blockbuster, thanks to our wonderful system of intellectual property.

An interesting dimension of discussions of intellectual property is that they are divorced from thought about tangible prop-



James V. DeLong: "It is difficult to see why intellectual property should be regarded as fundamentally different from physical property."

erty. In both academia and law practice, there appears to be little cross-fertilization between people involved in the two areas. I was recently at a gathering where a bunch of Hollywood types were bemoaning Napster and kids with no respect for intellectual property. After a while, unable to restrain myself any longer, I said: "Well, in every environmental context, such as wetlands or endangered species, you guys in Hollywood have favored looting private property. Don't you think maybe these people are just practicing what you taught them?" The Hollywood people were utterly baffled.

My own interest in intellectual property evolved from an interest in tangible property, particularly in connection with environmental issues. The core of many environmental disputes—over wetlands, endangered species, zoning, and land preservation—involves property. Governments are quick to take property without compensation as long as they can call it environmental protection.

Although there are important differences, the reasons for recognizing intellectual property really parallel the reasons for recognizing the more tangible forms of property.

Property is a fundamental part of all cultures. Occasionally one hears of noble savages who share freely. But I do not know of any of those anthropological legends that have survived real analysis. The general rule seems to be that if a resource is scarce, or requires labor to create or convert it into a useful state, then humans will attach property rights to it.

Harvard professor Richard Pipes notes

that discussions of property since the time of Plato have involved four themes: morality, economics, politics, and psychology.

First, morality: the general concept of Lockean justice is that ownership is derived from labor, because each person has the right to the fruits of his industry. There seems to me a strong argument that the creativity that goes into an intellectual product does indeed create Lockean title, not simply to the particular paper and ink with which one expresses an idea, but to the idea.

A second line of justification for property involves the utilitarian or incentive argument that Tom mentioned. People work hardest and produce the most when they produce for themselves; money matters. This is as true for artistic expression as it is for shoemakers.

Economic historian Douglass North has commented that the great leap of the Industrial Revolution was caused by societies' developing ways to protect interests in innovation—not just property rights but contract rights—so as to provide ways to make innovation pay and to create incentives. Property is necessary to produce investment. Who would forgo his current consumption unless he got some future benefit?

That leads to the third theme, the political. Property diffuses power and rewards efficient administration. Ownership is a way of decentralizing decisions rather than depending on planning authorities. If resources are not owned, they will be allocated not only inefficiently in an economic sense but politically.

Property ownership is also an important component of a democratic republic. People do need a stake in society to ensure that its politics does not run off the rails.

Pipes's last theme is psychology. He says that property enhances people's sense of identity and self-esteem. I would say that property enhances not just the sense but also the reality of personal autonomy and power, an important function of any social order.

Whether based on natural rights or on utilitarian concepts, Pipes's arguments are deeply conservative in the sense that they have evolved over several millennia in

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U.S. antidumping laws, EU privacy rules conflict with free trade

Complex Tax System Needs Simplification

The federal income tax code is 45,662 pages long, and it gets longer every year. The problem can be solved by scrapping the current system and implementing a flat tax, a national retail sales tax, or another simple consumption tax, says Chris Edwards, director of fiscal policy studies at the Cato Institute, in “Simplifying Federal Taxes: The Advantages of Consumption-Based Taxation” (Policy Analysis no. 416). Those tax systems would eliminate many of the most complex aspects of federal taxation, including depreciation accounting and capital gains taxation. “This year’s \$1.35 trillion tax cut reduced income tax rates and modestly liberalized the tax rules for retirement saving plans,” says Edwards. “However, the new tax law did not slow the progression of the tax code toward increasing levels of complexity. A simpler tax system would improve business planning and simplify personal financial planning.”

◆Corporate Welfare Soars to \$87 Billion

Tax dollars that go to private companies—often called corporate welfare—soared to a record \$87 billion in fiscal year 2001, according to the latest in a series of Cato studies critical of corporate welfare. Among the private firms that got handouts in 2001 were General Motors, Dow Chemical, Motorola, and General Electric. If corporate welfare were ended, the government could provide U.S. taxpayers with an annual tax cut more than twice as large as the tax rebate checks mailed out last summer, says Stephen Slivinski, a fiscal policy analyst at the Cato Institute, in “The Corporate Welfare Budget: Bigger Than Ever” (Policy Analysis no. 415). The leading corporate welfare providers are the Departments of Agriculture (\$35.8 billion), Commerce (\$1.9 billion), Energy (\$5 billion), Housing and Urban Development (\$7.5 billion), and Transportation (\$10.3 billion). “With large increases in national security spending, not to mention the recently passed \$40 billion in emergency spending and the \$15 billion airline bailout, the last thing we need is money wasted on corporate welfare programs,” says Slivinski, who calls for a commission to recommend reductions in corporate welfare.

◆Pull the Plug on Amtrak

The Amtrak Reform Council, charged with executing a congressional mandate to reorganize the government-owned rail system if it doesn’t break even by the end of 2002, should recognize now that Amtrak will not meet that goal. Within weeks of publication of “Help Passenger Rail by Privatizing Amtrak” (Policy Analysis no. 419), the council determined that Amtrak could not make the deadline. Amtrak has run at a loss since its creation 30 years ago and collected more than \$25 billion in taxpayer subsidies, write former council member Joseph Vranich and Edward L. Hudgins, director of regulatory studies at Cato. If Amtrak is not reorganized, the authors say, it will continue to hemorrhage. “A government-owned Amtrak whose debt is at record levels and whose costs continue to rise will never be solvent,” Vranich and Hudgins assert. They explore routes to an alternative to Amtrak and describe how no fewer than 40 countries around the world are replacing government railways with more efficient franchised private operators.

◆Castro’s Policies, Not Embargo, Responsible for Cuba’s Poor Economy

Both U.S. and Cuban depictions of the effects of the 39-year-old Cuban embargo are misleading, according to “Report from Havana: Time for a Reality Check on U.S. Policy toward Cuba” (Policy Analysis no. 418), a new Cato Institute study based on recent visits to Cuba by Jonathan G. Clarke and William Ratliff. Drawing on their interviews with officials, dissidents, and private citizens in Cuba, Clarke and Ratliff argue that the embargo is not responsible for the country’s poor economic conditions—as Havana claims—nor has it been effective at achieving Washington’s goal of isolating the Cuban regime. “The United States and Cuba are essentially coconspirators in misrepresenting the effects of the embargo as more significant than is in fact the case,” say Clarke, Cato research fellow, and Ratliff, senior research fellow at Stanford University’s Hoover Institution. The authors recommend “lifting the trade and investment embargo, restoring the right of Americans to travel to Cuba, and rejecting any current or pro-

posed official aid to groups inside Cuba.”

