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September/October 2006

Policy Report

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Myths of the Nanny State

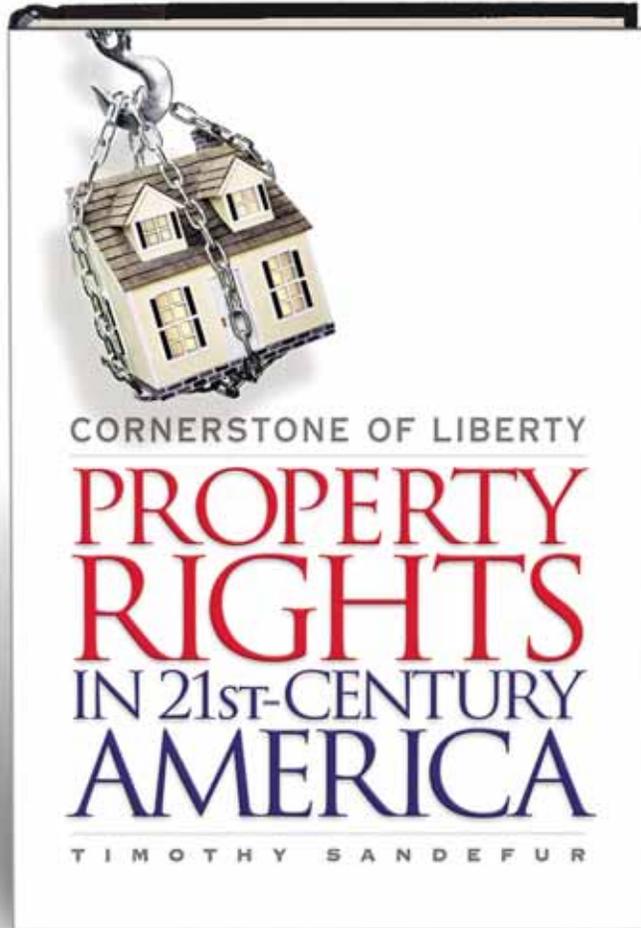
BY RADLEY BALKO

The late economist Julian Simon was libertarianism's great optimist. Classical liberals are naturally cynical about government and, as Jefferson famously put it, its natural tendency to grow and for liberty to lose ground. The "upside" of libertarianism, however, has always been the philosophy's ability to see the potential in individuals and in people's proclivity to make good decisions about their own well-being and, in the process, better the plight of humankind.

No one put humanity's explosion of wealth and prosperity into better perspective than Simon. Simon's targets were the doom-and-gloom environmentalists and zero-population-growth activists who in the last half of the 20th century peddled dire predictions of the coming cataclysm they said would be wrought by free markets and American consumerism. Using a wealth of economic, demographic, health, and consumer data,

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RADLEY BALKO is a policy analyst at the Cato Institute. He is the author of the Cato studies "Overkill: The Rise of Paramilitary Police Raids in America" and "Back Door to Prohibition: The New War on Social Drinking."



The Supreme Court's decision last year in the *Kelo* case created a firestorm of interest in protecting property rights. Through a combination of real-life stories and solid legal analysis, Timothy Sandefur shows why property rights are the "cornerstone of liberty," shows how they are protected in the U.S. Constitution, and critically examines how courts and legislatures have diminished property rights. Sandefur then lays out an agenda for protecting property rights in the aftermath of the Court decision. **MORE ON PAGE 3**



BY WILLIAM A. NISKANEN

Chairman's Message

Build a Wall around the Welfare State, Not around the Country

“Aside from the fact that so many are Hispanic, most current immigrants are very much like those who made their future in the United States a century ago.”

In addressing the immigration issue, all too many members of Congress seem to have forgotten our own heritage.

Compared to the present, the United States had a higher rate of immigration just prior to World War I, when we had no significant immigration controls (except against the Chinese) and no federal welfare programs. Most of those immigrants were from Ireland, Italy, Hungary, Poland, and other poor European countries; most spoke no English and had only crude manual skills. Many Americans from families that had been here more than a few generations were prone to speak disparagingly about the status and prospect of the new immigrants. For all that, almost all of the new immigrants (including my grandfather) were work-oriented and family-oriented, were not a burden to others, and, within a generation, were fully assimilated Americans.

Aside from the fact that so many are Hispanic, most current immigrants are very much like those who made their future in the United States a century ago. The record of recent immigrants is impressive: a relatively high employment rate, a relatively low rate of births to single mothers, and an unusually low incarceration rate. So far, the one major difference between current and prior immigrants is that few Hispanics have yet taken advantage of the opportunity for continued education. With this exception, there is every reason to expect most of the new immigrants to be good workers, good neighbors, and fully assimilated Americans within a generation.

The major difference between present circumstances and those of a century ago is that the United States is now a substantial welfare state. Illegal immigrants appear to be net taxpayers to the federal government, because most of them pay payroll taxes but receive no benefits. They are likely to be net tax burdens to state and local governments, however, especially if they have children in school, even though

they pay sales taxes and the imputed property taxes on rental housing.

The primary solution to this problem is to build a wall around the welfare state, not around our national borders. That would be much easier to enforce, because immigrants would have to appeal for help rather than try to evade the border controls. For new immigrants, access to tax-financed social services could be limited to emergency health care. Access to public schooling could be limited to children born in the United States. Access to the full range of tax-financed social services could be limited to, for example, the families of immigrants who have four years of legal work experience, a record of full payment of taxes, and no felony conviction.

A supplementary solution to this problem would be a federal transfer to those states and local governments with an unusually high number of immigrants. This approach should substantially reduce the opposition to immigration by residents and public officials in the border states. Current U.S. immigration policy is much like building a modern multilane freeway and imposing a speed limit of 35 miles per hour. Almost everyone breaks the law, and those few who obey the law are a traffic hazard. The solution to the problem is to raise the speed limit, not to try to enforce the law. Members of Congress who assert that the essence of sovereignty is to control the borders and enforce the law miss this point; they would be quick to propose changing most other laws that restrict behavior that imposes no cost on other parties.

Building a wall around the welfare state would eliminate most of the costs of increased immigration to the rest of us. Building a wall around the country, in contrast, is unnecessary, futile, and morally offensive.

Book looks at property rights protections after Kelo decision

Why Property Rights Matter

Private property rights are the foundation of a free society and a capitalist economic system. Yet government officials, activists, and others often say that unrestricted private property hurts the common good by frustrating economic redevelopment plans and environmental protections.

In a moving and eloquent new book, attorney Timothy Sandefur defends property rights against those critics by exposing the human cost of eminent domain abuse, land-use restrictions, and other measures. He tells the stories of people like Susette Kelo, who renovated her dream house only to have it seized by the government, and Dorothy English, whose plan to leave her land to her children was frustrated by bureaucrats. *Cornerstone of Liberty: Property Rights in 21st-Century America* is the first book on property rights published since the Supreme Court ruled in the 2005 case *Kelo v. New London* in favor of the state's power to seize homes and businesses and transfer the land to private developers.

Sandefur defends the sanctity of private property as both an individual right and a social good. Property is not only a moral right, Sandefur explains; it is an important tool for channeling self-interest into social cooperation, which leads to stability and prosperity. He argues that to "imagine" a world with no possessions, as John Lennon sang, is to conceive of a place full of conflict and confusion.

Sandefur traces the notion of private property as an individual right from thinkers such as John Locke to the American Founders and the U.S. Constitution. The writings of Madison, Jefferson, Adams, and others show an understanding of private property as a natural right that follows from each person's self-ownership and is "essential to a civil, safe society." The Founders enshrined property rights in

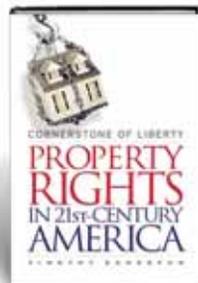
the Bill of Rights, which was later improved by post-Civil War amendments that ended slavery and protected property through the Due Process clause of the Fourteenth Amendment. But the Progressive Era resurrected the theory of English jurist William Blackstone that the state has "absolute despotic power" and rights such as property only exist at the behest of the state.

Recent decisions expanding the abuse of eminent domain, of which *Kelo* is the most prominent, allow governments to condemn homes or entire neighborhoods as "blighted" in order to benefit not the public, but powerful and connected interests. Sandefur also analyzes the seizure of private property by law enforcement officials under asset forfeiture laws and takings that masquerade as well-meaning environmental regulations.

Most of the legislation that states rushed to pass following the public outcry over *Kelo* does little to prevent future abuses, but Sandefur identifies several steps for reform. States should amend their constitutions to explicitly rule out takings from one private entity to another. States should also adopt specific and narrow definitions of "blight" to keep officials from using the term to take any property that suits them. The legal system should be reformed to make it easier for property owners to protest takings in court. Finally, compensation should be given to property owners subject to land-use restrictions.

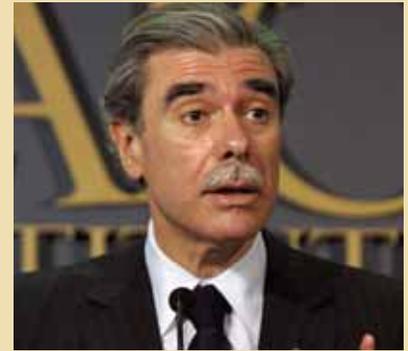
Sandefur's book makes a passionate argument that the idea of the inviolability of private property is not a relic from a bygone era but a tradition worth preserving. He sees it as a fundamental right that must be vigilantly defended by forcing state and local governments to follow the rule of law rather than the arbitrary whims of politicians and bureaucrats.

***Cornerstone of Liberty* is available for \$19.95 in hardcover and \$11.95 in paperback in bookstores, at www.catostore.org, or by calling 800-767-1241.**



NEWS NOTES

Cato and Cuba



COMMERCE SECRETARY CARLOS GUTIERREZ, speaking at the Cato Institute on August 1 in the first official U.S. reaction to Fidel Castro's transfer of power in Cuba, said, "The people of Cuba have a choice: Economic and political freedom and opportunity, or more political repression and economic suffering under the current regime. We pledge to help them attain political and economic liberty." But he made clear that the United States would not intervene militarily.

