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America's Suicidal Farm Export Subsidies

by James Bovard

Few people realize that increases in U.S. agricultural exports are often Pyrrhic victories. The U.S. Department of Agriculture early this year paid an export subsidy of $1.41 a bushel on wheat sold to Norway for $1.50 a bushel. Thanks to the USDA's generosity, American wheat was far cheaper in Oslo than in Chicago.

And by paying a 94 percent export subsidy on wheat, the USDA displaced unsubsidized exports of U.S. grain sorghum to Norway. The U.S. Feed Grains Council complains that subsidized wheat exports are increasingly undercutting unsubsidized exports of corn and other feed grains.

The wheat export subsidy is part of the Export Enhancement Program (EEP), America's premier farm export subsidy. Since 1985 the U.S. government has spent over $3 billion on the EEP. The Department of Agriculture is subsidizing the export of eggs to Hong Kong, barley malt to Venezuela, and rice to Turkey. The EEP has subsidized purchases by over 40 nations, including Trinidad and Tobago, Algeria, the Philippines, Zaire, the Canary Islands, Lesotho, Guinea, Togo, Namibia, Gabon, and Burkina Faso. Iraq has been a major beneficiary; U.S. taxpayers have paid $140 million in EEP bonuses for Iraqi purchases of American farm products. EEP bonuses have also been given on purchases by wealthy nations such as Switzerland, Finland, Saudi Arabia, the United Arab Emirates, and Kuwait.

Wheat has been the product most heavily subsidized by the EEP, and the flood of EEP subsidies is creating absurd results. A Mexican subsidiary of a U.S. corporation received subsidized U.S. wheat, processed the wheat into crackers, and then sold the crackers back to the United States, provoking an outcry from other American food manufacturers. The United States sold wheat to Turkey at a big loss—and Turkey promptly resold it to Iran and Iraq at a profit. The USDA's Foreign Agriculture Service admits that generously subsidized wheat exports have displaced unsubsidized American corn exports.

The EEP has spent over $2 billion to boost wheat exports. A USDA study concluded that 9 of every 10 bushels of wheat exported via the EEP would have been exported anyhow. The primary effect of the EEP was that, instead of

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In This Issue

This striking building will be the Cato Institute's headquarters at 1000 Massachusetts Avenue N.W., in Washington, D.C., beginning about November 1992.

A Market-Liberal Think Tank

President's Message

My friend Chris DeMuth, president of the American Enterprise Institute, is wont to chide me about what he perceives to be the "doctrinaire" nature of the output of the Cato Institute. While Cato focuses on critiques of government intervention in society and offers private-sector alternatives, AEI, according to DeMuth, focuses on hiring first-rate thinkers who are free to follow their first-rate thoughts wherever they may lead—even if that means calling for more, not less, government intervention.

Fair enough. AEI does indeed have very bright people on its staff, and despite an avowed institutional preference for the free enterprise system, it is not unusual for AEI thinkers to think kindly of government. Herb Stein wants to increase taxes and spend more on welfare and education, among many other things. Irving Kristol urges the Republican party to call for expanded social security benefits. Norman Ornstein and William Schneider wax enthusiastic about government in general and Congress in particular. And so on.

It is true that one doesn't find such thoughts emanating from Cato scholars and analysts. Is that bad? I think not. To wrap my defense in the cloak of the Founders, there are two quotes from Thomas Jefferson that are germane. Jefferson is reputed to have said, "That government which governs least, governs best"—a simple but profound statement with which I am in total agreement. More to the point, Jefferson also said that "the natural tendency of things is for liberty to yield and government to gain ground." A more sophisticated and expanded version of that statement won James Buchanan a Nobel prize.

The point is that, despite the wide-eyed credulity with which the national media report the "debate" inside the Beltway, the game is overwhelmingly rigged in favor of government. There are literally billions of dollars and thousands of bureaucrats dedicated to rationalizing the expansion of existing federal programs and the creation of new ones. Although it has plenty of it, the federal government needs no help from the private-sector think tanks in order to keep on expanding.

What there is too little of (and too little funding for) in public discourse is clear-eyed defense of voluntary societal arrangements as opposed to state-coerced "solutions." The state-coercion paradigm has failed in Eastern Europe and the Soviet Union in a big way. The major domestic government interventions in the United States—education, social security, health care, business regulation, federal deposit insurance—are failing for precisely the same reasons. That those interventions came about through a theoretically democratic process, rather than by dictatorial fiat, is ultimately beside the point. Regardless of their origin, denying competition, undermining private property rights, and inhibiting the market process do not enhance the well-being of society.

