



ORRIN HATCH
ObamaCare and the Constitution
PAGE 14



SIMEON DJANKOV
Europe's economic crisis
PAGE 11



REGULATION MAGAZINE
Stock options, plea bargaining, and network neutrality
PAGE 17

Cato Policy Report

July/August 2010

Vol. XXXII No. 4

Not a State-Broken People

BY GEORGE F. WILL

I want to thank all of the people in this room for making Cato and its work possible. I also want to thank a few million more people who, in recent weeks, have toiled to demonstrate in a timely manner why Cato is necessary. I refer, of course, to the people of Greece.

Milton Friedman, whose name we honor tonight, was honored often for his recidite and subtle scholarship. But it was complemented by a sturdy common sense much in fashion nowhere now. About 40 years ago he found himself in an Asian country where the government was extremely eager to show off a public works project of which it was inordinately and excessively fond. It was digging a canal. They took Milton out to see this, and he was astonished because there were hordes of workers but no heavy equipment. He remarked on this to his government guide, who replied, "You don't understand, Mr. Friedman. This is a jobs program. That's why we only have men with shovels." To which Friedman said, "Well, if it's a jobs program, why don't they have spoons instead of shovels?"

The attempt to educate the world to the principles of rationality and liberty never ends. For a lot of us, it began in earnest in

1962 with the publication of *Capitalism and Freedom*. In 1964, two years later, we got a demonstration of how urgent it was to have that book, when Lyndon Johnson, campaigning for president, said, "We're in favor of a lot of things, and we're against mighty few."

In 1964, the man running against Johnson was Barry Goldwater who, to the superficial observer, appeared to lose because he carried only six states. When the final votes were tabulated, 16 years later, it was clear

Continued on page 8



Akbar Ganji, joined by his wife, Massoumeh Shafii, celebrates winning the 2010 Milton Friedman Prize for Advancing Liberty. Ganji was presented with the award, recognizing his contributions to advancing human rights and democracy in his native Iran, at a gala dinner ceremony hosted by the Cato Institute in May.

PAGE 3.

GEORGE F. WILL is a Pulitzer Prize-winning newspaper columnist, a *Newsweek* columnist, a regular panelist on ABC's *This Week*, and the author of numerous books on politics and baseball. He delivered these remarks at the Cato Institute's biennial Milton Friedman Prize for Advancing Liberty Dinner on May 13.

Continued from page 1

he had won. It was, however, a contingent victory.

In 2007, per capita welfare state spending, adjusted for inflation, was 77 percent higher than it had been when Ronald Reagan was inaugurated 27 years earlier. The trend continues and the trend is ominous. Fifty-one days ago the president signed into law health care reform, that great lunge to complete the New Deal project and the Great Society, that great lunge to make us more European. At exactly the moment that this is done the European Ponzi scheme of the social welfare state is being revealed for what it is.

There is a difference. We are not Europeans. We are not, in Orwell's phrase, a "state-broken people." We do not have a feudal background of subservience to the state. No, that is the project of the current administration—it can be boiled down to *learned feudalism*. It is a dependency agenda that I have been talking about ad nauseam.

Two recent examples. First, when the government took over student loans, making it the case that the two most important financial transactions of the average family—a housing mortgage and a loan for college—will now be transactions with the government, they included a provision that said there will be special forgiveness of student loans for those who go to work for the government or for nonprofits. Second, one-third of the recent stimulus was devoted to preserving unionized public employees' jobs in states and local municipalities. And so it goes. The agenda is constant.

In 1965, the Elementary and Secondary Education Act (the final dissolution, in some ways, of the federal government's sense of restraint) was advertised as aid for the poorest of the poor. Eighteen years later, in 1983, 90 percent of all school districts were participating in this. It is a principle of liberal social legislation that a program for the poor is a poor program. The assumption is that middle class Americans will not support a program aimed only at the poor. That is a theory refuted by the fact that the Earned Income Tax Credit—a policy supported and extended by Ronald Reagan—is extremely

“ We do not have a feudal background of subservience to the state. No, that is the project of the current administration—it can be boiled down to *learned feudalism*. ”

popular in this country. But it does reveal the fact that dependency is the agenda of the other side. Their agenda is to make more and more people dependent on the government for more and more things.