THE CATO INSTITUTE'S PROJECT ON GLOBAL ECONOMIC LIBERTY has distributed 300 copies of the Spanish-language edition of its pocket U.S. Constitution and Declaration of Independence to independent libraries, journalists and members of civil society in Cuba. Cato will be distributing hundreds more bilingual Constitutions and other Spanish-language Cato publications in Cuba in the months ahead.

CATO'S NEW DAILY PODCAST was the most popular political item on iTunes in mid-June, ahead of such competitors as ABC's *This Week with George Stephanopoulos*, Sen. Barack Obama, Sean Hannity, and Instapundit. There's a new Cato podcast every day at iTunes and also at www.cato.org. You can download them to your favorite mp3 player or just listen on your computer. Recent podcasts have included interviews with David Boaz on big-government Republicans, Chris Edwards on the estate tax, Ian Vasquez on Cuba after Castro, Michael Tanner on Mitt Romney's health plan, Chris Preble on Iraq, Sallie James on farm subsidies, and Ed Crane on "Limited Government 230 Years Later."

Cato Interns Learn about Liberty

To gain a deeper understanding of Cato's work, interns attend lectures by Cato scholars on various topics related to philosophy, law, politics, and economics.

Every year, thousands of young people flock to Washington as interns in hopes of impressing future employers. The Cato Institute's internship program,

one of the most competitive in the city, strives to do more for its interns than just beef up their resumé's. Each intern is assigned to one or more directors in a specific policy area or other department. Cato interns enjoy "much more responsibility than is found in a typical Washington internship," as described by summer 2006 intern Jake McKenzie, a graduate of George Mason University.

Many Cato interns have used the relationships they forged with their policy directors for later success. Christopher Preble, who interned at Cato in 1987 and became Cato's director of foreign policy studies in 2003, said that the relationships he cultivated during his internship proved "instrumental" to his professional development.

To gain a deeper understanding of Cato's work, interns attend lectures by Cato scholars on various topics related to philosophy, law, politics, and economics. Alex Harris, a summer 2006 intern from Harvard, said that "the research seminars have given me knowledge about libertarian issues in a depth I could never find at my predominantly liberal college."

Cato hosts undergraduates, grad students, and recent grads as interns in summer, spring, and fall sessions. The summer class

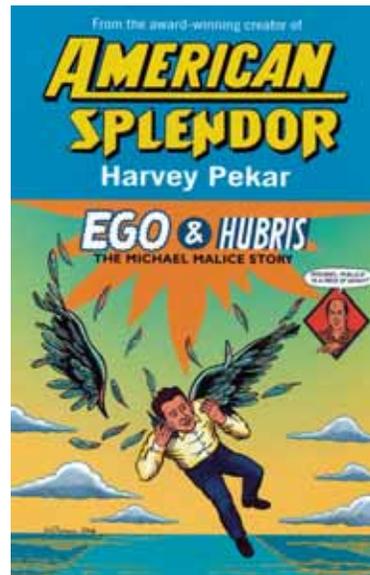
of 2006 is Cato's largest yet, with 26 interns selected from a pool of more than 800 applicants. (Competition is less fierce in the spring and fall semesters.) They range in age from 18 to 31, and their home

countries include Iraq, Guatemala, Russia, and Azerbaijan. Interns have gone on to impressive careers in a variety of fields related to the advancement of liberty.

Former intern Scott Bullock is now a senior attorney at the Institute of Justice. In 2005 Bullock argued the property rights case *Kelo v. New London* before the Supreme Court. Other previous interns include John Fund, an editorial writer at the *Wall Street*

Journal; Michelle Boardman, deputy assistant attorney general at the Office of Legal Counsel of the Department of Justice; and Aaron Lukas, who, as a speechwriter for the U.S. trade representative from 2002 to 2003, wrote that his Cato internship seven years earlier "was probably the best first Washington job I could have had."

Other former interns are even more enthused about their time at Cato. In a new book by Harvey Pekar of *American Splendor* fame, the pseudonymous protagonist Michael Malice describes his Cato internship as "possibly the best experience of my life. All the interns were very, very smart and all were radical, so we got into really deep discussions all the time."



Information about Cato internships is at www.cato.org.



1. Cato senior fellow Tom G. Palmer and manager of student relations Wendy Purnell recruit and direct some 15 to 25 Cato interns three times a year. Interns perform research, assist with events, and participate in seminars on libertarian philosophy and policy. Left, Palmer (back to camera) leads interns in a discussion of the ideas of Frederic Bastiat.
2. Below, interns Peter Lamport from Guatemala, Chuck Moulton of Villanova Law School, and Ashley Frohwein of the University of North Florida pack books for shipment to libraries in northern Iraq as part of the Byrne Project on Middle East Liberty.



3. Jeyhun Huseynov of Azerbaijan listens as former intern coordinator Krystal Brand and Tom Palmer lead an intern seminar. **4.** Vice president for research Brink Lindsey leads a discussion of globalization with summer 2006 interns. **5.** Intern Guy McCumber of Duke delivers a speech at an intern seminar on public speaking. Interns also participate in training sessions on writing op-eds and policy studies, research, and argumentation.

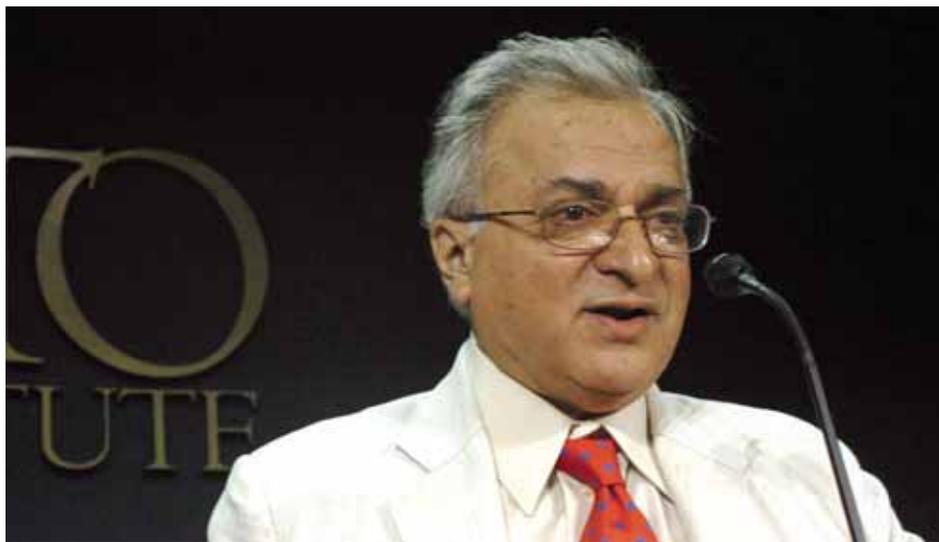
Cato University at St. Pete Beach

Debates on Globalization, Gay Marriage

JUNE 1: How should Europe's experience with same-sex marriages and civil unions inform the ongoing debate among Americans over gay marriage? At a Cato Policy Forum, "Gay Marriage: Evidence from Europe?" Yale Law School professor William Eskridge said that in Europe, the slippery slope to the destruction of marriage

Protection Amendment, Dale Carpenter discussed the themes of his Cato study: that the amendment would be a radical intrusion on powers traditionally reserved to the states. At a forum broadcast live by C-SPAN he was joined by three other legal scholars. Mark Agrast of CAP said that the amendment was an effort by a temporary political

ment: Revive the Invisible Hand or Strengthen a "Society of States"? Deepak Lal of the University of California at Los Angeles and author of *Reviving the Invisible Hand: The Case for Classical Liberalism* criticized anti-globalization activists for unfairly blaming capitalism for problems that actually stem from the abandonment of moral conventions. Ethan Kapstein of the Center for Global Development and author of *Economic Justice in an Unfair World: Toward a Level Playing Field* proposed that the international community should encourage states to redistribute wealth according to their individual notions of justice. Lal responded that a government cannot impose a notion of equity on an economy without disrupting its efficiency.



Cato adjunct scholar Deepak Lal of UCLA discusses his latest book, *Reviving the Invisible Hand: The Case for Classical Liberalism* (Princeton University Press), at a June 7 forum on the role of state and market in generating economic development.

predicted by some critics has not occurred. He presented research from his new book, *Gay Marriage: For Better or Worse? What We've Learned from the Evidence*, which shows that since Denmark legally recognized same-sex couples in 1989, rates of marriage have increased and measures such as the rate of illegitimate children have declined. Maggie Gallagher of the Institute for Marriage and Public Policy criticized Eskridge for equating civil unions with marriage and maintained that the institution of marriage as traditionally defined is uniquely important for child development and a stable society. Eskridge replied that in many cultures throughout history, the concept of marriage has gone beyond a man and a woman only.

JUNE 5: At two events cosponsored with the Center for American Progress on the day the Senate began debating the Marriage

majority to impose its values on future voters. Former Reagan aide Bruce Fein said that social policy doesn't belong in the Constitution and that a "one size fits all" national policy is not appropriate for a conservative Republican administration. Georgetown law professor Louis Michael Seidman proclaimed the amendment "a bigoted, stupid, mean-spirited attempt to turn our Constitution into a weapon that some Americans can use to oppress other Americans." Later at a briefing for Senate staffers Carpenter stressed the anti-federalist implications of the amendment.