◆Proposed Election Rules Threaten Federalism

Following the disputed presidential election of 2000, Congress was expected to address election reform in the fall. But is congressional involvement necessary? According to “Election Reform, Federalism, and the Obligations of Voters” (Policy Analysis no. 417), centralization of control over elections would damage our constitutional republic by removing any sense of individual voter responsibility and hindering the process of discovery that is a vital aspect of federalism. John Samples,



John Samples

director of Cato’s Center for Representative Government, argues that, although the Constitution allows Congress to regulate state elections, the intent of the Founders was that Congress exercise

that power only in extraordinary circumstances. Those circumstances were not present in the 2000 election, Samples says. “In retrospect, the presidential election was simply a close contest dependent on a recount in one state.”

◆Farm Subsidies Still Growing

Despite the 1996 “Freedom to Farm” reforms, Congress has boosted farm subsidies to record levels in recent years. This trend has moved the industry away from market competition and toward greater dependence on



Chris Edwards

the federal government, according to a new Cato Institute study. In “Farm Subsidies at Record Levels As Congress Considers New Farm Bill” (Cato Briefing Paper no. 70), Chris Edwards and Tad DeHaven show that

total direct subsidy payments to farmers have soared to more than \$20 billion per year in the past three years, up from an

“Databases, linked by individuals’ Social Security numbers, now empower the federal government to obtain an astonishingly detailed portrait of any person in America.”

average of \$9 billion per year in the early 1990s. They discuss the economic distortions caused by the farm subsidy system and show how Congress retreated from the promising reforms of 1996. Edwards, director of fiscal policy studies at Cato, and DeHaven, a research assistant, state that “as Congress works to reauthorize farm programs, it threatens to move further away from reform by institutionalizing high levels of farm welfare. Instead, Congress should push the farm sector back into the market economy by repealing farm subsidies.”

◆Surveillance Powers Already Far-Reaching

Congress is poised to expand law enforcement’s surveillance powers, but a new Cato Institute study shows that current powers are already ominously extensive. In “Watching You: Systematic Federal Surveillance of Ordinary Americans” (Cato Briefing Paper no. 69), drawn from her forthcoming book,

Dependent on D.C.: The Rise of Federal Control over the Lives of Ordinary Citizens, attorney and Boise State University economist Charlotte Twight explains in detail how the federal government maintains



Charlotte Twight

databases of every citizen’s financial, medical, employment, and education records. “These databases, linked by individuals’ Social Security numbers, now empower the federal government to obtain an astonishingly detailed portrait of any person in America, including the checks he writes, the types of causes he supports, and even what he says ‘privately’ to his doctor,” writes Twight. The study focuses on data collection programs that share one defining characteristic: they compel the production, retention, and dissemination of personal information about every American citizen. The federal government has calculated the cost of the information collection burden imposed on private citizens at more than 7 billion hours a year. “That is the equivalent of forcing over three and a half million private individuals to work full-time

at uncompensated labor for the entire year just to gather the data that the federal government demands,” says Twight.

◆Objections to Privatizing Social Security Based on Misconceptions

Even before President Bush’s Social Security commission had offered any specific proposals for personal savings accounts, many opponents had begun to criticize that idea—especially given the stock market downturn. In “The Failed Critique of Personal Accounts” (Cato Briefing Paper no. 68), Social Security expert Peter Ferrara explains that the critics are wrong and that most objections “reflect fundamental misconceptions of and confusion about Social Security’s current problems.” Ferrara identifies the leading criticisms and shows how each is flawed. One popular claim is that there is no Social Security crisis because, once the system begins to run a deficit in 2016, government bonds in the Social Security Trust Fund will be used to pay benefits. But Ferrara explains that bonds in a trust fund are not cash in a bank. Benefits will have to be paid out of general revenues—something that can’t be done without a massive tax hike or doubling the federal debt. Markets have consistently paid returns higher than those one could expect from Social Security, he says, even during periods that include economic slumps.



Peter Ferrara

◆U.S. Trade Protectionism in Conflict with WTO

U.S. trade remedy laws are often defended as a “safety valve” for protectionist pressure that actually serves to strengthen the U.S. commitment to the multilateral trading system. In “Safety Valve or Flash Point? The Worsening Conflict between U.S. Trade Laws and WTO Rules” (Trade Policy Analysis no. 17), Lewis E. Leibowitz, partner with the law firm of Hogan & Hartson, demonstrates that that defense is no longer sustainable. In particular, the increasing number of World Trade Organization

rulings against U.S. laws makes clear that those laws are in conflict with the WTO system. “It is increasingly obvious,” Leibowitz states, “that the U.S. trade laws in their current form and U.S. support for negotiated trade liberalization are not complementary but rather antagonistic and even incompatible.” Within the WTO, the United States, more than any other country, is being successfully challenged for failure to abide by the multilateral rules that govern antidumping, countervailing duties, and safeguards. “U.S. policymakers now face a choice between defending U.S. trade laws in their current form and defending the U.S. commitment to the WTO,” Leibowitz writes.

◆EU Privacy Rules Conflict with Free Trade

The EU-U.S. Safe Harbor agreement seeks to bridge differences between the European Union’s top-down approach to regulating the transfer of personal data and the more decentralized system that prevails in the United States. Specifically, the agreement is intended to head off a potentially costly ban by the EU on the transfer of personal information—such as people’s names, addresses, birthdays, and buying habits—to the United States, which, according to the EU, lacks “adequate” data protection. In “Safe Harbor or Stormy Waters? Living with the EU Data Protection Directive” (Trade Policy Analysis no. 16), Aaron Lukas of Cato’s



Aaron Lukas

Center for Trade Policy Studies notes that only a handful of U.S. businesses have chosen to appear on the Safe Harbor list, maintained by the U.S. Department of Commerce, of companies that are assumed to provide adequate data protection, as defined by the EU Data Protection Directive. Given the weakness of Safe Harbor, Lukas recommends that U.S. policymakers consider what they will do if the agreement collapses. While recognizing that Europe has the right to set its own privacy policies, he says that U.S. officials should be vigilant in holding Europe to its existing free-trade commitments. ■

FORUM *Continued from page 9*

the context of many different societies.