The broader Cato philosophy that energizes our work might best be described as "market liberal." Let me explain how I came to that description. I am a member of the Mont Pèlerin Society, an international organization whose founders included F. A. Hayek and Milton Friedman, that more or less embodies what I take to be the political philosophy of Cato. At a recent meeting of the society it occurred to me that if one were to ask the members to describe their philosophy, four distinct options would be put forth: conservative, libertarian, classical liberal, and liberal. Yet the organization as a whole has a sense of community that would belie any serious internal philosophical rifts. None of the four terms seems to me wholly descriptive of the society.

"Conservative" smacks of an unwillingness to change, a desire to preserve the status quo. In addition, many contemporary American conservatives favor state intervention in trade, in our personal lives, and in other areas that the MPS membership would consider inappropriate. "Libertarian," in addition to being an awkward and misinterpreted word, is often identified with an off-putting, almost religious, fervor on the part of its advocates.

"Classical liberal" is getting closer to the mark, but the word "classical" connotes a backward-looking philosophy all the tenets of which have been carved in stone. Finally, "liberal" may well be the perfect word from a European perspective (the liberals in societies from the USSR to Iran to South Africa are obviously on our side), but its meaning has clearly been corrupted by contemporary American liberals.

"Market liberal," by modifying liberal with an endorsement of the free market, pointedly distinguishes Cato's philosophy from contemporary U.S. liberalism. "Market liberal" strikes me as a solid description of a philosophy that is rapidly gaining adherents throughout the world. It is a forward-looking philosophy, open to change, tolerant, appreciative of the market process, and supportive of individual liberty. As such, it has a healthy skepticism about the efficacy and wisdom of government intervention. It is a framework (as opposed to an ideology) employed by the Cato Institute from which we determine which public policies will maintain and enhance our freedom and prosperity. That such a framework doesn't give rise to calls for higher taxes should not be taken as evidence that Cato analysts are not free thinkers. Quite the contrary.

Ed Crane

—Edward H. Crane

Capital Campaign Launched

Cato Breaks Ground for New Headquarters Building

With the theme from *Rocky* playing in the background, three Cato Institute officers and two members of the Finance Committee donned hard hats, took golden shovels in hand, and broke ground for the Cato Institute's new headquarters at 1000 Massachusetts Avenue, N.W., in Washington, D.C. Some 250 guests, many from out of town, attended the gala groundbreaking ceremony on September 6.

The ceremony featured remarks by Cato president Edward H. Crane, chairman William A. Niskanen, and David H. Koch, a member of the Finance Committee. Tributes to Cato were then delivered by syndicated columnist Patrick Buchanan and *New Republic* senior editor Michael Kinsley, the cohosts of CNN's "Crossfire." Kinsley praised Cato for its advocacy of the free market and personal liberty but chided it for believing that government always makes things worse. Buchanan noted that Cato scholars provide journalists with solid and provocative research.

"Crossfire" cohosts Pat Buchanan and Michael Kinsley debate what's good about the Cato Institute's market-liberal program at the groundbreaking ceremony for Cato's new headquarters.

Wielding the shovels were Crane, Niskanen, Koch, Cato executive vice president David Boaz, and Andrea Rich, proprietor of Laissez Faire Books and a member of the Finance Committee. Music was provided by Citizens Band. A Finance Committee dinner at the Henley Park Hotel followed the catered festivities.

"It is our belief that 1000 Massachusetts Avenue will in short order become a major focal point for policy debate in our nation's capital," Crane said. "The facilities are unique in the public policy research community. This is a 'media-friendly' headquarters that will enhance both the outreach and the impact of Cato's work."

Before completion of the building project, Cato hopes to enlist the active support of hundreds of friends and Sponsors to help retire $3 million in debt financing. Longer term, another $4 million will be raised to make Cato's new headquarters debt free. That will result in the new building's acting as a kind of "overhead endowment"—ensuring that all future contributions go directly into the Institute's program in support of market liberalism. Nearly 50 people have joined the Finance Committee by making five-figure contributions.

The 40,000-square-foot, six-story building, designed by the internationally renowned architectural firm of Hellmuth, Obata & Kassabaum, is

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Regulation, Competitiveness Are Subjects of Forums

Cato Events

August 7: Regulation magazine hosted a luncheon for representatives of the insurance industry. In preparation for an issue on government regulation of the insurance market, the editorial staff sought industry people's assessment of the issues they will face in the coming year.

August 13: A Cato Policy Forum featured a debate on **"FDA Advertising Regulations: Helping or Hindering Consumer Choice?"** Paul Rubin, vice president of Glassman-Oliver Economic Consultants, took the position that FDA regulations are harmful to consumers. Ken Feather of the FDA's division of drug marketing, advertising, and communications defended the rules.