JUNE 7: Should global economic institutions be abandoned in favor of unilateral free trade, or is a "society of states" necessary to shape the distribution of wealth within nations? Two noted development scholars debated this question at a Cato Book Forum, *Two Views on Global Develop-*

JUNE 12: Nuclear proliferation in North Korea and the growth of China as a military and economic power have heightened Japan's role in the security of Northeast Asia. At a Cato Policy Forum, "Two Normal Nations: Exploring the U.S.-Japan Strategic Relationship," Christopher Preble, Cato's director of foreign policy studies, argued that the United States should step back and allow Japan to carry a greater share of the security burden in the region. He also explained how fears of a resurgent nationalistic and militaristic Japan are misplaced.

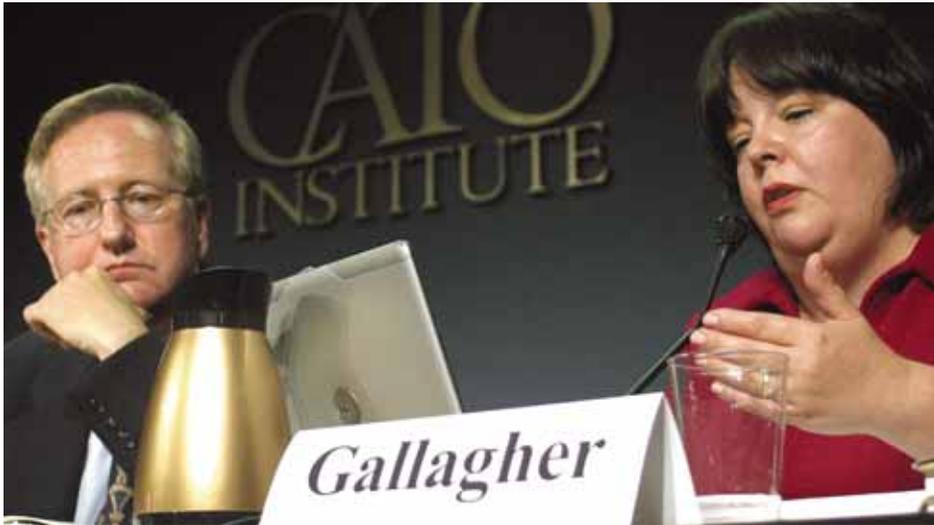


Andrew Oros of Washington College joins a June 12 panel on U.S.-Japan relations.

Andrew Oros of Washington College saw domestic Japanese politics as most important, describing how Japan needs to convince its public of a need for a defense strategy. Former National Security Council member Michael Green said that after

Japanese prime minister Junichiro Koizumi steps down this fall, his successor will need to articulate a strategic vision for North-east Asia.

JUNE 21: Daniel Ikenson, associate director of the Center for Trade Policy Studies at



At a June 1 Forum, William Eskridge of Yale Law School and Maggie Gallagher of the Institute for Marriage and Public Policy debate what the evidence from Europe tells us about the impact of same-sex unions on marriage and child-rearing.

Cato, thinks that reducing trade barriers only through multilateral agreements such as the current Doha round of trade negotiations is like asking other countries for permission to promote free trade. At a Cato Policy Forum, “U.S. Trade Policy in the Wake of Doha: Why Unilateral Liberalization Makes Sense,” Ikenson explained that U.S. tariffs and other trade barriers are not assets to be used as bargaining chips, but liabilities that the United States should unilaterally remove. Jagdish Bhagwati of Columbia University, one of the world’s top trade economists, agreed with Ikenson that the United States would enjoy more economic prosperity if it cut trade barriers, regardless of the extent to which other countries reciprocated. Bhagwati also lamented that despite the overwhelming evidence of the benefits of free trade, many politicians in Washington remain supportive of protectionism.

JUNE 30: What is to blame for high gas prices: stringent environmental regulations, corporate price-gouging or a peak in global oil production? At “Fact and Fiction about

Gasoline Prices,” a Cato Hill briefing, senior fellow Jerry Taylor said that while these explanations might be expedient for politicians, they have little root in reality. Gas prices are not set by “executives in smoky rooms,” Taylor explained, but by contracts in spot markets: high demand, not low sup-

ply, is the main culprit for the current level of prices. Taylor stressed that government policies, from windfall profit taxes to ethanol subsidies, are mostly powerless against these market forces that drive up gas prices. He predicted that prices will naturally decline as high prices give consumers an incentive to conserve. Taylor therefore concluded that the most environmentally and economically sound energy policy is for Congress to leave gas alone.

JULY 6: Recent years have seen a surge in the popularity of biographies of the Founding Fathers. John P. Kaminski of the University of Wisconsin at Madison thinks that people should also read the words of the Founders themselves. At a Forum for his new book, *The Quotable Jefferson*, Kaminski discussed the importance of Thomas Jefferson as a master of the written word. The selections from Jefferson’s letters and essays compiled in the book not only sparked political movements, Kaminski explained, but also touched people’s hearts. Matthew Spalding of the Heritage Foundation commented that Jefferson’s writings on topics of individ-

ual rights, religious liberty, and education are his most influential on American political thought. Kaminski added that despite this influence, the practice of American politics has strayed far from the vision of our third president.

JULY 10, 17, and 24: Cato’s Capitol Hill film series for interns this year drew standing-room-only crowds for three films by ABC News correspondent John Stossel. “Greed” looks at the popular idea that self-interest is bad for society and points out that self-interest is a spur for hard work and entrepreneurship. In “Is America #1?” Stossel explores why America is wealthier than other countries. Finally, in “War on Drugs, War on Ourselves,” Stossel interviews the individuals closest to the drug war in America and compares U.S. drug policies to those in Europe.

JULY 18: Journalists and commentators often portray large corporations as rabid opponents of government interference with the free market. In the tradition of muck-raking journalists, Timothy P. Carney, the Warren T. Brookes Journalism Fellow at the Competitive Enterprise Institute, has dug up the stories, unreported or misunderstood by the mainstream media, that he believes shatter the stereotype of big business as proponents of laissez-faire capitalism. At a Book Forum, *The Big Ripoff: How Big Business and Big Government Steal Your Money*, Carney described how big businesses often



Timothy Carney, author of *The Big Ripoff: How Big Business and Big Government Steal Your Money*, excerpted in the previous issue of *Cato Policy Report*, signs books after a July 18 Book Forum.

exploit the heavy hand of government by lobbying for regulations that drive out competitors, such as higher minimum wages that are unaffordable to mom-and-pop stores. James Pinkerton, a political analyst for Fox News, praised Carney’s book for



Will Martin of the World Bank and Daniel Ikenson, associate director of Cato's Center for Trade Policy Studies, discuss the future of trade liberalization at a July 20 briefing for congressional staffers on Capitol Hill.

revealing hidden truths, but argued that the intersection between government and big business is sometimes worth the cost to defend the nation in times of war. Carney warned that wartime collaborations often extend into peacetime and become more burdensome to the American people.

JULY 19: Is China's fixed exchange rate crippling American industry? At a Policy Forum on "U.S.-China Trade, Exchange Rates, and the U.S. Economy," Daniel Griswold, director of the Center for Trade Policy Studies at Cato, answered with a decisive "no." Griswold explained that imports from China have not displaced U.S. imports, and for every job lost in the United States, many more have been created. Unfortunately, he said, too many commentators stress illusory harms while ignoring the substantial gains to consumers and U.S. exporters from trade with China—benefits that Griswold warned would decrease if the United States attempted to change Chinese monetary policy through protectionism. Frank Vargo of the National Association of Manufacturers agreed that the United States should not resort to protectionism, but suggested that China revalue its currency through market mechanisms. Nicholas Lardy of the Institute for International Economics explained why it is in China's best economic interest to move toward a more flexible currency regime.

JULY 20: The breakdown of the World Trade Organization's Doha Round of trade talks has made the prospects for substantive reductions in trade barriers seem remote. At a Capitol Hill Briefing, "U.S. Trade Policy

Liberalization Makes Sense," Daniel Ikenson, the associate director of the Center for Trade Policy Studies at Cato, outlined a different path for freer trade that could accompany the Doha Round. Ikenson argued that if the United States were to unilaterally liberalize its trade policies and thus "turn every U.S. store into a duty-free shop," Americans would enjoy lower costs of living and greater goodwill from their neighbors. Will Martin, lead economist at the World Bank's Development Research Group, explained how trade barriers exist for the benefit of special interests, not society as a whole. He presented evidence of the massive economic gains that many countries, especially developing ones, could achieve if the Doha Round meets its goals.

JULY 26-30: The 2006 Cato University met at the Don CeSar Beach Resort in St. Pete Beach and explored how some of the greatest modern threats to liberty may be going on in your very own backyard. The student body—consisting of college and high school students as well as adults from many walks of life—attended numerous lectures and discussions at the conference, entitled "Cornerstone of Liberty: Property Rights in the 21st Century." The faculty included Scott Bullock from the Institute for Justice, who argued the landmark property rights case *Kelo v. New London* before the Supreme Court in 2005. Other speakers included Roger Pilon, director of Cato's Center for Constitutional Studies, who gave a lecture entitled "Property and American Constitutionalism," and Timothy Sandefur of the Pacific Legal Foundation, author of

Cato's new book, *Cornerstone of Liberty: Property Rights in 21st Century America*.

JULY 27: With a persisting insurgency in Iraq, a conflict between Israel and Hezbollah in Lebanon, and a nuclear crisis in Iran, the Middle East continues to be unstable. Leon Hadar, research fellow at the Cato Institute, argues in his book *Sandstorm: Policy Failure in the Middle East* that the United States is actually contributing to the region's instability through the unintended consequences of its foreign policy. At a Cato Book Forum, Hadar explained that Washington views the Middle East through a Cold War paradigm that has become obsolete. He argued that U.S. diplomatic and military interventions in the region serve as a disincentive for Europe and other powers to get involved and proposed a policy of "constructive disengagement" from the Middle East as an alternative. Geoffrey Kemp of the Nixon Center praised Hadar's thesis and emphasized that stabilizing Iraq will require input from its neighbors. *Newsday* columnist James Pinkerton expressed skepticism that Europe has the military wherewithal to take on a security role in the Middle East.