Of course, identifying the basic justification for property does not answer all the questions, even in the context of tangible property. There are questions of public facilities, technology, and infrastructure. And there are commons problems, spillovers and externalities, and issues of technological change. For example, tangible property is regularly redefined because of technological change. A prime example is the old doctrine that if you own property on a waterfront you can build a pier. But if technological change makes it possible to build a square mile's worth of structures on pilings, suddenly your rights change. You can't fill up San Francisco Bay. People used to own their property from the center of the earth to the top of the sky. Then the airplane was invented. Property rights are subject to some reasonable limits, and to revision as technology changes.

The same revision in the light of technological change should and will occur with respect to intellectual property rights.

For example, many current copyright issues involve fair use, the doctrine that

one can make limited copies without paying or permission. That doctrine arose largely because of transaction costs. If the digital revolution reduces transaction costs so that permission can be obtained and copies made cheaply, then the need for the doctrine shrinks. (It does not disappear because there are still problems of parodies and other uses for which one might not want to require permission.)

Of course, one problem with the transaction cost approach is the lack of any current system for micropayments, necessary if providers of intellectual property are to make available their wares at prices that seem fair to the users. For example, it would be nice if songs could be made available for 25 cents a track.

But the most important point is that technological change does not eliminate the need to recognize the claims of intellectual property, and it is difficult to see why intellectual property should be regarded as fundamentally different from physical property.

For all those reasons, I really think that intellectual property is a sound institution, not a necessary evil but a necessary good, and it needs protection. ■

CHINA *Continued from page 3*

ating fully funded private retirement accounts.

Guo Shuqing, deputy governor of the People's Bank of China, agreed that China should move toward fully funded individual private accounts to create a stable pension system.

Mao Yushi, director of the private Unirule Institute in Beijing, argued for "a return from social security to individual security." In the heart of the Middle Kingdom's communist stronghold, he declared, "The contributor himself should have the right of choice to determine in which financial institution to apply his contribution."

Without clearly defined private property rights—and thus stock shares that are fully transferable—there can be no real capital markets in China, said Dorn, vice president for academic affairs at Cato. Economic reform must come first, but, as Dorn reminded the audience, former Chinese leader Deng Xiaoping said in 1987, "Without political reform, economic reform cannot succeed."

Tanner, director of Cato's Project on Social Security Privatization, gave an update on the privatization effort in the United States and why that effort is so important for the future of freedom and prosperity.

China's capital markets can benefit from pension reform, said Fred Hu, managing director of Asia Pacific economics research at Goldman Sachs in Hong Kong. Creating individual accounts and allowing a range of investment options will increase investment returns and strengthen China's capital markets. The elderly will have a higher standard of living as a result.

Other speakers at the conference (funded, in part, by American Skandia Inc. and Aegon) included Ling Li of the Hong Kong Polytechnic University; Wang Yan, senior economist at the World Bank; David Hutton of the ING Pension Trust; John Greenwood, chief economist at Invesco Asia, Ltd.; and Francis T. Lui, director of the Center for Economic Development at the Hong Kong University of Science and Technology. ■



Cato's Mencken Research Fellow P. J. O'Rourke, author most recently of *The CEO of the Sofa*, spoke at Cato seminars in Chicago, Austin, Los Angeles, San Francisco, Denver, Houston, and Boston in October and November. Host for the Los Angeles seminar was the Ronald Reagan Presidential Library. At every stop Cato sponsors and other attendees lined up to get their books signed. O'Rourke is now writing a column for *Regulation* magazine, alternating with magician-commentator Penn Jillette and occasional guest columnists.



“If there is a spirit of enterprise, a set of stories or images in the culture that celebrates some form of entrepreneurial creativity, then economic prosperity is more likely.”

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spirit of enterprise, a set of stories or images in the culture that celebrates some form of entrepreneurial creativity, then economic prosperity is more likely. If you want to get a sense of whether a community is apt to grow wealthier, find out what stories they tell, what myths they believe, what heroes they admire, what metaphors they use. Economic development is, at its heart, a cultural process.

Nature endows some societies with rich oil deposits and others with fertile soil. Similarly, culture provides some societies with a kinship network conducive to building complex credit markets and other societies with a strong work ethic. Just as markets will develop differently according to societies' specific natural resources, they will also develop differently according to societies' cultural resources. For instance, capital accumulation takes place in starkly different ways depending on whether it occurs in West Africa, Japan, the United States, or an overseas Chinese community, because the cultures differ dramatically.

Although some institutional policies succeed in promoting economic growth and prosperity in one society, there may be important limitations on the wider applicability of the same policies in other cultural contexts. As essential as they are, free trade and private property rights are no guarantee of economic progress. They may be necessary conditions, but they are not sufficient to guarantee prosperity. The culture must be one that, in general, supports commerce and entrepreneurship, but the particular manner in which the spirit of enterprise can be encouraged will be culturally specific. Western child-rearing techniques that reinforce the value of self-reliance may tend to foster bold entrepreneurial behavior in adulthood. The kinship structures of many African tribes provide the networks through which businesspeople can acquire training and start-up capital. Confucian philosophy, which values long-term planning over shortsighted results, may in part account for the high savings rates in some Asian societies. Different societies can emphasize different aspects of markets by

drawing on their unique comparative cultural advantages.

Culture and Economic Transition

An appreciation of culture's role in economics is crucial to discerning different cultures' likely paths toward economic prosperity. Take the reforming Soviet-type economies as a case in point. The institutions of traditional Soviet-type systems explain much of their poor performance. The main difference between, say, South and North Korea, or between the western and the eastern parts of Germany, or between Hong Kong or Taiwan and mainland China stems from the failed pattern of institutional policies of Soviet-type economies. But still, the way communism worked historically in Korea or Germany or China was shaped in fundamental ways by the specific cultures of those societies, and the particular paths they will need to take in the future to build working market economies will depend on culture.