August 15: **"The Political Impact of Ayn Rand"** was the topic of the final summer intern lecture cosponsored by Cato and the Institute for Humane Studies. Philosopher David Kelley introduced the audience to Rand's ethical and political thought and suggested ways in which her moral defense of capitalism has influenced the cultural atmosphere.

September 6: Several Cato staff members discussed current issues at a **Cato Policy Briefing.** The program featured David Boaz on education, R. J. Smith on the environment, Steve Moore on fiscal policy, Melanie Tammen on foreign aid, James Dorn on the failure of communism, and William A. Niskanen on regulation.

September 6: **Groundbreaking** was held for Cato's new headquarters at 1000 Massachusetts Avenue, N.W., in Washington, D.C. The speakers were Cato president Edward H. Crane, chairman William A. Niskanen, Finance Committee member David Koch, and "Crossfire" program hosts Patrick Buchanan and Michael Kinsley.

September 18: **"Is America Uncompetitive?"** was debated at a Policy Forum. Daniel Burton, executive vice president of the Council on Competitiveness, summarized the findings of his group's recent report, *Gaining New Ground: Technology Priorities for America's Future*, and discussed policy prescriptions for reversing the relative U.S. decline in a number of critical technologies. John W. Kendrick, emeritus professor of economics at George Washington University, offered a different interpretation of technological developments and the competitive position of the United States during the last two decades and criticized the council's recommendations as overly interventionist.

September 26: Rep. Dick Zimmer (R-N.J.) was the guest at a Cato **Round-Table Luncheon** at Watterston House. Zimmer, a freshman congressman with a reputation for being fiscally conservative and socially liberal, discussed a range of domestic policy issues with Cato staff and others, including economist Walter Williams of George Mason University. ■

Clarence Thomas, then chairman of the Equal Employment Opportunity Commission, discussed civil rights at Cato's 1987 conference, "Assessing the Reagan Years." Roger Pilon, director of Cato's Center for Constitutional Studies, played an active role in the Thomas confirmation effort.

Cato executive vice president David Boaz listens as Rep. Dick Zimmer discusses tax and environmental policy at a Cato luncheon in September.

Groundbreaking (Cont. from p. 3)

scheduled to open in November 1992. Fronting the lobby of the distinctive free-standing structure will be a striking five-story glass wintergarden that will be ideal for receptions and have room for up to 300 guests. A state-of-the-art, 200-seat auditorium will be ideal for policy conferences and debates, and a glass-partitioned media room will accommodate the television and radio community. The conference room, which opens into the wintergarden, will be suitable for business meetings as well as Policy Forums, luncheons, and smaller seminars for groups of up to 75. The library will house an extensive collection of classical liberal books and papers, in addition to the most recent research reports.

Convenient to two luxury hotels and the Washington Convention Center, the building will make the Cato Institute a landmark on Massachusetts Avenue for many years to come. ■

Cato Institute president Edward H. Crane discusses the Institute's growth and its plans for the future at the groundbreaking ceremony on September 6.

Federal judge David Sentelle was among the guests at the groundbreaking.

Ed Crane talks with Finance Committee members Peter Crumbine and Richard Sears and board member David Padden.

Cato board member Richard J. Dennis discusses Soviet economic reform with Cato vice president James A. Dorn.

Cato chairman William A. Niskanen (right) talks with Finance Committee member Paul Allen and former federal budget director James C. Miller III, chairman of Citizens for a Sound Economy.

No Aid at All

by Peter Bauer and Anthony Daniels

Now that Russia has finally joined the Third World by accepting the Third World's only unifying principle, the need for and right to large subventions from the West, popular sentiment toward it has softened considerably. The Russian bear has become the Russian beggar, and who can so harden his heart as to refuse to give?

No sooner had Mr. Gorbachev been temporarily ousted from power by hard-liners, than there was speculation in the West that the "real" cause of the coup was the West's refusal to provide Mr. Gorbachev with sufficient aid. Economic conditions had deteriorated, not improved, under perestroika; the West had failed to rescue the reforms, and thereby delivered the country to the dinosaurs. The lesson drawn from the coup was that, if disaster were to be averted, there must be aid on a scale commensurate with the size of the country and its problems.

The word *aid* pre-empts sensible discussion. Who can be against giving aid to the less fortunate? Those who advocate giving aid therefore claim a monopoly of compassion; indeed, the extent of one's compassion can be measured by the amount of aid one advocates.