We can see today, in the headlines from Europe, where that leads. It leads to the streets of Athens, where we had what the media described as “anti-government mobs.” Anti-government mobs composed almost entirely of government employees going berserk about threats to their entitlements!

The Greeks and the Europeans have said all along, as they increase the weight of the state, “So far, so good.” It reminds me, as everything eventually does, of a baseball story. In 1951 Warren Spahn, on the way to becoming the winningest left-handed pitcher in the history of baseball, was pitching for the then-Boston Braves against the then-New York Giants in the then-Polo Grounds. The Giants sent up to the plate a rookie who was zero for twelve. It was clear this kid, name of Willie Mays, could never handle big league pitching. Spahn stood out on the mound 60 feet and six inches away, threw the ball to Willie Mays, who crushed it—first hit, first home run. After the game the sports writers came up to Spahn in the Club House and asked, “Spahnie, what happened?” Spahn said, “Gentlemen, for the first 60 feet that was a hell of a pitch!”

It's not good enough in baseball and it's not good enough in governance, either. Let me give you a framework to understand

this extraordinarily interesting moment in which we live. I believe that today, as has been the case for 100 years, and as will be the case for the foreseeable future, the American political argument is an argument between two Princetonians: James Madison of the class of 1771, and Thomas Woodrow Wilson of the class of 1879. I firmly believe that the most important decision taken anywhere in the 20th century was the decision where to locate the Princeton graduate college. Woodrow Wilson, then Princeton's president, wanted it located on the campus, others wanted it located, where it in fact is, up on the golf course away from campus. When Wilson lost that, he had one of his characteristic tantrums, went into politics, and ruined the 20th century.

I'm simplifying a bit. Madison asserted that politics should take its bearings from human nature and from the natural rights with which we are endowed, and which pre-exist government. Woodrow Wilson, like all people steeped in the 19th century discovery that history is a proper noun—History—with a mind and a life of its own, argued that human nature is as malleable and changeable as history itself, and that it's the job of the state to regulate and guide the evolution of human nature and the changeable nature of the rights we are owed by the government that—in his view—dispenses rights.

Heraclitus famously said that you “cannot step into the same river twice,” meaning the river would change. The modern Progressive believes you can't step into the same river twice because *you* change constantly.

Those of us of the Madisonian persuasion believe that we take our bearings from a certain constancy. Not from—to coin a phrase—“the evolving standards of decency that mark the progress of a maturing society.” That phrase, from Justice Warren, has become the standard by which the Constitution is turned into a living document—a Constitution that no longer can constitute. A constitution has, as Justice Scalia has said, an anti-evolutionary purpose. The very virtue of a constitution is that it's not changeable. It exists to prevent change, to embed certain rights so that they cannot easily be taken away.

Madison said rights pre-exist government. Wilson said government exists to dispense whatever agenda of rights suits its fancy, and to annihilate, regulate, attenuate, or dilute others. Madison said the rights we are owed are those necessary for the individual pursuit of happiness. Wilson and the Progressives said the rights you deserve are those that *will* deliver material happiness to you, and spare you the strain and terror of striving.

The result of this is now clear. We see, in the rampant indebtedness of our country and the European countries, what Yuval Levin has called a “gluttonous feast upon the flesh of the future.” We see the infantilization of publics that become inert and passive, waiting for the state to take care of them. One statistic: 50 percent of all Americans 55 years old or older have less than \$50,000 in savings and investment. The feast on the flesh of the future is what debt is.