If only the universal characteristics of markets were relevant in assessing the prospects for a successful reform process, we would expect that the removal of restrictive laws banning trade in formerly Soviet economies would automatically inspire a flood of entrepreneurial activity. The inefficiencies of the former system would quickly be swept away. In some cases there has not been enough privatization of property to lead economists to expect much economic improvement, but in many Eastern European countries the institutional changes have been rather substantial and, it would seem, should have yielded more significant results. Without taking cultural factors into account, we are unable to explain why the reforms have not inspired a swift move to market coordination and rapidly increasing prosperity.

Only when we take notice of the cultural shifts that took place during the Soviet experiment can we understand the difficulties facing economic recovery today. For example, in the Soviet-type economy, affluence was broadly recognized as a sign of being politically advantaged within a totalitarian system, so naturally the wealthy did not and still do not tend to inspire much trust. The derogatory term "New Russians"

is applied equally to those who have earned their wealth through legitimate business ventures and to those who have used political connections or Mafioso tactics. Transforming this attitude will be crucial if successful entrepreneurs and business managers are to achieve legitimacy in the eyes of ex-Soviet citizens.

Entrepreneurship across Cultures

Culture is also one of the key factors in determining the shape entrepreneurial activity will take in a society. Consider, for example, the relative success of direct-selling organizations, such as Amway and Mary Kay Cosmetics, in three distinct settings: the United States, Taiwan, and Japan.

In her study of direct-selling organizations, Nicole Biggart found that the reasons for the success of such organizations differ from one culture to another. The emphasis on individual effort fits in well with the American work ethic, and the emphasis on community has been a particular draw for American women, many of whom find the direct-selling organization a nurturing environment in which to seek personal as well as financial growth.

Taiwanese who are involved with direct-selling organizations excel in the recruitment of family members to join the organization while at the same time advancing their own status in the hierarchy. Given American attitudes against nepotism, this has not been a significant part of the U.S. experience. Taiwanese direct-selling organizations allow the entrepreneur to operate more like a sole proprietor than does working for a more traditional business. This aspect of the direct-selling organization tends to be emphasized far less in Japan, where loyalty to the corporation is stressed. Each society draws on a different set of cultural tools to make the most of this particular form of marketing.

Cultural patterns conducive to economic growth may emerge from vastly different sources. Consider the distinct cases of the Japanese and the overseas Chinese entrepreneur. In each case the entrepreneur performs the vital functions of innovation and coordination within the market. Yet the "ideal" types of those two entrepreneurs

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“Culture provides some societies with a kinship network conducive to building complex credit markets and other societies with a strong work ethic.”

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would be described as having quite different qualities.

The standard account of Japanese business culture is centered on team and group identity, with the individual fitting into an already existing structure of authority. Within the firm, corporate unity is held in high regard, while individual identity is subordinated to that of the corporation. The corporation can even supersede family in terms of loyalty and priority. Though the ideal of life-long employment in the company has been all but shattered over the past decade, tight bonds of loyalty to the firm are still characteristic of Japanese corporate culture.

Many people have argued that this model of industrial organization has emerged in Japan as a result of Confucian ethics. Scholars such as Herman Kahn have argued that out of this philosophical system emerged a strong ethic of stringent meritocracy, but one within the context of an exacting hierarchy. Others have argued that the Samurai military organization, not the Confucian ethos, is the primary cultural force at play and has had the greatest influence on corporate culture in Japan. In much the same way as the ancient military organization, the modern Japanese firm inspires individual effort and peer competitiveness, but within the framework of the corporation, which offers a level of authority that transcends individual ambition.

In Chinese culture, on the other hand, the typical ideal entrepreneur possesses a maverick individualist spirit. One possible explanation for this unique form of East Asian individualism is the influence of Buddhism and folk religions, or shamanism. It has been argued that these religions, especially the folk religions, are highly pragmatic and root salvation firmly within this world.

The point of fleshing out the differences among various entrepreneurial cultures is not to ask which culture is better, as if we could use some sort of checklist of cultural traits to determine which societies are "growth friendly" and which are "growth resistant." Our point is that by recognizing the particular ways different cultural

contexts offer market participants a means of discovering new opportunities, we begin to understand the role of culture in economic development.

Telling Better Stories

Though we see little value in ranking whole cultures against one another to determine which are "growth friendly" and which are "growth resistant," we think that there *is* value in considering the ways in which a particular culture both supports and undermines the spirit of enterprise. It is particularly interesting to consider the messages and values that are conveyed and received in popular culture, as this is the arena in which meaning is created and recreated in the daily lives of ordinary human beings.

Exploring the meanings that are produced and consumed in popular culture is the central focus of the academic discipline known as cultural studies. Cultural studies scholars take seriously the values and messages that are cultivated in the process of writing and reading romance novels or the producing and watching of television shows. Novels, TV shows, and movies tell the stories that reach ordinary people in their everyday lives. What these stories have to say about the world of business and the people who inhabit it is important to how we relate to that world. Popular culture plays a crucial role in determining whether we consider the marketplace a domain of illegitimate power and oppression or an arena in which we can create meaning in our lives and express our individuality and moral commitments.

Plot lines and character development in TV shows and movies are an important part of this enculturation process. Robert Lichter and his colleagues surveyed 30 years of television programming from the 1950s to the 1980s to detect trends in attitudes about race, sex, crime, home life, and business. Businessmen were twice as likely to be portrayed as villains as were people in any other identifiable occupation and nearly three times more likely to be criminals on TV.

The negative portrayal of businesspeople has grown over the years. In the late 1950s and early 1960s, businesspeople were

three times more likely to exhibit characteristics of rampant greed than were other characters in identifiable occupations. In the 1980s business characters were 10 times more likely to exhibit greedy behavior than were other characters.

Prime-time television series in the 1990s seemed to keep pace with that trend. Businesspeople were often portrayed as unscrupulous and tyrannical, as in the case of CBS's *Dr. Quinn, Medicine Woman*. Before that show's cancellation in 1998, the usual cast of characters included Jake, the bigoted barber and sometimes dentist, who spends his spare time roughing up black town-folk and working diligently to keep the vote from women; Hank, the local saloon owner, who forces prostitutes into indentured servitude and beats up innocent horses; Lorn, the owner of the general store, who demonstrates glimpses of humanity but more often than not sides with Hank and Jake in their immoral causes. The heroes of the series are Michaela Quinn, the town doctor, who never seems to charge anyone for her services, and the handsome Sully, who does not seem to have any occupation save that of Native American rights activist. Characters from J.R. Ewing to the Ferengi in *Star Trek: Deep Space Nine* confirm the point.