Alas, we live in an age of euphemism, when words have more power than ever to disguise the nature of things. Aid is not a direct charitable donation to the poor and unfortunate by the rich and fortunate; it is the subsidy of one government by another. And subsidies tend to have lamentable economic and social effects; like certain drugs, they are habit-forming.

There are two main arguments in favor of aid, the first moral and the second prudential. Here a distinction is granted between Russia and the rest of the Third World. The case for aid to Russia is primarily prudential, while that for aid to Africa, Latin America, and those parts of Asia that are not about to overtake the donor countries is primarily moral.

The moral argument, where it does not rest upon the open-ended duty of the rich to assist the poor regardless of the cause of their poverty, rests upon the premise that some countries are rich because others are poor. The rich countries play bourgeoisie to the poor countries' proletariat, extracting surplus value from them and condemning them to constant immiseration, à la Marx and Nyerere. Aid, therefore, is restitution, and the poor countries have a right to expect it.

> "Poverty is not caused by lack of capital; if it were, men would still live in caves."

There are so many misconceptions in that argument that only its fulfillment of some deep psychological need could explain its continued popularity among academics and the *lumpenintelligentsia*. It relies upon a clear-cut distinction between rich and poor, when in fact there is a continuum of national income and level of development among nations. (Only people fundamentally uninterested in reality could fail to notice the difference between Colombia and Chad, for example.) It ignores the fact that there are many rich people and groups in Third World countries. It does not explain how some countries have managed, in less than half a century, to move from great poverty to considerable prosperity. It ignores the fact that Latin America as a whole, despite its problems, has become very much richer, not poorer, since the 19th century. It predicts that those countries with the most trade should be the poorest, when the very opposite is palpably the case. In short, the argument is a farrago of guilt-ridden nonsense.

There are very few, however, who would claim that Russia's poverty, in certain respects worse and more intractable than that of Guatemala or Malaysia, is the result of an unjust world economic order. Since it is axiomatic that aid is a Good Thing, in the Sellar and Yeatman sense, the argument for giving aid to Russia is of necessity different. It is the prudential argument that unless we give aid, it will be the worse for us.

That, of course, is precisely the point Mr. Gorbachev was making when he attempted—shortly before the coup—to extort more money from the West. Essentially, Mr. Gorbachev reiterated the moral at the end of Hilaire Belloc's "Jim, Who Ran Away from His Nurse, and Was Eaten by a Lion":

> . . . always keep a hold of Nurse
> For fear of finding something worse.

In that alarming vision, the reactionary communist generals and party functionaries played Lion to Mr. Gorbachev's Nurse.

To the extent that famine and economic chaos in Russia might result in a Bourbon restoration, or in a massive efflux of refugees, or in a violently xenophobic regime, Mr. Gorbachev had a point. The transition from a planned to a market economy is bound to produce dislocations and hardships, including unemployment and abrupt price increases (previously disguised by overmanning and shortages). No one wants to see the Russian people, who have suffered in this century almost as no other, face yet another famine. There is, therefore, a good case for short-term donations of food and other essentials to alleviate the inevitable suffering caused by the transition. Those donations, however, should as far as possible avoid official channels, and they should be stringently conditional upon the genuine implementation of reform. On no account should they be used as a means of buying time for the old system and methods.

Peter Bauer is professor emeritus of development economics at the London School of Economics. His latest book is *The Development Frontier*. Anthony Daniels is a doctor who worked for two years in Tanzania. His latest book is *The Wilder Shores of Marx*.
This article is reprinted with permission from the September 7 issue of *The Spectator*.

The provision of relief from a crisis, however, is a far cry from development aid as normally conceived. The latter is ostensibly designed to help countries whose economic problems are thought to result from a shortage of capital for investment. With regard to Russia, figures of $30 billion a year for five years have already been bruited with abandon by everyone except the people who will actually contribute the money (i.e., the taxpayers of the West). Such discussion as there is concerns only the amount of aid to be given, not the worth of aid per se, which is assumed to be, like man's right to life, liberty, and the pursuit of happiness, self-evident.

Creating Wealth

A moment's reflection, however, is sufficient to demonstrate that the worth of development aid is not self-evident. Poverty is not caused by lack of capital; if it were, men would still live in caves. Moreover, countless individuals and numerous societies have, over a few decades, become rich starting out from poverty. All that was necessary for them was incentive, inclination, and opportunity (that is to say, a lack of obstruction, especially by governmental policy). The international economic pecking order is not immutably fixed by the current presence or absence of capital; if it were, how could large parts of Asia and West Africa have moved from grinding poverty to appreciable wealth in the relatively few years from the end of the 19th century to the middle of the 20th without aid?