Let’s get a sense of the size of our debt. In 1916, in Woodrow Wilson’s first term, the richest man in America, John D. Rockefeller, could have written a personal check and retired the national debt. Today, the richest man in America, Bill Gates, could write a personal check for all his worth and not pay two months interest on the national debt. By 2015, debt service will consume about one-quarter of individual income taxes. Ten years from now the three main entitlements—Medicare, Medicaid, and Social Security—plus interest will consume 93 percent of all federal revenues. Twenty years from now debt service will be the largest item in the federal budget.

Calvin Coolidge, the last president with whom I fully agreed, once said that when you see a problem coming down the road at you, relax—nine times out of ten it will go into the ditch before it gets to you. He was wrong about the one we now face. We are facing the most predictable financial crisis—the most predictable social and political crisis—of our time. And all the political class can do is practice what I call “the politics of assuming a ladder.”

There’s an old story where two people are walking down the road, one an economist, the other a normal American, and they fall into a pit with very steep sides. The

“The American political argument is an argument between two Princetonians: James Madison of the class of 1771, and Thomas Woodrow Wilson of the class of 1879.”

normal American says, “Good Lord, we can’t get out.” The economist says, “Not to worry; we’ll just assume a ladder.” This seems to me to be the only approach politicians have to the Ponzi nature of our own welfare state.

It is time for us to understand that the model we share—so far in attenuated form—with Europe simply cannot work. It states that we should tax the rich (a.k.a. the investing and job-creating class), while counting on spending the revenues of investment and job creation. No one has explained to the political class that it is very dangerous to try to leap a chasm in two bounds.

We are now being told that a Value Added Tax is going to be required. A VAT would help the political class to shower benefits on those who can vote for them while taxing people who can’t vote for them. The beauty of the VAT is that it taxes everybody, but nobody quite notices it.

We are going to come to a time when America is going to have to revisit Madison’s Federalist Paper no. 45, and his statement, “The powers delegated by the proposed Constitution to the federal government are few and defined.” The cost of not facing this fact, of not enforcing the doctrine, in some sense, of enumerated powers, is that big government inevitably breeds bigger government. James Q. Wilson, one of the great social scientists in American history, put it this way. “Once, politics was about only a few things. Today, it is about

nearly everything.”

Once the legitimacy barrier has fallen, political conflict takes a very different form. New programs need not await the advent of a crisis of extraordinary majority, because no program is any longer *new*. It is seen, rather, as an extension, modification or enlargement of something the government is already doing. Since there is virtually nothing the government has not already tried to do, there is little it cannot be asked to do. And so we have today’s death spiral of the welfare state; an ever-larger government resting on an ever-smaller tax base—government impeding the creation of wealth in order to enforce the redistribution of it. They are not, however, fooling the American people.

This morning, the *Wall Street Journal* announced, with a sort of breathless surprise, that 80 percent of the American people disapprove of Congress—raising a fascinating question: who are the 20 percent!? It is a sign of national health that Americans still think about Washington the way they used to talk about the old Washington Senators baseball team, when the saying was, “First in war, first in peace, and last in the American League.” Back then they were run by a man named Clark Griffith who said, “The fans like home runs, and we have assembled a pitching staff to please our fans.”

That is why the American people do not mind what they are instructed by their supposed betters to mind, the supposed problem of legislative gridlock. Gridlock is not an American problem, it is an American achievement! When James Madison and 54 other geniuses went to Philadelphia in the sweltering summer of 1787, they did not go there to design an efficient government. That idea would have horrified them. They wanted a safe government, to which end they filled it with blocking mechanisms: three branches of government, two branches of the legislative branch, veto, veto override, supermajorities, and judicial review. And yet, I can think of nothing the American people have wanted intensely and protractedly that they did not eventually get. The world understands, a world most of whose people live under governments they

wish were capable of gridlock, that we always have more to fear from government speed than government tardiness.