C A T O C A L E N D A R

CATO CLUB 200 RETREAT

White Sulphur Springs, WV • The Greenbrier
September 28–October 1, 2006

Speakers include Tucker Carlson, Johan Norberg, Charles Murray, and Andrew Sullivan.

FREEDOM, COMMERCE, AND PEACE: A REGIONAL AGENDA

Tbilisi, Georgia • October 25–27, 2006

Speakers include Robert Mundell, Mart Laar, Andrei Illarionov, and Kakha Bendukidze.

FEDERAL RESERVE POLICY IN THE FACE OF CRISES

24th ANNUAL MONETARY CONFERENCE

Washington • Cato Institute • November 16, 2006

Speakers include Randall Kroszner, Robert J. Barro, Anna Schwartz, Kristin Forbes, and William Poole.

19th ANNUAL BENEFACTOR SUMMIT

Naples, Florida • LaPlaya Beach & Golf Resort
February 21–25, 2007

“Today, government undertakes all sorts of policies in the name of public health that are aimed at regulating personal behavior.”

Continued from page 1

Simon showed how capitalism has made us more prosperous, healthier, better educated, longer lived, and generally better off than we've ever been. Furthermore, he demonstrated how prosperity and technology tend to make scarce resources *more* abundant, not less.

Though Malthusian prophets still pop up from time to time, Simon seems to have largely won that debate. Today's critics of free markets don't invoke Armageddon as their predecessors did. Nor do they declare that prosperity will be our undoing. Rather, today they argue that we simply aren't equipped to handle our freedom and our success. Instead of invoking government to heavily regulate the economy and redistribute wealth, they now argue that we need government to make many of our personal decisions for us, because individual Americans can't be trusted to make them on their own.

The Rise of Parentalism

In a recent paper published in the journal *Public Choice*, “Afraid to be Free: Dependency as Desideratum,” Nobel Prize-winning economist James Buchanan composes a new taxonomy of socialist threats to liberty. Buchanan argues that the conventional threats to freedom from managerial socialism (central planning) and distributionist socialism (the welfare state) are today joined by paternalistic socialism and “parental socialism,” which Buchanan describes as the willingness among many to allow the government to take control of their lives.

The emerging threat to American liberty today, then, is a combination of these latter two forms of socialism—the desire among some in government to interfere in nearly every aspect of our lives, and the lack of concern on the part of many Americans that this is happening. And while conventional critics of capitalism came primarily from the left, the parentalism-paternalist movement isn't as easily marginalized.

From the left, for example, a new class of critics has emerged under the banner of

“public health.” True public health is, of course, a perfectly legitimate function of government. The collective nature of the threats posed by highly communicable diseases, for example, makes protection from them a legitimate public good, deliverable by government. Today one might also include the threats posed by biological or chemical terrorism.

But modern “public-health” initiatives have moved well beyond what could reasonably be classified as public goods. Today, government undertakes all sorts of policies in the name of public health that are aimed at regulating personal behavior. It began in the 1970s and 1980s with anti-smoking initiatives and today includes a wide range of programs, including efforts aimed at reducing alcohol consumption, encouraging seatbelt and motorcycle helmet use, regulating diet and lifestyle in the name of curbing obesity, federalizing local issues like speed limits and the minimum drinking age, and generally using the power of the state to regulate away lifestyle risk.

But the American right, which has traditionally claimed to favor limited government, is no better. The Republican-led Congress is attempting to prohibit Internet gambling. That same Congress wants to expand the FCC's regulatory power beyond broadcast television to include cable television and satellite radio. President Bush's Department of Justice has declared prosecuting pornography a “top priority.” And of course, the Bush administration has enforced the nation's drug laws with particular vigilance, paying little heed to traditional conservative notions of state sovereignty. The White House has vigorously defended the federal government's authority to regulate medical

marijuana, physician-assisted suicide, and prescription painkillers, for example, even in states where voters have explicitly indicated their preference for laxer enforcement. In the case of medical marijuana, White House efforts may have resulted in the final death-knell for federalism.

Though the public health movement seems to have come largely from the left, and the “culture war” crusades against gambling, pornography, pop culture, and drugs largely from the right, it's important to point out that there is significant convergence between the two. Fervent anti-alcohol activists such as former Carter administration official Joseph Califano, for example, are every bit as active in promoting drug prohibition. *National Review* contributing editor David Frum has called for a “fat tax” on high-calorie foods, joining more left-oriented organizations like the Center for Science in the Public Interest. Family values advocates like William Bennett and John DiIulio and Republican Congressmen like Tom Osborne and Frank Wolf have joined with liberal organizations like the Robert Wood Johnson Foundation in calling for heavy government regulation of alcohol. And there seems to be wide, bipartisan support for a powerful state on issues like continuing the drug war, instituting smoking bans in private bars and restaurants, the aforementioned ban on Internet gambling, and increased government scrutiny over pop culture media such as rap music and violent video games.

On the right, movements like *National Review* contributor Rod Dreher's “crunchy conservatism” borrow *bons mots* from Marx in denigrating wealth, consumption, and consumerism. Meanwhile, the left-leaning editorial boards at the *Washington Post* and *New York Times* abandoned traditional civil liberties concerns in supporting the Supreme Court's ruling upholding the federal ban on medical marijuana, because a ruling the other way might have adversely affected the federal government's massive regulatory state.

As *Reason* magazine's Jesse Walker has put

“When policies are aimed at individuals, they’re generally redistributionist in nature—sin or vice taxes, for example.”

it, “There is no party of tolerance in Washington—just a party that wages its crusades in the name of Christ and a party that wages its crusades in the name of Four out of Five Experts Agree.”

Progressivism Redux

The lack of a clear ideological affiliation makes today’s paternalism-parentalism increasingly resemble the early 20th century’s progressive movement. Both are comprised of a motley mix of values crusaders and “nanny staters.” Both value the “collective good” over personal choice, precaution over risk, and the community over the individual.

Perhaps it’s not surprising, then, that the public discourse of late has been rife with nostalgia for progressivism. People on the left, having sullied the good word “liberal,” now call themselves “progressives.” Republicans from George W. Bush, the current president, to Sen. John McCain, who some see as a leading candidate to be the next, have publicly expressed their fondness for Theodore Roosevelt, the first president of the Progressive Era.

New America Foundation fellow Joel Kotkin explicitly called for a return to Progressive Era politics in a *Washington Post* essay, while Michael Gerson, who served as President Bush’s chief speechwriter the last six years, recently named progressive icon William Jennings Bryan one of his personal heroes. Perhaps most bizarrely, the Drug Enforcement Administration has recently taken the position that alcohol prohibition—the crown jewel of Progressive Era reforms, and one of the most catastrophic experiments in American history—was in fact a success.

As Buchanan points out, parentalism and paternalism are at heart merely new forms of socialism. They value community and the collective good over choice and individual freedom. Public policy recommendations aimed at curbing alcoholism or obesity, for example, are rarely aimed at alcoholics or obese people themselves. Rather, they’re usually aimed at taming “the

environment” of alcohol or obesity, code for the food and alcohol industries. Specific recommendations inevitably target marketing and advertising, the tools free markets use to distribute information.

When policies are aimed at individuals, they’re generally redistributionist in nature—sin or vice taxes, for example. Proposals like the “fat tax” tax all users of high-calorie foods, with proceeds going to obesity treatment and prevention programs—meaning they redistribute wealth from people who consume calorie-dense foods responsibly to those who don’t.

Which brings us back to Julian Simon. Simon used empirical data to deflate claims that capitalism and industry were making us sick, irreparably damaging the earth, and bringing about the end of humanity. Simon instead showed how free markets and liberal institutions ushered in health, wealth, and longevity unprecedented in the history of man.

The emerging paternalist-parentalist-socialist threat to liberty, then, is in many ways the same old threat dressed up in new clothes. Critics of capitalism and consumerism can no longer credibly predict that free markets will eradicate the world’s food supply. So today they argue that the food industry has created a nation of gluttons (which, considering that the bulk of human history has been a struggle against starvation, isn’t such a bad problem to have). Of course, only a society prosperous enough to do away with child labor can worry about its children having too much to eat. The proliferation of Internet pornography or online gambling isn’t of much concern in countries where less than 5 percent of the population has Internet access.

The “problems” this latest form of socialism attempts to solve, then, are afflictions of

prosperity. They’re problems much of the world would still consider itself fortunate to have.

It’s also not clear that they’re really problems at all.

Getting Better All the Time

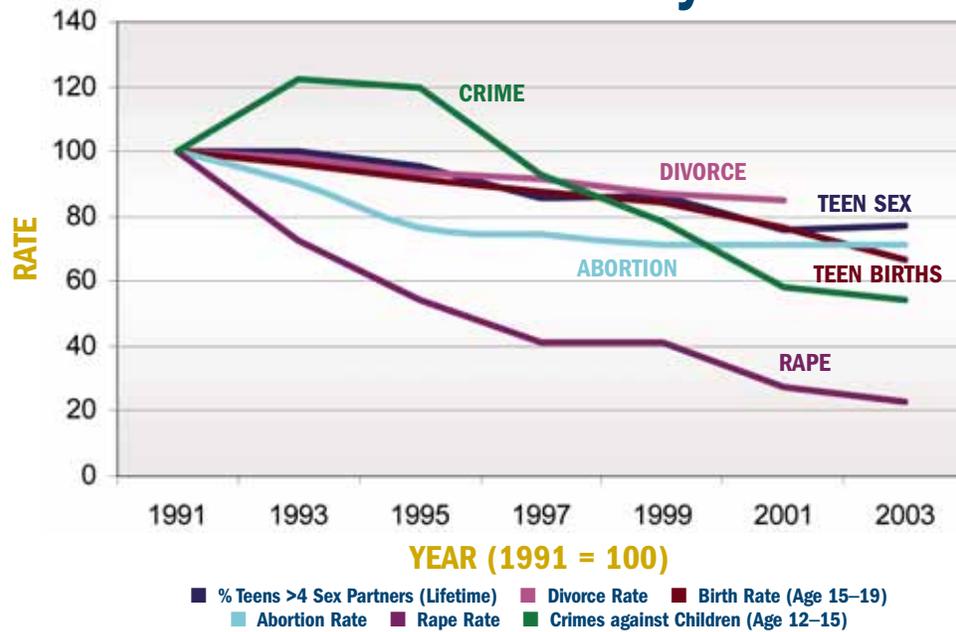
Consider America’s “cultural decay”—something conservatives are fond of invoking. Implicit in calls for government regulation of pornography, obscenity, gambling, alcohol, and the like is the assumption that cable television, pop music, the mainstreaming of pornography, and other cultural pariahs are breaking down America’s important social institutions. But there’s little data to suggest that’s the case. In fact, nearly every social indicator is trending in a direction most of us would consider positive.