But even if an external source of capital *were* required for a society or country to make economic progress, the worth of intergovernmental subsidies would still not be established, for there are other sources of capital—direct private investment, for example, or commercial loans. It is commonly asserted that such sources will not fund the expensive infrastructure necessary for economic development, but that is surely to misunderstand the nature of the relation of infrastructure to the rest of the economy. No country develops by establishing an infrastructure and then finding an economic use to which to put it. In normal circumstances, the infrastructure grows organically, pari passu with the rest of the economy. The world is replete with giant infrastructural projects without economic justification, many of them financed by development aid. Such projects are not merely useless; they are harmful.

Those who advocate development aid surely have a duty to examine its practical consequences. In an increasingly psychotherapeutic cultural milieu, little distinction is drawn between doing good and feeling good, but it is as well to remember that what are small sums for rich governments may be huge sums for poor governments. It is not sufficient to assume that aid—those few billions the rich countries will not miss—can do no harm and may do some good. Casual sentimentality among the rich can devastate the poor.

The pauperizing effects of subventions to poor countries are seen in sharpest relief in Tanzania. For many years, aid has provided Tanzania with more than twice as much foreign currency as its own exports. Satire is redundant where Tanzania and its Western (notably Scandinavian and World Bank) supporters are concerned; the reality is truly Swiftian.

> "Foreign aid paid Nyerere and his self-appointed elite to extend their ruthless control over every aspect of life in Tanzania."

Subsidizing Horrors

It was aid that made possible the resettlement at gunpoint of a considerable proportion of Tanzania's rural population within two years, with many millions of poor peasants herded into villages against their will to the hosannahs of the compassionate of Uppsala, Copenhagen, and Sussex University; it was aid that paid Nyerere and his self-appointed elite to extend their ruthless control over every aspect of life in Tanzania; it was aid that built the factories that, at immense expense, not only failed to provide anything but drained the rest of the economy; it was aid that paid the deficits of the state-owned agricultural procurement corporations whose position of monopsony made it uneconomic for the peasants to grow produce for export; it was aid that allowed the gross overvaluation of the Tanzanian currency, to the great advantage of the rulers and their favored groups who had access to dollars at the official exchange rate, and to the detriment of everyone else; and it was aid, and only aid, that made possible the continuation of policies for 20 years that were predictably disastrous even before they were implemented.

The solution to Tanzania's pauperization is, of course, more aid, as advocated recently by Mr. Perez de Cuellar. That neatly demonstrates the tendency of aid to reward impoverishing policies: the worse everything gets, the better for the aid agencies.

It might be argued that the effects of aid in Tanzania are peculiar to it and that elsewhere the effects have been different. But that is not so. Aid goes to and through governments and, therefore, increases the powers of patronage of politicians, civil servants, and their associates—a patronage that is at the very heart of the problem of countries ranging from Peru, where state enterprises *lose* the equivalent of an eighth of the annual GNP, to the Soviet Union, and from Mozambique to India. The resultant politicization of life diverts the energies and resources of people from economic activity to politicking and raises the stakes—for both winners and losers—in the struggle for power. People's economic and even physical survival comes to depend on the outcome of the political struggle and on administrative decisions.

Furthermore, aid in practice provides no worthwhile political leverage; there is no country whose government is so vile, so incompetent, so callous in its disregard of the welfare of its people, so anti-Western that it has not received aid from the West, whether bilateral or multilateral. While Assad was gassing the people of Hamaa and blowing up civilian aircraft, his government received large subventions ($1,736 million between 1986 and 1989). The same is true of Mengistu while he was engaged in a near-genocidal war and behaved with insensate brutality ($2,941 million

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Cato Supporters Gather for September Groundbreaking

Cato executive vice president David Boaz welcomes Brookings Institution president Bruce MacLaury to the groundbreaking. Brookings and Cato will be Massachusetts Avenue neighbors after 1992.