We are told that one must not be a “Party of No.” To “No,” I say an emphatic “Yes!” For two reasons. The reason that almost all improvements make matters worse is that most new ideas are false. Second, the most beautiful five words in the English language are the first five words of the First Amendment, “Congress shall make no law.” That is: no law abridging Freedom of Speech, no law establishing religion, no law abridging the right to assemble and petition in redress of grievance. The Bill of Rights is a litany of “No’s”—no unreasonable search and seizure, no cruel and unusual punishments, no taking of property without just compensation, and so it goes.

The American people are, I think, healthier than they are given credit for. They have only one defect. They have nothing to fear, right now, but an insufficiency of their fear itself. It is time for a wholesome fear of what people with a dependency agenda are trying to do. We have few allies. We don’t have Hollywood, we don’t have academia, and we don’t have the mainstream media. But we have two things. First, we have arithmetic. The numbers do not add up, and cannot be made to do so. Second, we have the Cato Institute. The people in this room are what the Keynesians call “a multiplier.” And, for once, they are right!

In Athens, the so-called “cradle of democ-

“ Given the Cato Institute, the American people will, in time, secure freedom. ”

cracy,” the *demos* (a Greek word for “the people”) have been demonstrating, in recent days, the degradation that attends people who become state-broken to a fault—who become crippled by dependency and the infantilization that comes with it. We shall see. I think America is organized around the very principle of individualism, which I can illustrate with what is, I promise you, the last baseball story.

Rogers Hornsby, the greatest right-handed hitter in the history of baseball, was at the plate, and a rookie was on the mound. He was, quite reasonably, petrified. The rookie threw three pitches that he thought were on the edge of the plate, but the umpire called, “Ball one! Ball two! Ball three!” The rookie got flustered, and shouted at the umpire, “Those were strikes!” The umpire took off his mask, looked out at the rookie, and said, “Young man, when you throw a strike, Mr. Hornsby will let you know.”

Hornsby had become the standard of excellence. If he didn’t swing, it wasn’t a strike. We want a country in which everyone

is encouraged to strive to be his own standard of excellence and have the freedom to pursue it. There are reasons to be downcast at the moment. Certain recent elections have not gone so well. Let me remind you, however, of something, again going back to 1964. In 1964 the liberal candidate got 90 percent of the electoral votes. Eight years later the liberal candidate got 3 percent of the electoral votes. This is a very changeable country.

Recall the words of the first Republican president who, two years before he became president, spoke at the Wisconsin State Fair, with terrible clouds of civil strife lowering over the country. Lincoln told his audience the story of the Oriental despot who summoned his wise men, and assigned them to devise a statement to be carved in stone, to be forever in view and forever true. They came back ere long, and the statement they had carved in stone was, “This, too, shall pass away.”

“How consoling in times of grief,” said Lincoln, “How chastening in times of pride.” And yet, said Lincoln, if we cultivate the moral world within us as prodigiously as we Americans cultivate the physical world around us it need not be true. Lincoln understood that freedom is the basis of values, not the alternative to a values approach to politics. Freedom is the prerequisite for the moral dimension to flower. Given freedom, the American people will flower. Given the Cato Institute, the American people will, in time, secure freedom.

E-Books: Download Cato’s online library

Free e-book available in September

Almost every book offered for sale in Cato’s online store—CatoStore.org—is available for immediate purchase and downloading in electronic format for major e-Book devices, including Kindle, Nook, and others. Cato’s e-Books may also be purchased from numerous online retailers, including Amazon, ebooks.com, Barnesandnoble.com, mylibrary.com, and overdrive.com

FREE E-BOOK: Starting September 7, 2010, visitors to downsizinggovernment.org—Cato’s major initiative to counter the federal government’s massive deficit spending by pinpointing billions of dollars in cuts that can be responsibly made—will receive a free e-Book—*Downsizing the Federal Government*. This acclaimed guide features over 200 pages of effective solutions to one of the greatest threats we face.