Here are just a few examples, culled from government agencies and advocacy groups: Teen pregnancy is at its lowest point since government researchers have been keeping statistics. Juvenile crime has been falling for 20 years (though there was, admittedly, a slight uptick last year). Crimes against children are down. The number of reported rapes has dropped dramatically over the last two decades, even as social stigma against rape victims has subsided. Despite a negligible increase last year, overall crime in the United States has also been in decline for 15 years.

There’s more: Divorce is down. Teens are waiting longer to have sex. High school dropout rates are down. Unemployment remains low. And over the past decade, the overall abortion rate has dropped significantly. If Janet Jackson’s “wardrobe malfunction,” Internet porn, and violent video games are indeed inducing a nationwide slouch toward Gomorrah, as conservative icon Robert Bork once put it, it’s difficult to discern from those statistics.

What’s most intriguing is that all of these trends have been taking place since at least the mid-1990s—a period during which technology has given us more freedom to

Cultural Decay?



indulge in sin and vice than ever before, and an era in which Americans have become markedly less judgmental. The last 15 years have seen more tolerance for gay lifestyles, with shows like *Will and Grace* and *Queer Eye for the Straight Guy* finding mainstream audiences. The 1990s also saw the rise of the Internet, which has given Americans private, unfettered access to gambling and pornography; enabled the anonymous purchase of alcohol, cigarettes, and prescription drugs; and given even the oddest and most bizarre of subcultures the opportunity to find others just like them, and to create communities. The 1990s also saw the rise of gangsta' rap, violent video games, Howard Stern, and *South Park*.

In 2004, the conservative magazine *City Journal* reported on a series of polls showing that when it comes to issues of vice, personal behavior, and morality, Americans aged 30 and under are more conservative than several prior generations. Yet they're also more tolerant of other lifestyles, less judgmental, and heavy consumers of the pop culture conservative opinion leaders tell us is so corrupting.

Interestingly enough, the one statistic that bucks these trends is drug use. Drug use among adults is actually up over the past 20 years. But drug use is one area of personal liberty the government has gotten more aggressive about policing, which suggests that government efforts to control our decisions not only stifle individual freedom, they aren't very effective, either.

But even with drug use, there's some evidence that Americans are behaving responsibly. Though recreational use is up among adults, it's actually down over the same period among people under 18. So while people old enough to make their own decisions

about their lives might be more likely to relax with the occasional marijuana cigarette, they're also making more of an effort to steer their kids clear of what are clearly adult activities.

Similarly, empirical data strongly suggests that despite claims from the public health alarmists that obesity, smoking, alcoholism, and any other number of ailments are wreaking a health care catastrophe in America, America is actually healthier than it's ever been.

Life expectancy in the United States reached an all-time high last year. Americans at every age can expect to live longer than ever before. The gap in life expectancy between blacks and whites is closing, too. Heart disease is in sharp decline since the early 1990s, as is stroke. Deaths from and incidence of cancer are also in retreat, including all but one of the 10 types of cancer most associated with obesity. The absolute number of deaths due to cancer also fell by 50,000 in 2004, a remarkable feat considering that America's population continues to grow. Yet these heartening trends have persisted despite the fact that, over the same period, many Americans have put on weight. Certainly, advances in medical technology, improvements in screening and treating diseases, and miracle drugs like statins deserve much of the credit (though it's worth pointing out that many of the

same public health groups oppose the very free market aspects of U.S. health care that made these advances possible). No one would argue that excessive obesity is something to strive for. But if America's thickening waistline really were the looming disaster it's made out to be, we should at least be seeing the early signs of the cataclysm. That hasn't happened.

Like the doom-and-gloomers Simon fought, then, there simply isn't much evidence to support the sky-is-falling scenarios offered up by proponents of modern paternalism. Just as Americans are wiser, savvier, and more responsible with their own money than the government is, they also seem to be doing just fine when making their own decisions about virtue, vice, and lifestyle. Of course, even if they weren't, there are philosophical objections to government meddling in personal affairs.

The early 20th century journalist H. L. Mencken, a fierce critic of the original progressives, wrote, "the urge to save humanity is almost always only a false-face for the urge to rule it." That was true last century, when humanity's saviors were central planners who marched much of the developing world into starvation. And it's true today, when our "saviors" want laws, regulations, and government "awareness campaigns" pushing the hand of government into nearly every facet of our lives.

Three young women born in the Soviet Union find their way to Cato

From Russia with Freedom

The Soviet Union represented the antithesis of the Cato Institute's principles of individual liberty, limited government, free markets, and peace. Cato podcast reporter Anastasia Uglova describes the Soviet Union, her country of birth, as a place where "the concept of choice was foreign."

She is one of three Cato staffers who were born in the Soviet Union in the early 1980s. Although many of their former countrymen are still hesitant to accept the concept of choice that comes with a free market, these three women hope that they are representative of a younger generation of ex-Soviets who embrace liberty.

Anna Krasinskaya, the editor of Cato's Russian-language website, www.cato.ru, was too young to remember living under the USSR. But she recalls the perestroika era of post-Soviet Russia vividly. "I remember watching commercials at the time about privatization," she said. "But what happened was that a few people who were most influential grabbed everything up very fast. Privatization became scary because it was not explained enough."

Through her work at www.cato.ru, Krasinskaya now tries to educate Russians and others about the difference between a corrupt "crony capitalism" and the true free market system. She believes the work will be hard because of what she sees as a cultural bias among Russians in favor of governmental authority. That bias, she says, explains why "there are still people in Russia who think Stalin was a great leader." Krasinskaya cites the high approval ratings of the Putin regime as a sign that in Russia there is "an idea that power is just good. People trust power, as opposed to the distrust found in the West."

How can this mindset change? Uglova is clear about the Soviet Union's impact on

her intellectual development: "I don't think I would be a libertarian if I hadn't been born in Moscow." But she added that her experiences as an American were also instrumental in her conversion to libertarianism. Because her family was fortunate enough to have a comfortable lifestyle, and she had nothing to compare it with, for a

her the power of the free market, and the power of ideas to create social change. "People given access to ideas will realize there are other means." Uglova now puts that philosophy into practice at Cato, where she records interviews with Cato scholars and then beams these ideas out to the world on the Internet.

But like Krasinskaya, Uglova is disturbed by many Russians' nostalgia for the old days of communism. According to her, many people over 40 in Russia think, "at least we had money under the Soviet Union; now we have to fend for ourselves." But she also believes that the younger generation is more "entrepreneurial" and has taken to post-Berlin Wall liberty with more vigor than its elders.

She is not alone in this assessment. Yana Vinnikov, who works in development for Cato, was born in Ukraine in 1982. She left that country for Texas not long before the fall of the Berlin Wall, but on a recent return visit she was impressed by the number of people her age who are also skeptical of government authority. "I think Eastern Europe has more libertarians than anyplace else in the world," she says.

Vinnikov is hopeful that the former Soviet bloc will continue to supply the United States—and Cato—with young thinkers who have a special insight into the benefits of a free society. "If more of them started coming over, you'd have a lot more libertarians in the United States," she says.

In Russia there is "an idea that power is just good. People trust power, as opposed to the distrust found in the West."



Anastasia Uglova, Anna Krasinskaya, and Yana Vinnikov

her long time she did not see her childhood in Russia as particularly unfree. She left Russia with her family in 1992, when she was eight years old. But on a return visit to Russia as a teenager, her impressions changed. "I realized what a sham it was and how pathetic it was compared to living conditions in America."

This experience, she says, confirmed to

What Next for the U.S. in the Middle East?

While conflict rages in the Middle East, many Americans are concerned about the role of the United States in that region. At a July 27 Book Forum, speakers included Leon Hadar, author of *Sandstorm: Policy Failure in the Middle East* and a Cato research fellow in foreign policy studies; Geoffrey Kemp, director of Regional Strategic Programs at the Nixon Center; and James Pinkerton, columnist for *Newsday*.

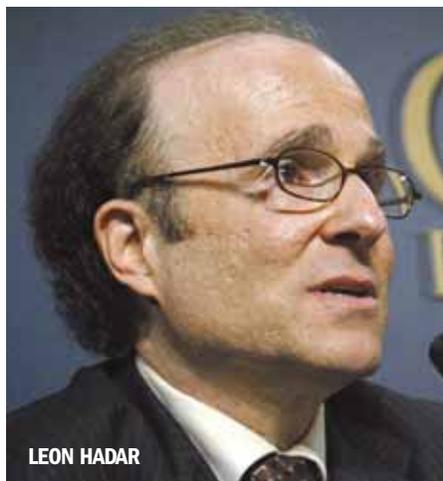
LEON HADAR: Let me give you a short definition of what I call the Middle East paradigm, the beliefs and assumptions that have guided those making and analyzing U.S. policy in the Middle East for most of the 20th century. In many respects, the Cold War started on the periphery of the Middle East and the Eastern Mediterranean—Turkey, Greece, and Iran—after the United States replaced Great Britain as the major Western power in the region. And the Cold War actually ended on the periphery of the Middle East in Afghanistan. The Middle East was a major geoeconomic and geostrategic arena during the Cold War.