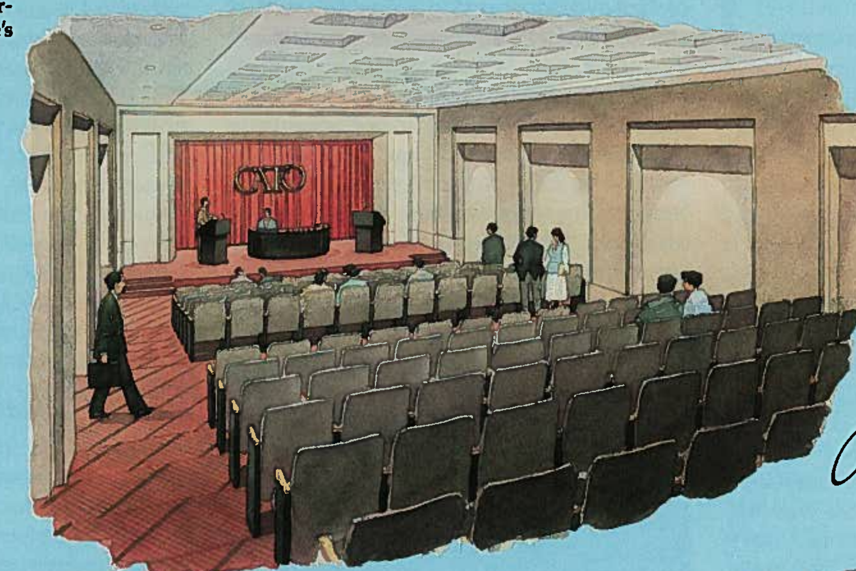
Ed Crane shows plans for the new building to economist Richard Rahn and his wife Anneli Rahn.

Finance Committee members Susan Au Allen and Andrea Millen Rich celebrate the groundbreaking.

Economist Paul Craig Roberts of the Center for Strategic and International Studies discusses the faltering economy with Cato board member David H. Koch.

Officially breaking ground for Cato's new Massachusetts Avenue headquarters are Cato chairman William A. Niskanen, board member David H. Koch, president Edward H. Crane, executive vice president David Boaz, and Finance Committee member Andrea Millen Rich.

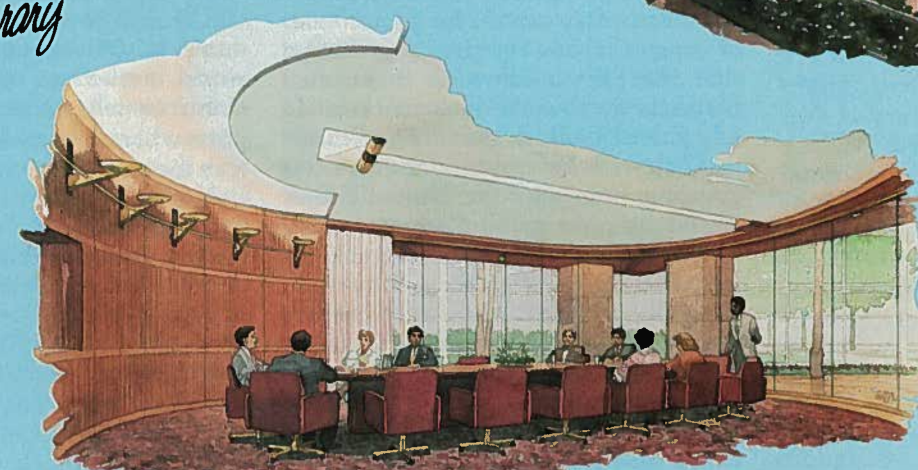
Pictured are artist's renderings of the Cato Institute's new headquarters.



Auditorium

Library

Wintergarden



Conference Room

Farm Exports (Cont. from p. 1)

exporting for a profit, the United States sold at a loss. Harvard economist Robert Paarlberg notes, "It would have been almost a dollar a bushel cheaper simply to buy surplus wheat on the free market and then destroy it, rather than to give it away under EEP."

EEP subsidies sometimes exceed the value of the exported product. The USDA paid a 140 percent bonus to foreign buyers of American semolina in 1987 and bonuses of 146 percent on dairy cattle exports in 1986. That effectively meant that the USDA gave foreign buyers a $14.60 bonus to persuade them to pay us $10 and take a cow off our hands. At that rate, it would have been cheaper to simply push the cows off the Brooklyn Bridge. (Despite the huge losses to taxpayers, Sen. James Jeffords [R-Vt.] is lobbying the USDA to try to solve the dairy surplus problem by paying to export more American cows to the Mideast.)

The Department of Agriculture decided that the United States should become a major frozen poultry exporter, and the EEP floodgates were opened. Foreign buyers received a bonus of 111 percent in 1986 and 67 percent in 1987. One USDA economist concluded that the main achievement of the poultry subsidies was to provide a windfall for Iraqi and Egyptian consumers. Meanwhile, American consumers were shafted because export subsidies drove up domestic retail chicken prices by almost $1.5 billion.

The EEP was created in 1985 to teach the Europeans a lesson on the futility of export subsidies. When the program was first announced, Secretary of Agriculture John Block declared, "We are going on the attack in the international marketplace." But the USDA has conducted the subsidy war like the Austro-Hungarian empire would have—showing an excellent capacity for incendiary rhetoric, but proving totally incapable of achieving its goals, and in the end simply embarrassing itself and dragging the nation down.