Not only are businesspeople in the world of television and film inherently corrupt, profit itself is put on trial. In a follow-up study of television in the 1990s, Lichter and his colleagues found that 81 percent of the shows that turned on the question of whether business dealings were honest and honorable or unfair and corrupt portrayed business as dishonest and corrupt. Rather than a reward for offering valued goods and services, profit was ordinarily portrayed as the result of exploitation and fraud.

Scripts, plot lines, and character development, however, constitute only one side of the process of meaning creation in popular culture. While producers and scriptwriters *supply* such stories, the viewers—the consumers of popular culture—play a crucial role on the *demand* side. Viewers can and often do resist and reject the overriding messages embedded in TV shows and movies, even while they enjoy them for their

“Businessmen were twice as likely to be portrayed as villains as were people in any other identifiable occupation and nearly three times as likely to be criminals on TV.”

entertainment value. But in order for this to happen, the viewer must have a framework of resistance.

Consider, for example, the character of Bud Fox in the movie *Wall Street*. A Wall Street trader watching that movie will surely resist the notion that breaking into someone else's private office is standard procedure for a successful stockbroker. But a dentist or massage therapist may have no background experience or framework of thought that would allow him to scoff at such a notion. Our lack of familiarity with business leaves many of us vulnerable to the messages of TV and movies. There is no way to disentangle ourselves completely from this state of affairs. In fact, this pervasive susceptibility is reflective of the division of labor and interests that is so important to economic prosperity and the growth of knowledge. Our susceptibility, however, does mean that the many negative images of the business world offered by popular culture cannot help but affect the way people view the marketplace.

Further, Hollywood interpretations of business power ignore a more insidious dynamic at work within the intersection between business and politics. Some businesses try to use their political influence to bypass the discipline imposed by market forces, and popular images of business may play a significant role in maintaining that position of privilege and power. Popular culture sets business and profit making up as a malevolent force within society that needs to be controlled and curtailed. Simultaneously, popular culture often sets government up as the obvious institution that will counteract and mitigate the deleterious effects of business. Yet, rather than dismantle the power and privilege in the market, government intervention tends more often to create and maintain positions of privilege, as it eliminates the competition that would otherwise act to discipline private market behavior.

We are not suggesting that the negative images so ubiquitous in television and film are part of some leftist plot to undermine the system of free enterprise. After all, Hollywood producers and writers are business people too—whether they realize it or not. Rather, we are suggesting that

participants in the development of popular culture, including those of us on the demand side as well as the supply side of the process, have a role to play in influencing our culture. On the supply side, we could be telling better stories if we reconsidered the tired old story line of the greedy businessman doing evil. The main stumbling block may be the view that an honest business character could never be a fruitful source of action, humor, or intrigue. Yet the commercial success of a film such as *Jerry Maguire* suggests something quite different. Maguire, played by Tom Cruise, is a sports agent trying to restart his career. The film draws us into the drama, not only of the budding romance between Maguire and his assistant, but also of the risks, setbacks, and triumphs of being an entrepreneur.

Story lines that explore the business world not just as a place where the elite wield illegitimate power but as a dimension of life in which both business heroes and business villains experience suspense, intrigue, humor, heartache, triumph, and disappointment are a resource waiting to be tapped by Hollywood's creative minds. Not so long ago, positive portrayals of African-American characters, much less positive images of gay or lesbian characters, were not to be found in mainstream popular culture. But more recently, we have seen how writers and producers can powerfully impact popular culture by thinking beyond narrow stereotypes. If writers and producers turn their creative talents to developing more interesting and multifaceted business characters, perhaps the business community can also break free of persistent and narrow popular images.

Yet, even if Hollywood scriptwriters never again develop a positive business character, consumers of popular culture have a role to play in the process of creating meaning. We can become less susceptible to negative images by cultivating a more critical eye—by cultivating a framework of resistance. Economics professors could present to their students an image of the market that is inhabited by real live human beings (complete with our many flaws and limitations) rather than the formal and lifeless world of modern economic theory.

Don Lavoie, an adjunct scholar at the Cato Institute, died November 19 at the age of 50. He was the David H.



and Charles G. Koch Professor of Economics at the School of Public Policy at George Mason University. In 1982 he edited *Solidarnosc z Wolnoscia* (Solidarity with Liberty), a Pol-

ish-language book that the Cato Institute smuggled into Poland. In 1985 he published both *Rivalry and Central Planning: The Socialist Calculation Debate Reconsidered* (Cambridge) and *National Economic Planning: What Is Left?* (Cato, Ballinger). His last book, published recently with Emily Chamlee-Wright, is *Culture and Enterprise* (Cato, Routledge).

More important, though, consumers of popular culture can play their part simply by taking notice of the ways in which the real life of commerce impacts their day-to-day existence. Are the business people you meet, on the whole, tyrannical power brokers? Or are they ordinary folks trying to gain your favor by preparing an exotic meal, replacing your car's water pump, or solving a problem with your plumbing? We need to notice that even chains like Wal-Mart and Home Depot, much maligned for the competition they pose to smaller downtown shops, are extremely limited in their power. In fact, their power goes no further than the agency exercised by consumers. Once we put the power of business in perspective, we are on the way to building a framework of thought that will help us to be more savvy interpreters of our popular culture.

In so doing, perhaps we would open a door through which might emerge new cultural messages—messages that convey the power of enterprise not only to generate prosperity but to tap the human spirit. ■

New book: cultures may encourage entrepreneurship, trust, thrift, and more

How Culture Supports or Subverts Business

Culture matters. Economists, however, don't often analyze the role culture plays in economic development. Behind the economic models, calculations, and data lie human beings with beliefs, habits, and histories.