There are three components to the old Middle East paradigm. One is geostrategy. The United States led a strategy to contain the Soviet Union in the Middle East. It replaced Great Britain and also France as the major power protecting Western interests in the region. The Soviet Union was clearly an aggressive global power, with an ideological disposition that was regarded as a threat, very much like Nazi Germany during World War II. Hence, there was willingness on the part of the United States during the Cold War to pay the cost of maintaining a strong presence and commitment in the Middle East.

The other component was geoeconomic. After the end of World War II, the United States basically assumed the responsibility of protecting the free access of the Western economy, including Western Europe, Japan, and South Korea, to the

energy resources in the Persian Gulf, through very costly partnerships with Iran, Iraq, Saudi Arabia, and the other Arab oil-producing states. The Americans were willing to provide those nations a free ride.

The third component is idealism. Israel was established in the aftermath of the European Holocaust. And the American political elites and public decided that they were willing to provide Israel, as a demo-



cratic Jewish state in the Middle East, with a certain margin of security vis-à-vis the Arab states. And this eventually intertwined with the Middle East paradigm. When you talked about the cost of Middle East policy, there was the need to juggle the commitment to Israel with support for the Arab states, especially the Arab oil-producing states.

So when the United States was trying to make peace between Israelis and Arabs, it was less concerned to stop killing than to

bring a certain balance into the Middle East paradigm. You can do that only by achieving peace in the region.

My argument is that the Middle East paradigm became part of the genetic make-up, if you will, of policymakers, journalists, and lawmakers in Washington. It explains the Pavlovian response in Washington whenever someone says “Middle East crisis.” It immediately ignites that notion that if you have a Middle East crisis, the Soviet Union is going to get involved. We’ll have an oil embargo. Israel’s security will be threatened. Those were the images of 1973. And since then, every time there is a Middle East crisis, those are the images that come to mind as far as policymakers are concerned.

The main contention in my book is that the changing realities of the Cold War and the Middle East, the collapse of the Soviet Union, the changing relationship between the United States and Europe, and the transformation of the Arab Israeli conflict from a major international dispute into a more regional and local conflict have made the Middle East paradigm obsolete in some respects. And I suggest that we re-examine those three components of the Middle East paradigm.

Look at the geostrategic issue. Since the demise of the Soviet Union, clearly the main rationale of the Middle East paradigm, no major geopolitical outside power threatens Western interests in the Middle East. If anything, one can make the argument that U.S. intervention in the Middle East since the

end of the Cold War actually helped ignite anti-Americanism, terrorism, 9/11, and eventually the Gulf War. And you have to ask yourself, why can't the balance of power in the region be maintained through a regional security arrangement, as well as more commitment on the part of the Europeans?

If you take into consideration geographical proximity, economic ties, and demographics, the Middle East is for the Europeans what Mexico and Latin America is for the United States. It's their strategic backyard. Why shouldn't the Europeans begin paying some of the costs in terms of protecting their interests in the Middle East, which are immediate and urgent and are very different than those of the United States? If Iran, for example, develops a nuclear weapon, it would be able to attack Paris. It won't be able to attack Los Angeles.

We should bring an end to free riding. And maybe if we create incentives for them to do that, they will spend less money on their wasteful welfare programs and more money on defense.

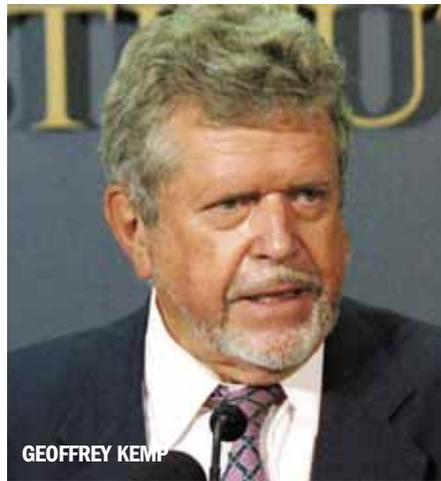
Now what about Israel? Well, Israel today is the most powerful military force in the region. It has nuclear weapons. It has one of the most advanced high-tech economies in the world. It has peace with Egypt, Jordan, and other Arab states. It has the military capability to deal with any perceived threat that you can imagine, including a nuclear Iran.

And as we talk today, Israel is dealing with the threat in Lebanon. It clearly doesn't need U.S. support for that. The United States can act as a facilitator on some level, when both sides decide that they want to make peace. But the United States cannot deliver a peace agreement, as many people think, between Israelis and Palestinians. If anything, as we saw in the last Camp David agreement, U.S. involvement tends to create high expectation and an eventual backlash against the United States.

What I'm proposing is a new Middle East paradigm, a process of gradual constructive disengagement from the Middle East that will create incentives for the creation of a new regional balance of power.

What I have in mind is a consortium of great powers along the lines of the Congress of Vienna system. I call it the Northern Alliance—a loose alliance between the United States, the European Union, and Russia, which will have two major challenges—one, to deal with the Islamic arc of instability, ranging from the Balkans to China; the other, to try to coopt China, and eventually India, into this great power system.

Historian Carl Brown compared the Middle East to a kaleidoscope. Outsiders like the United States get involved and try to tilt the kaleidoscope. The many tiny pieces of colored glass all move to form a new configuration. So any diplomatic initiative or military intervention sets a new realignment of the players. That is why foreign intervention becomes so costly. Unintended



consequences in the Middle East are not the exception but are the rule.

The Iraq war is an excellent example. The United States devastated Iraq, which was the counterbalance to Iran. It encouraged the rise of a pro-Iranian Shiite regime, through election, in Baghdad. It encouraged the election in Lebanon, which strengthened the power of Hezbollah.

As a result of all of this, Iran has emerged as the major power in the Persian Gulf. And with its allies Hezbollah and, to some extent, Hamas, it decided to challenge the proxy of the United States, Israel. So now we have this new crisis. We have this new war. The kaleidoscope has tilted. And the United States is trying again to get involved and resolve the conflict until the next conflict.

GEOFFREY KEMP: When I was working for Ronald Reagan, I had a baptism by fire during the Lebanon crisis of 1982–83. So a lot of this material we're discussing today rings awfully true to me. We were in a quagmire then, and I think we are still in a quagmire. In fact, my major quibble with Leon's book is the title. I actually prefer the title of his first book, *Quagmire*, because that means you are really bogged down and you don't know where to go. Whereas "sandstorms" blow over pretty quickly

If you think back to the events since 9/11, we, the United States, launched two major wars to overturn regimes, Afghanistan and Iraq. And I think it's important to draw a contrast between these two and how we handled them diplomatically. In the case of Afghanistan, the Bush administration made absolutely sure that before we went in, we had some of the key neighbors, particularly Russia, India, and Iran, as well as Uzbekistan, on board. They agreed with our narrative, that the Taliban had to go, and they were extremely cooperative. And the Afghanistan war, as we know, went very well at that point in time.

My judgment is that we were so pleased with the speed with which we toppled the Taliban that when it came to 2003 and the challenge of Saddam Hussein, we forgot the lessons we had learned in Afghanistan and essentially went to Iraq without taking into account, let alone consulting with, the key neighbors.

And the message we were sending to our Arab friends, particularly Saudi Arabia and the Arab Gulf States, is we are not pleased with the way you are managing your affairs, we're going to set up a democracy in Iraq, and you better watch out because, sooner or later, you're going to have to change as well. So we had no buy-in from the neighborhood. And today, we are in a quagmire in Iraq. And we're only going to get out of it if we can come up with a policy that is somehow acceptable to some of the key players in the neighborhood, particularly our friends.

The real challenge is that we have been weakened because of Iraq. The Gulf remains very, very unstable and threatened.

The dependency of the world on Gulf oil is going to grow, particularly if you look at the statistics of what China and India are expecting to import in the coming years. So who is going to, essentially, maintain some semblance of stability if not the United States?

Now, it's certainly true that other countries should be doing more. But the question is, could they do more? And I don't believe they can do very much more in the short run.

The Europeans simply don't have the military capabilities. What capabilities they do have, they're using in support of what's going on in Afghanistan. If you take out the British component of Europe's NATO's forces, there really is no substitute in the short run for American maritime and air power. And the Europeans are not going to change their welfare system and start spending enormous amounts of money on defense, at least not in the time frame that is of much interest to those of us who worry about the next 5 to 10 years.

That said, I quite agree that the United States' moment of hegemony in the Middle East is very transitory. Elizabeth Monroe wrote a famous book about Britain's moment in the Middle East. That moment lasted from about 1919 to 1971. I don't know what the time frame for the American moment will be, but certainly it will pass. But just like in the case of Britain, it doesn't mean to say we will get out of the Middle East completely. We won't. We will reduce our role gradually, I hope.

JAMES PINKERTON: Ambrose Bierce, the famous American wit and wag from the last century, said that war is the devil's way of teaching Americans geography.

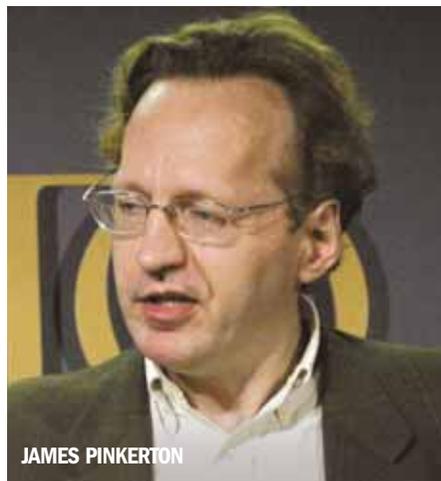
And I think the same applies to politics, history, human nature, and realism. We've been down this road before in these very countries. The West invaded, liberated, whatever you want to call it, Iraq in World War I. We did it again in World War II.