While European wheat exports have increased in recent years, the U.S. share of the world wheat market has fallen sharply; wheat exports have decreased by more than 30 percent since 1987. A top General Accounting Office official told the Senate Agriculture Committee last year that the EEP had "neither deterred the EC [European Community] from using subsidies nor hurt its share of the world market." The EEP has imposed far greater costs on U.S. taxpayers than on European competitors.

USDA under secretary Richard Crowder declared last year that the EEP had "challenged the unfair practices of competitors." Not only has the EEP failed to vanquish the Europeans, but EEP

> **"The USDA gave foreign buyers a $14.60 bonus to persuade them to pay us $10 and take a cow off our hands. It would have been cheaper to push the cows off the Brooklyn Bridge."**

subsidies have wreaked havoc on unsubsidized farmers in Australia, Argentina, and elsewhere. The government of Australia has repeatedly protested that the EEP is allowing the United States to steal Australia's markets. In July President Bush sent Prime Minister Bob Hawke of Australia a letter assuring him that the United States would strive to avoid disrupting Australia's traditional markets. Then in August the USDA effectively committed $15 million in EEP bonuses to capture the wheat market in Yemen, a traditional Australian customer. When asked by a reporter about Bush's promise to Hawke, Sandra Kristoff of the Office of the U.S. Trade Representative replied: "The United States will not forgo EEP merely because good allies like Australia are unfortunately caught in the crossfire. . . . The commitment that the president made to Prime Minister Bob Hawke was that we would try to minimize or avoid any disruptive effects of EEP on Australia. There was not a commitment by our president to avoid using EEP in markets that were traditionally Australian. So I think we have not breached the commitment to try to minimize the effect on Australia." It is difficult to understand how using U.S. tax dollars to shanghai Australia's customers will minimize the effects of the EEP on Australia.

Milking Taxpayers

On March 1, 1991, the USDA announced a major expansion of dairy export subsidies. The press release, typical of the Byzantine planning involved in government export efforts, listed the amount of milk powder and butterfat that the United States intended to export at fire-sale prices. For instance, New Caledonia is entitled to 250 tons of milk powder; Greenland, 100 tons; Seychelles, 100 tons, and Venezuela, 15,000 tons. The United States is offering 100 tons of butterfat to the Faroe Islands (a territory of Denmark in the North Atlantic), 100 tons to Bangladesh, and 100 tons to Djibouti.

It is peculiar that the United States aspires to be a major dairy exporter, since American prices are significantly higher than world dairy prices. The government is currently paying U.S. farmers 98 cents a pound for butter—and selling it abroad for roughly 55 cents a pound. At a time when many Americans cannot afford to buy milk, the USDA will spend over $50 million to dump 140,000 tons of U.S. dry milk on world markets at rock-bottom prices. Unfortunately, no amount of dairy exports will reduce malnutrition in America's inner cities.

The dairy export subsidies are being used almost solely to dispose of the evidence of the failure of U.S. dairy policy. Because the federal government is paying farmers more than their milk is worth, the USDA expects to buy over 8 billion pounds of surplus milk this year. By ridding the United States of surplus dairy products, congressmen and USDA officials hope to avoid the accumulation of mountains of surplus dairy products, which could spark public discontent and foment demands for lower federal dairy price supports. Though the dairy export subsidies, like the wheat export subsidies, are intended to teach the Europeans a lesson, the main victims are the world's most efficient dairy farmers—New Zealanders, who receive less than half the price for their dairy products that American farmers receive for theirs.

The United States is also heavily subsidizing the export of rice. According to the USDA, in 1986 the United States spent up to four times the world price for each exported hundredweight of rice that would not have been exported without subsidy. Since 1986 the United States has spent over $2 billion on rice export subsidies and marketing loans. Those programs have at times driven world rice prices down to excessively low levels and have severely harmed struggling unsubsidized rice farmers in Thailand.

The Department of Agriculture is also providing generous credit subsidies to foreign buyers. This year the USDA expects to provide them over $5 billion in credit. Unfortunately, as Rep. Charles Schumer (D-N.Y.) recently noted, many farm export credit guarantees "are gifts masquerading as commercial transactions." The USDA has already admitted over $3 billion in losses in the credit subsidy program (Saddam Hussein was not quite as reliable a debtor as federal bureaucrats had hoped he would be). Last May the General Accounting Office estimated that $6.7 billion—60 percent of the outstanding farm export loans and loan guarantees—would be defaulted on in coming years. Yet that appalling record has not dissuaded the Bush administration from extending ample credit guarantees to the Soviet Union to cover its purchases of American agricultural products—even though few realistic people believe that the Soviets are creditworthy. The USDA has been very generous with its export credits, and its administration of credit guarantees has been so slipshod that American taxpayers have been forced to underwrite $141 million in export shipments that contain foreign tobacco mixed with U.S.-grown tobacco.