In *Culture and Enterprise: The Development, Representation and Morality of Business*, a new Cato Institute book co-



published with Routledge, economists Emily Chamlee-Wright and the late Don Lavoie argue for an economics that takes into account the important role of culture in a nation's economic development. Cultural factors, although not quantifiable as are interest or savings rates, nonetheless exert an enormous influence on whether or how a nation achieves prosperity.

The authors say that economics is improved when economists understand the cultures that underpin all financial institutions and activities and cultural studies are improved if the authors understand the everyday economic activity that makes up the bulk of life.

There is a deep well of distrust between academics in the two fields because of their radically different approaches. But Lavoie and Chamlee-Wright show that the methodology of cultural studies can be applied to great effect in economics. They apply to culture a concept normally limited to physical endowments: comparative advantage. They point out that some cultures are conducive to independent entrepreneurship,

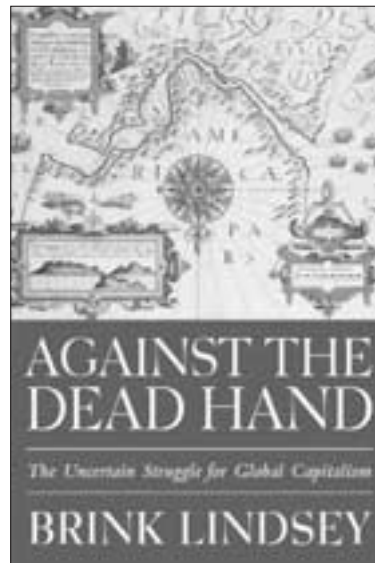
others to highly developed trust relationships, and yet others to habits of thrift. Instead of presenting different cultures as simply competing for allegiance or resources, "comparative cultural advantage" opens the possibility of gains from trade, a fundamental concept in economic discourse.

The role the media play in shaping attitudes toward business in the United States is discussed. On fictional television shows, for instance, business people commit 40 percent of murders. Although such distortions of reality can be seen as harmless entertainment, the authors argue that this distorted picture shapes public attitudes toward

business, with direct consequences for public policy.

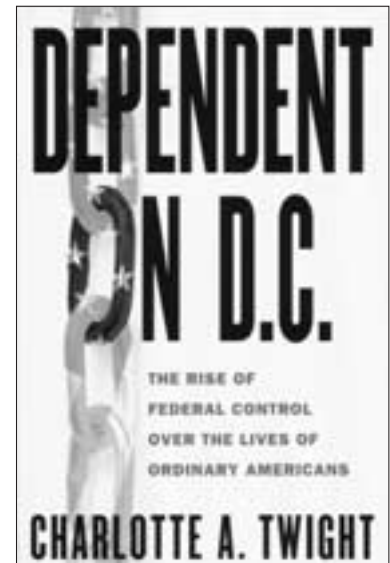
The authors also tackle the morality of the market. While many people argue that markets are inherently immoral, and some that they are simply amoral, Lavoie and Chamlee-Wright make the case that profitable business enterprise is fully compatible with concern for ethical behavior.

Culture and Enterprise: The Development, Representation and Morality of Business is available (\$19.95, paper) through Cato Institute Books at 1-800-767-1241 or via the online Cato Bookstore, <http://www.cato.org>. ■



"Informed, lively, and challenging, Brink Lindsey's book illuminates the tough road ahead in the fight for free markets and against the dead hand of the past. I have benefited greatly from reading this book and so can everyone who cares about freedom."

—George P. Shultz,
Former Secretary of State



"Twight's thesis is straightforward: government insiders actively promote their own public policy initiatives. In her view, this promotion often takes the form of outright misrepresentation of costs and benefits to the individual citizen. She offers a spirited argument that will engage readers who follow Washington politics."

—Publishers Weekly

www.cato.org or call 1-800-767-1241

"Money and Markets in the Americas: A New Agenda"

Mexico, Argentina, Dollarization Debated

At the Cato Institute's 19th Annual Monetary Conference, held in Mexico City, Mexico's finance minister Francisco Gil-Díaz stressed the importance of moving ahead with market-oriented structural reforms in fiscal policy, the labor market, the energy sector, the telecommunications sector, and the judiciary. Those reforms will allow Mexico to realize its economic potential. He also warned against increasing public spending to counter the effects of the economic slowdown experienced by Mexico and its main economic partner, the United States, after the September 11 attacks and called increased government spending "a recessionary macroeconomic policy."

Cosponsored by *The Economist*, TV Azteca, and UBS, the October 24 conference was attended by well over 200 people and was covered extensively by the Mexican media. The first-rate international group of speakers, which included Mexico's top two economic policymakers, discussed different monetary arrangements and exchange-rate regimes for the Americas, financial integration, the Internation-

bers and top advisers were also present.

At the conference, Guillermo Ortiz, governor of Mexico's central bank, spoke about how Mexico's adoption both of a floating exchange rate after the 1994-95 peso crisis and of an inflation target as a monetary policy rule has helped to limit the sources of financial vulnerability that can lead to greater economic and monetary instability. As Ortiz pointed out, the results for Mexico have been satisfactory: since 1995 the inflation rate has come down from 52 percent to 6 percent, and in 2000 Mexico managed to avoid a financial crisis in an election year for the first time since 1976.

Whether Latin American countries should adopt the U.S. dollar as their legal tender was one of the most hotly debated topics of the conference. Cato chairman William Niskanen advised Mexico against dollarizing. He favored keeping its flexible exchange rate, concluding that "dollarization is best for a nation only as a last resort, an institutional response to despair that the government could ever maintain a responsible monetary policy." That is not Mexico's situation today. Johns Hopkins University economist and Cato senior fellow Steve Hanke disagreed with Niskanen, pointing out that the Mexican economy is already unofficially highly dollarized. Official dollarization, Hanke asserted, "would put a hard budget constraint on the

fiscal authorities, eliminate currency risks, lower interest rates and the cost of capital, and generate higher growth rates that would soak up some of Mexico's surplus labor."

In his closing address Nobel laureate Robert Mundell advised Mexico to fix its exchange rate, not to dollarize, in the coming years. He recommended that Mexico



Nobel laureate Robert Mundell talks with Guillermo Ortiz, governor of Mexico's central bank, at Cato's 19th Annual Monetary Conference, held October 24 in Mexico City.

change its monetary rule from one that targets inflation to one that fixes the exchange rate to avoid an overvaluation of the peso and the painful process of adjustment that would be necessary to restore Mexico's competitiveness.