Even people who follow this stuff fairly closely like me have to be reminded of things that are important to the people over there. The Iraqis remember that 300,000

people were killed in a failed rebellion against Saddam Hussein. Most Americans never noticed. And it's still hard for us to process because it didn't happen to us. But we're walking in their moccasins now.

I think that Leon overstates the willingness of Europe to get involved in this. In a world of small families, where the people have one or two kids, they just don't want to part with them in wars the way they used to when it was five or six kids per family. It's a harsh way of saying it, but it's I think true.

I think you're seeing it distinctly in Iraq with the United States, in terms of our willingness to go full bore. I think the Israelis are having the same issue. And I think the Europeans feel as strongly, too, with the notion of a robust peacekeeping force, being able to shoot their way in if necessary.



So I think this is just not what any Western leader is really contemplating.

Again, I certainly agree that the Middle East paradigm that Leon discusses is obsolete and needs to be replaced. But I'm a little puzzled over exactly what we're going to be replacing it with.

It's unclear to me which geopolitical structure is going to emerge. Leon mentioned the Congress of Vienna. That worked out okay. That was approximately 100 years of peace and stability. But of course, things move faster now. And I can't help but think that a couple of processes that undid the Congress of Vienna may be undoing Leon's Congress of Vienna Part 2. Those two forces were visible in the 19th century, but they're a lot more visible

in the 21st century.

One is nationalism and nationalist/religious passions. I've always thought that religion had a strong nationalistic component to it. It's very easy, if you live in the Arab world, to be a Muslim. It's very easy, if you live in the West, to be a Christian. They kind of go together. So I blend the two together in terms of the political effect.

If one were to update this further and think further about where things are headed in the Middle East, one would have to, I think, look back to the 19th century. I'll bring up 1807, when Johann Gottlieb Fichte started issuing an appeal to the German nation about how Germany needed to repel the French. Well, the trick in that statement was there was no German nation in 1807. There was in Fichte's mind, and Herder's and Hamann's and all those other people's, but there was no nation. And yet, one emerged pretty quickly, as we all know, and changed European history in the 19th and 20th century.

So I suspect something like that is going on in the Arab world with the issue of pan-Arabism and whether or not it can be revived in a Shia Sunni split. I suspect that something like that is rumbling in the Arab and the Muslim world.

The other factor that is also accelerating much more quickly these days is technology. You can make a pretty good case that much of the geopolitics of the 19th century were functions of the railroad, the telegraph, the machine gun, artillery. Think today in terms of telecommunications, ballistic missiles, and of course WMDs. So I'm a little worried that a Congress of Vienna may be overwhelmed by the rush of events. Kim Jong Il may not get invited, and may find a way to break it up on his own.

I get the feeling, with the rush of nationalism and technology, that something like an avalanche is coming. So, Leon, I'm not sure you want my help on this, but I think "avalanche" may well be the most apt title for your next book.

Answering “Libertarian Paternalism”

In “Paying Tomorrow’s Military,” the cover story for the Summer 2006 issue of *Regulation*, Cindy Williams of the Massachusetts Institute for Technology argues that the solution to a thinly stretched military is not a draft, but better recruitment incentives. Compensation for service members currently includes substantial noncash benefits—such as health care, food in dining halls, child-care service, and on-base housing—which, Williams writes, encourage overuse of services, further draining the military’s already strained budget and reducing quality of life in the armed forces. She proposes that the Department of Defense replace many of those benefits with direct cash compensation, which would open government-owned businesses to private competition.

In “Paternalism and Psychology,” Edward Glaeser of Harvard University takes issue with the notion that there is a libertarian-friendly form of government paternal-

ism. Glaeser finds that when government attempts to manipulate beliefs, the potential for error is high. He then argues that so-called “soft paternalist” policies, which seek to change victimless behavior through assistance instead of coercion, are unlikely to increase social welfare and may serve as gateways to harder paternalism.

Nicholas Kalaitzandonakes of the University of Missouri–Columbia argues in “Cartagena Protocol: A New Trade Barrier?” that the hidden danger of protectionism lies in a 2003 international agreement called the Biosafety Protocol, which obligates the signing parties to agree to “detailed labeling requirements” for agricultural exports containing genetically modified organisms. The cost of complying with these regulations, Kalaitzandonakes explains, may fall onto importers, creating a new nontariff barrier that shields domestic markets from import competition.

Other topics discussed in this issue



include tax exemptions for nonprofit hospitals, the effect of building safety codes on land values in disaster areas, and the political manipulation of cost-benefit analyses.

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New legislation allows tax-free contributions from IRAs

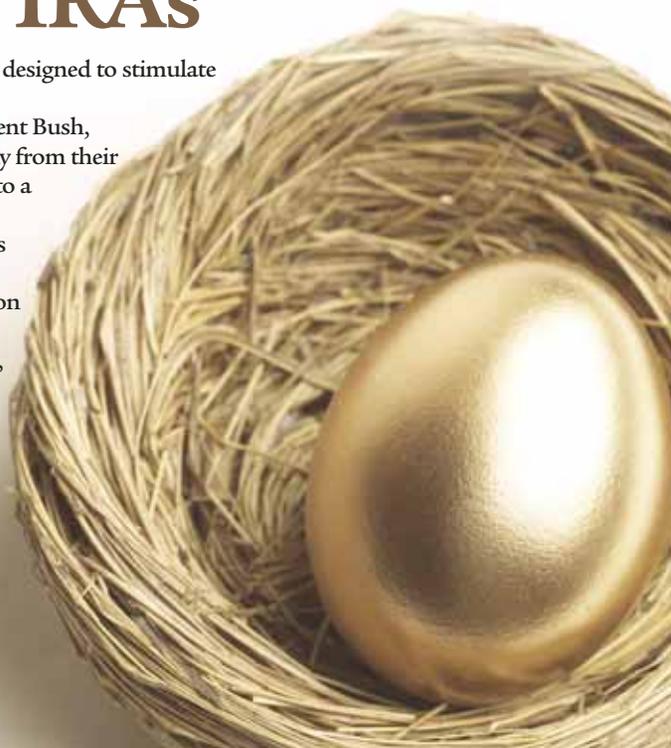
Congress has passed legislation that contains a series of provisions designed to stimulate giving to nonprofit organizations such as the Cato Institute.

The Pension Protection Act of 2006, signed in August by President Bush, allows donors who are 70½ and older to withdraw up to \$100,000 annually from their individual retirement accounts tax-free if they donate the money directly to a 501(c)3 organization.

The IRA provision does not include gifts made to donor-advised funds and supporting organizations. Donor-advised funds allow people to give cash, stock, or other assets to special accounts, claim a charitable deduction on their federal income taxes, and then recommend how, when, and to which charities the money in the account should be distributed. However, these provisions, unless extended in the future by Congress, will expire after the 2007 tax year, a strong incentive for those considering larger gifts to Cato to make those contributions as soon as possible.

If you are considering a significant cash gift to the Cato Institute, and believe that these provisions apply to you, please consult your financial planning professional at your earliest opportunity. Contributions may be made to the Cato Institute by mail at 1000 Massachusetts Avenue N.W., Washington, DC 20001 or online at www.cato.org.

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Money, Banking, and Prosperity

The Summer 2006 issue of *Cato Journal* (vol. 26, no. 2) looks at how right monetary policies can increase prosperity, with a special focus on China's monetary institutions. Jonathan Anderson, the chief economist for Asia at UBS, argues that Chinese banks are not on the verge of a crisis. But Anderson also cautions us not to conclude that China's banks are "out of the woods," because the state still controls most of the financial system.

Deepak Lal of the University of California at Los Angeles proposes a way forward for privatization in China. Lal says that China must stop crowding out more efficient private firms from its banking system and suggests that China invest part of its foreign exchange reserves in a fund to finance the privatization of state-owned enterprises.

Other articles look at monetary policy more generally and discuss strategies that have worked and those that have failed.

Mickey D. Levy, the chief economist at the Bank of America, presents evidence that independent monetary policies are necessary to secure strong economic performance for rich and poor countries alike. Levy concludes that a structured system for rating central banks on the soundness and credibility of their policies could serve as a guide for developing nations.

The issue also contains articles by Samuel Brittan, a columnist for the *Financial Times*, and Cato chairman William Niskanen.

One-year subscriptions to *Cato Journal* can be purchased from the Cato Institute at 800-767-1241 or at the Cato online bookstore at www.cato.org for \$24.00. Articles are available online at www.cato.org/pubs/journal.



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Mitt Romney's Big Health Care Mistake

Governor Mitt Romney's recently enacted health care plan for Massachusetts has been touted by the Heritage Foundation, which helped draft the plan, as a market-based health care



Mitt Romney

solution. But Michael Tanner, director of health and welfare studies at Cato, says in "No Miracle for Massachusetts: Why Governor Romney's Health Care Reform Won't Work" (Briefing Paper no. 97) that the plan sets the state on a "slow but steady spiral downward" to a government-run health care system. Tanner explains how Romney's plan allows special interests to lobby for more and more services that drive up premiums. He also predicts that the subsidies to pay for those services will crowd out private insurance, forcing taxpayers to shoulder the burden for questionable redistributions to the middle class. Because Romney's plan would reduce consumer choice in medicine and distort the market incentives necessary to make Americans healthier, Tanner concludes that Massachusetts should not serve as a model for other states.

Tactical Error

Special Weapons and Tactics, or SWAT, teams were originally created to deal with the most extreme crises that sometimes face police, such as hostage situations and riots. But, according to Radley Balko, a Cato policy analyst, police departments across the nation have been using SWAT teams increasingly to break into homes in pursuit of routine drug offenses and other nonviolent crimes. In a Cato White Paper, "Overkill: The Rise of Paramilitary Police Units in America," Balko documents a shocking number of botched SWAT raids in which excessively militaristic tactics threaten the lives of the targets of these raids, accidental targets, and the police themselves. Balko recounts stories of how SWAT teams are inappropriately deployed against unarmed recreational drug users. To discourage the excessive use of paramilitary forces, Balko argues that Congress must stop providing millions of dollars of military equipment and training to local police departments and strengthen our commitment to keeping military and police activities separate.