Conference participants also debated Argentina's default, which was likely at the time and has since become a reality. Michael Gavin, chief economist at UBS Warburg and former chief economist at the Inter-American Development Bank, was critical of policies that promote default under the current legal and financial structures, calling them a case of "intellectual bankruptcy." Carnegie Mellon University economist Allan H. Meltzer responded that, in the case of Argentina, the choice was no longer between default and no default but between an orderly default coupled with dollarization and a disorderly default coupled with a devaluation of the Argentine peso.

Other speakers at the conference, organized as always by Cato's vice president for academic affairs James A. Dorn, included Cato distinguished senior fellow José Piñera; Robert McTeer, president and CEO of the Federal Reserve Bank of Dallas; Ian Vásquez, director of Cato's Project on Global Economic Liberty; Miguel Bonangelino from the International Monetary Fund; and Ricardo Guajardo, CEO of the Bancomer-BBVA banking group in Mexico. Papers from the conference will appear in the *Cato Journal*. The 20th Annual Monetary Conference will be held in New York City on October 17, 2002. ■



Roberto Salinas-León of TV Azteca introduces Francisco Gil Díaz, finance minister of Mexico.

al Monetary Fund's bailout of Mexico in 1995, and the importance of sound money and monetary stability for efficient capital markets.

The night before the conference, President Vicente Fox hosted a dinner for Cato president Ed Crane; Ricardo Salinas, president of TV Azteca; and other conference participants. Some of Fox's cabinet mem-

The Pursuit of Happiness

Thomas M. Finneran (D-Boston), a Cato Sponsor, is Speaker of the Massachusetts House of Representatives. He delivered these remarks at a Cato City Seminar in Boston on November 14, 2001.

We are gathered here in what we call the People's Republic of Massachusetts. David Boaz pointed out that those of you wearing red badges are Cato Sponsors. Here in Massachusetts they could probably double for red badges of courage.

I know that this seminar was scheduled to occur earlier in the year but was put off, as were so many things, in the aftermath of the tragedy of September 11. I think it's appropriate to gather now as we approach Thanksgiving, a time when we should all pause and reflect on the extraordinary gifts and freedoms that we enjoy.



We should begin at the beginning and be very thankful for the gift of life—not something that is as revered in our society in this day and age as much as it should be—and for the gift of liberty—something that people all around this globe have literally both lived and died for over many years.

And we might give thanks not only for the Cato Institute but for a whole range of organizations and journals, from all across the political spectrum, that enter into the public arena to test things out intellectually as well as substantively.

I think the Cato presence, or role, in that public arena has, over the years, not just been provocative; it has made extraor-

dinarily positive contributions to several important debates.

I will start with one that's a personal favorite of mine: public subsidies for professional sports stadiums and teams. Along with a small band of other legislators who believe in at least some limited form of government, I spent four or five years on the issue. We stood a national trend right on its ear.

The notion that taxpayers have an obligation to subsidize professional sports teams is pushed quite aggressively by a whole host of witch doctors and others who try to delude or entice or hypnotize taxpayers across the country into thinking not only that this a good thing to do but that it is a necessary thing to do. Those people exhibit a profound ignorance about the limited responsibilities of government at any level.

It is simply absurd for ordinary taxpayers, whether they are gas station attendants or restaurateurs or doctors or are engaged in any other profession or occupation, to have their money taken by force of taxation—there is nothing voluntary about it; your money is truly taken from you; there is nothing philanthropic about it whatsoever—and spent on the subsidization of owners who are now, generally speaking, multibillionaires or players who are multimillionaires, or both.

The Cato literature on this is refreshing. Everybody should read it and reread it, particularly people in jurisdictions that are going to experience this tidal wave.

Here in Massachusetts we confronted that tidal wave. We stood our ground on principle, on economic literacy, on a grasp of the fundamental roles and responsibilities of government. And, curiously enough, after our consistent articulation of those principles, our actions, and our refusal to engage in such silliness, the public in Massachusetts came down foursquare on our side.

Another current issue on which Cato offers great insight is so-called campaign finance reform. The notion of putting limitations on American citizens' ability not only to support the candidates that they choose but to refuse to support candidates with whom they might disagree is dangerous. So is putting rules and restrictions,

under the guise of campaign finance reform, on the ability of individual citizens, or citizens who come together as a group, to speak, using their own means, and to add to the public discourse.

We should not have our freedoms trampled on in the name of campaign finance reform because some people (i.e., political journalists) don't like the intrusion of independent-minded American citizens who stand up, speak up, and act up for their own candidates and their own policies. The contributions that Cato has made on that front ring a bell with some of us who would like to describe ourselves as clear and free thinkers.

A third issue, which has been characterized for many years as the third rail of American politics, is Social Security reform. Cato has been working on this issue for a number of years. It is very clear that we have a demographic time bomb on our hands, but Social Security reform, until recently, was a minefield. The debate has not been won, but Cato is deeply involved in the framing of the debate.

My final expression of appreciation for the work of Cato involves what I call economic grounding. Cato approaches this in a very straightforward fashion, with fundamental respect for private property, contract, and the rule of law. There is no economic system in the world that can or will succeed without fundamental respect for the rule of law.

The pursuit of happiness by individuals is the most noble ideal that has ever been expressed. It was born here in Boston, in Massachusetts, a couple hundred years ago, and, in the end, it comes down to this: a respect and a reverence for individuals. The power of individuals with individual freedom, opportunity, and liberty to live their lives as they see fit is something that we should never lose sight of; we should cherish and reflect on it more frequently than we do.

It's the great dynamo of individuals making their own decisions—not collective decisions that come from a politburo or some elite governing structure—about their own individual lives that has given this country every blessing that it enjoys today. And for that I think we all have reason to give profound thanks. ■

Cato Launches Center for Educational Freedom

The Cato Institute has launched a new Center for Educational Freedom. The center's director will be David F. Salisbury, former president of the Sutherland Institute in Utah.

Cato president Edward H. Crane said: "No policy issue is more important than the education of our children. Increased centralization, stagnant test scores, and high school graduates who know little about American history and American values all indicate deep-seated problems. The

Center for Educational Freedom will explore ways to give parents, students, and teachers more choice and more freedom."

David Salisbury holds a Ph.D. in instructional science and technology from Brigham Young University and



David Salisbury

was a professor of education at Florida State University for 13 years. In 1995 he became the first president of the Sutherland Institute, a free-market think tank focused on Utah issues. For the past year he has been executive director of Children First Utah, a scholarship organization. He has been a Fulbright scholar in Peru and a visiting scholar at the James Madison Institute.

The center will have a staff of four at the outset. ■

New Staff, Adjunct Scholars Join Cato

Donald L. Beezley has been named vice president for development at the Cato Institute, with overall responsibility for expanding the Sponsors program and generating financial support for the institute. He brings to Cato a record of accomplishment in marketing and business development.



Donald L. Beezley

Joan Kirby has been named director of media relations. She was previously director of government and media relations in the Washington office of the National Center for Policy Analysis. Before joining NCPA in 1994, she worked in the motion picture industry for Hollywood Pictures, the William Morris



Joan Kirby

Agency, the Directors Guild of America, and other organizations.

Charles V. Peña has been named senior defense policy analyst at Cato. He has worked for several defense contractors with a variety of government clients, including the Office of the Secretary of Defense, Ballistic Missile Defense Organization, Joint Chiefs



Charles V. Peña

of Staff, and Defense Advanced Research Projects Agency. Peña is the author of several studies on theater missile defense, national missile defense, arms control, the ABM Treaty, and space policy.

James L. Swanson has been named a senior fellow in constitutional studies. He will create the *Cato Supreme Court Review*. A lawyer and writer from Chicago, he is the editor of the *First Amendment Law Handbook* and the coauthor most recently of *Lincoln's Assassins: Their Trial and Execution*.

Randy E. Barnett, the Arthur B. Fletcher Professor of Law at Boston University, has been named a senior fellow at the Cato Institute. Barnett's research covers a wide variety of subjects, including contract law, unenumerated rights in constitutional theory, restitution in criminal justice, and the jurisprudential framework of natural rights and liberty. He is the author of *The Structure of Liberty: Justice and the Rule of Law*. He edited *The Rights Retained by the People: The History and Meaning of the Ninth Amendment* in 1989, and he recently completed *The Presumption of Liberty: Natural Rights and the Constitution* with the support of the Cato Institute.

Charlotte Twight has been named an adjunct scholar at the Cato Institute. Her research interests are the economics of public choice and policies ranging from Social Security to broadcasting regulation. She received a Ph.D. in economics and a law degree from the University of Washington. Twight recently authored the Cato book *Dependent on D.C.: The Rise of Federal Control over the Lives of Ordinary Americans*.

Alan Ebenstein has been named an adjunct scholar at the Cato Institute. He is the author of *Friedrich Hayek: A Biography*. Ebenstein received his Ph.D. from the London School of Economics and Political Science. He is the author or coauthor of six other books on the history of economic and political thought.

John Hasnas, an associate professor of law at George Mason University, has joined the Cato Institute as a senior fellow. He teaches torts, white-collar crime, and bioethics. He is also a senior research fellow of the Kennedy Institute of Ethics in Washington, D.C. He received his J.D. and his Ph.D. in legal philosophy from Duke University.

Andrew Biggs has returned to the Cato Institute as a Social Security analyst after serving for several months on the staff of the President's Commission to Strengthen Social Security. While he was there, the *New Republic* blamed Biggs in its complaint that "the Bush commission's work has been almost indistinguishable from Cato's policy papers." ■

"To Be Governed..."

◆How dare they meet our every need?

It Takes Over a Village? By Meeting Users' Every Need, Microsoft's New Windows Unfairly Shuts Out Competition
—headline in the *Washington Post*, Oct. 21, 2001

◆Danger: company trying to make profit on urgently needed medicine

When Bayer agreed to sell 100 million tablets of its anthrax medicine, Cipro, to the government for 95 cents each, Bayer and the Bush administration said the deal

assured an ample supply at a very low price.

But executives at generic drug companies and suppliers of pharmaceutical raw materials say that Bayer is breaking even and may even be making a large profit.

—*New York Times*, Oct. 26, 2001

◆Don't let those Chinese get rich like us

Over the longer term, while China's emergence as a giant consumer nation is sure to bolster global growth, that trend

also has potentially destabilizing implications for the world economy.

"Imagine the problems if China chooses to emulate the consumption patterns of the United States," said the World Bank's China economist, Depak Bhattarali, who noted that the average Chinese citizen now consumes barely one-tenth the energy of the average American. "At some point, it will be important for everyone to think carefully about whether it's desirable [for China] to continue down that road."

—*Washington Post*, Oct. 19, 2001

Cato Calendar

14th Annual Benefactor Summit

Phoenix • Royal Palms Hotel
February 20–24, 2002

Speakers include Nadine Strossen, Tony Blankley, Ed Crane, and Larry Elder.

Social Security and African Americans

Cosponsored with National Black Chamber of Commerce

Washington • Cato Institute
March 19, 2002

Speakers include Floyd Flake, Kenneth Blackwell, Gwendolyn King, Herman Cain, and Star Parker.

Policy Perspectives 2002

Chicago • Ritz-Carlton
March 28, 2002

Social Security and Women

Cosponsored with Women Influencing Public Policy
Washington • Cato Institute

April 9, 2002

Speakers include Lea Abdnor, June O'Neill, and Grace Hinchman.

Policy Perspectives 2002

New York • Waldorf-Astoria
April 19, 2002



Twenty-Fifth Anniversary Gala

Washington • Hilton • May 9, 2002

Social Security and Hispanics

Cosponsored with Hispanic Business Roundtable
Washington • Cato Institute

May 21, 2002

Speakers include José Piñera and Fidel Vargas.

Cato University

Cambridge, Md. • Hyatt Regency
Chesapeake Bay Golf Resort
July 27–August 2, 2002

Speakers include Tom G. Palmer, David Beito, and Don Boudreaux.

20th Annual Monetary Conference

New York • Waldorf-Astoria
October 17, 2002

Cato University

San Diego • Rancho Bernardo Inn
November 7–10, 2002

Updated information on Cato events, including Policy Forums and Book Forums not shown here, can be found at www.cato.org/events/calendar.html.

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