A Radical Revision of Federalism

Same-sex marriage has been one of the most controversial issues in recent political debate. But Dale Carpenter, associate

professor of law at the University of Minnesota, argues in "The Federal Marriage Amendment: Unnecessary, Anti-Federalist, and Anti-Democratic" (Policy Analysis no. 570) that even those who oppose same-sex marriage on policy grounds should also oppose the proposed constitutional amendment preventing states from recognizing same-sex marriages. There are already several redundant policies in place on both the federal and state level, he says, which prevent same-sex marriage in most states and ensure that the family law of one state will not change that of another. Furthermore, Carpenter contends that imposing a uniform marriage policy across the country is a radical intrusion on powers traditionally reserved to the states, squelching the experimentation and individual choice the Founders intended with a federalist system.

Loose Nukes

September 11, 2001, brought to public attention the threat of even more catastrophic attacks by terrorists armed with nuclear or radiological weapons. In "Reappraising Nuclear Security Strategy" (Policy Analysis no. 571), Rensselaer Lee, senior fellow at the Foreign Policy Research Institute, describes how Russia's inadequate

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ly secured nuclear stockpile heightens the risk of terrorist proliferation. But Russia-United States cooperation programs that seek to dispose of warheads and enhance safeguards at Russian nuclear facilities are inadequate, Lee argues, because they focus on the supply side of the equation only. They cannot sufficiently address dangers such as the corruption of officials at nuclear facilities and are wholly unable to stop instances where governments officially transfer weapon technology to terrorists. Lee outlines a better strategy whereby Washington would seek to reduce the demand for nuclear material by using international cooperation to disrupt terrorist networks and refraining from interventions such as the war on Iraq that increase the incentives of states to build nuclear arsenals.

Vertically Challenged

Should government decide how the electricity industry operates? Robert J. Michaels, a professor of economics at Cal State-Fullerton, thinks that government rules prohibiting a single utility from providing services for the generation, transmission, and distribution of electricity—a structure called vertical integration—have led to some unintended consequences. In “**Vertical Integration and the Restructuring of the U.S. Electricity Industry**” (Policy Analysis no. 572), Michaels explains how many economists and policymakers have signed onto the idea that vertical integration is inefficient and have thus urged government to restructure electricity industries. He then discusses case studies that show that far from achieving competitive markets, restructuring has created new inefficiencies, as was seen in the California electricity crisis in 2000. Rather than submitting to the distortion of politics, Michaels argues that the electricity market should be allowed to find its own structure through trial and error.

Disaster at FEMA

After the tragedy caused by Hurricane Katrina, many news watchers complained that if only a better qualified director than Michael Brown had been in charge of the Federal Emergency Management Agency, the government’s response to the disaster may have been more effective. But in “**Flirting with Disaster: The Inherent Problems with FEMA**” (Policy Analysis no. 573), Russell S. Sobel and Peter T. Leeson,

economists at West Virginia University, argue that FEMA’s incompetence is due not to the individuals who work there, but to the nature of the organization itself. FEMA cannot get supplies to disaster victims without embarrassing inefficiencies, Sobel and Leeson say, because its top-down, centralized structure makes it impossible to coordinate dispersed and local knowledge. They also explain how the fact that FEMA is a public rather than private organization exposes it to perverse incentives and political manipulation.

A Bias for Waste

Why is Congress always spending more and more on programs and never cutting back on the budget? In “**Budgeting in Neverland: Irrational Policymaking in the U.S. Congress and What Can Be Done about It**” (Policy Analysis no. 574), political scientist James L. Payne offers a new explanation: the arguments for a thriftier budget never get heard. Payne’s research shows that 80 percent of arguments heard in congressional committees are praise for government programs. This bias contributes to the mindset in Congress, Payne argues, that government programs are always effective. He proposes that more critics of spending should participate in the process of gathering information for Congress, and that an independent “office of taxpayer advocacy” be created.

Setting an Example for Free Trade

The expiration at the end of 2006 of the U.S. congressional mandate to proceed in the Doha Round of trade negotiations has made supporters of trade liberalization anxious that time is running out for the world to reach real gains toward free trade. But in “**Leading the Way: How U.S. Trade Policy Can Overcome Doha’s Failings**” (Trade Policy Analysis no. 33), Daniel Ikenson, associate director of the Center for Trade Policy Studies at the Cato Institute, proposes that the wait for trade agreements should not delay the United States from reducing its own trade barriers. He explains how the notion of unilateral liberalization as a “concession” is rooted in the mercantilist idea that exports are beneficial, while imports are harmful. Ikenson argues that imports are actually an enormous boon to domestic consumers and producers. He advocates that the United States unilaterally remove the convo-

luted array of duties, antidumping measures, and subsidies that saddle all Americans, especially the poor, with higher costs of living and fewer jobs due to higher prices.

Currency Claptrap

Around Washington, China’s supposed manipulation of its currency, the yuan, has become a popular scapegoat for unemployment in the United States. Politicians such as Chuck Schumer and Lindsey Graham have threatened China to end its policy of pegging its currency to the dollar or face heavy tariffs on Chinese goods. But in “**Who’s Manipulating Whom? China’s Currency and the U.S. Economy**” (Trade Briefing Paper no. 23) Daniel Griswold, director of the Center for Trade Policy Studies at Cato, argues that those calling for protectionism against China are themselves guilty of manipulating the facts. Griswold dispels myths about imports from China draining the U.S. manufacturing sector. Punishing China with trade sanctions would harm all consumers, he says, as prices rise for everyday goods.

When Aid Hurts

Celebrities such as Bono and academics such as Jeffrey Sachs say that the West can lift Third World countries out of poverty by spending more on foreign aid and embracing debt relief. But Andrew Mwenda,



Andrew Mwenda

the political editor of the *Daily Monitor* in Uganda, argues that in the case of his home country, foreign aid and debt relief actually hinder economic and political reform. In “**Foreign Aid and the Weakening of Democratic Accountability in Uganda**” (Foreign Policy Briefing no. 88), Mwenda shows that the corrupt Ugandan government has no incentive to reform itself because it is saved from political collapse by foreign aid, which funds half of its budget. Debt relief, Mwenda says, encourages the government to borrow even more, driving up the level of absolute debt. Mwenda suggests that the real solution to poverty in Uganda is for the government to liberalize trade, protect private property rights, reduce taxes, and follow other free market policies that empower the people instead of corrupt leaders.

“To Be Governed...”

HILLARY ENDORSES THE CANDLEMAKERS' PETITION

This is a real victory for the Syracuse candle-making industry. Our manufacturers deserve a level playing field and we owe it to them to make sure that others do not unfairly circumvent our fair trade practices. Syracuse has a proud history of candle production but attempts by importers to undercut our producers have put that tradition at risk. I am pleased that the Department of Commerce heeded our call to take action against these unfair practices.

—**Press release, Sen. Hillary Rodham Clinton,**
May 24, 2006

BUSH LIKES HIS SOUL BETTER ALL THE TIME

Russian President Vladimir Putin signed a law making slander of a public official a criminal offense.

—**Wall Street Journal,** July 29, 2006

WHAT WOULD SPENDING BE LIKE IF THEY WEREN'T BEING WISE?

Republicans are also working to cut the deficit. The best way to reduce the deficit is to keep pro-growth economic policies in place, and be wise about how we spend your money—which is exactly what Republicans are doing in Washington.

—**President Bush, fundraising letter,**
July 24, 2006

EXPERT ALERT

Experts say the modern American diet is killing us.

—**Diane Rehm, WAMU-FM,** July 14, 2006

IF YOU REPEAT IT ENOUGH, WILL PEOPLE BELIEVE IT?

In a speech to New Hampshire Republican officials here Monday night, [Karl Rove focused on] sharpening the differences between the GOP and its opponents. “They’re for higher taxes. We’re for lower taxes,” he said during his description of the economy. “They’re for more spending. We’re for less spending.”

—**Washington Post,** June 13, 2006

SHAMELESS

The U.S. Capitol Historical Society will hold a reception next week to honor a select group of lawmakers “for their hard work, service, time and the sacrifices made in upholding the office with which they were entrusted.” One of the people slated to receive such accolades is former Rep. Randy “Duke” Cunningham (R-Calif.). The disgraced ex-legislator, of course, can’t make the July 19 event or any other social gathering in the near future because he’s serving a prison term of eight-plus years for a bribery scandal you may have heard about. . . . Another honoree is former Rep. Tom DeLay (R-Texas). . . . The co-hosts of the event will include members of leadership, including House Speaker Dennis Hastert

(R-Ill.), House Minority Leader Nancy Pelosi (D-Calif.), Senate Majority Leader Bill Frist (R-Tenn.), and Senate Minority Leader Harry Reid (D-Nev.).

—**The Hill,** July 13, 2006

WE'RE SHOCKED, SHOCKED

Among the many superlatives associated with Hurricane Katrina can now be added this one: it produced one of the most extraordinary displays of scams, schemes and stupefying bureaucratic bumbles in modern history, costing taxpayers up to \$2 billion.

—**New York Times,** June 27, 2006

MAMAS, DON'T LET YOUR BABIES GROW UP TO BE POLITICIANS

[Sen. Rick Santorum] distributed a brochure this week as he worked a sweltering round of town hall meetings and Fourth of July parades: “Fifty Things You May Not Know About Rick Santorum.” It is filled with what he called meat and potatoes, like his work to expand colon cancer screenings for Medicare beneficiaries (No. 3), or to secure money for “America’s first ever coal to ultra-clean fuel plant” (No. 2)....

He said he wanted Pennsylvanians to think of him as a political heir to Alfonse M. D’Amato of New York, who was known as Senator Pothole for being acutely attuned to constituent needs.

—**New York Times,** July 10, 2006

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