Brand-Name Boondoggles

Should Uncle Sam be using taxpayers' dollars to pay for Ralston Purina Puppy Chow ads in Tokyo? A little-known federal program—the Market Promotion Program (MPP)—is spending $200 million a year to attempt to boost American food, alcohol, and tobacco exports. (The MPP was known until last year as the Targeted Export Assistance program. Congress reacted to widespread criticism of the TEA program by changing its name.) The Department of Agriculture is paying for foreign advertisements for Tombstone beef sticks, Weaver popcorn, Kal Kan dog food, Hsu's ginseng tea, Sokol & Blossen pâté, and other products. The federal government has even given McDonald's hundreds of thousands of dollars for ads in foreign countries. Private companies keep the profits from sales generated by the increased advertising, while American taxpayers pick up the tab. The Cotton Council International is the largest recipient of MPP money—it raked in $15.4 million in 1989. The Cotton Council has revolutionized the use of MPP money: it uses it to buy the good will of huge foreign corporations. Both Bennetton (of Italy) and Gunze (Japan's largest underwear maker) are receiving U.S. tax dollars to advertise their products in foreign markets. The Cotton Council justifies the subsidies to foreign companies on the grounds that the foreign ads will include a little "Cotton USA" logo, which the Cotton Council is promoting as an international symbol for products that contain at least 50 percent American cotton. Yet the Cotton Council is bankrolling the competition of the American textile industry.

> **"The Department of Agriculture is paying for foreign ads for Weaver popcorn, Kal Kan dog food, Gallo wine, Jim Beam, Sokol & Blossen pâté, and McDonald's."**

The MPP is providing over $7 million a year for advertisements for over 50 different brands of wine. The beneficiaries include Gallo, Chateau Ste. Michelle, Conn Creek, Hogue Cellars, Potters Hinnan, Hananoki, Arbor Crest Premium Wines, Hoodsport, Santino, and Preston Wine Cellars. But subsidizing the export of Blue Teal New Mexican wine to France is a little like trying to sell oil to Saudi Arabia. The MPP is bankrolling ads for 25 different brands of American wine in Japan. The USDA has already received complaints that subsidized advertising is undercutting the effectiveness of other American companies' unsubsidized foreign ads.

Although Congress recently banned smoking on domestic airline flights, Tobacco Associates has received $10 million since 1986 to help boost exports of tobacco. Though many American women—to put it mildly—cannot afford to buy mink stoles, the U.S. government has decided that taxpayers can afford to spend over $2 million a year to boost mink exports, including an $880,000 grant to Hudson's Bay Fur Sales in 1989.

While the United States is demanding that foreign nations pay any price to reduce their marijuana exports to the United States, the USDA is spending $3 million a year to boost exports of whiskey, including Jim Beam, Seagrams, Hiram Walker, and Heaven Hill. And the government has forced taxpayers to bankroll over $25,000 in foreign ads for premium Samuel Adams beer.

The USDA gave $4 million to the Blue Diamond Almond Growers for foreign promotions—even though Blue Diamond controls the USDA Almond Board, which has prohibited American farmers from exporting tens of millions of pounds of almonds in an OPEC-style effort to drive up world almond prices. Sunkist received $17 million for its ads, even though Sunkist dominates the authoritarian USDA marketing order boards that have perennially restricted U.S. citrus exports to Canada in order to inflate prices in the North American market. The USDA has spent $25 million to boost raisin exports, even though its restrictions (designed to boost world raisin prices) are deterring the export of 100 million pounds of California raisins.

(Cont. on p. 12)

James Bovard is a Cato associate policy analyst and the author of *The Fair Trade Fraud*, just published by St. Martin's Press.

Farm Exports (Cont. from p. 11)

If advertising abroad is cost-effective for American companies, then the companies themselves will pay for the ads. Last year a General Accounting Office report on the TEA observed, "There have been no evaluations of the [brand-name] program to demonstrate that promotional activities taking place . . . are in addition to what would have taken place in the absence of the program."

The MPP assumes that the United States is so virtuous and so victimized that it does not need to play by the same international trade rules that it demands that the rest of the world observe. The MPP does not work to lower trade barriers; it provides federal subsidies that help American companies to seize larger market shares in countries that have no trade barriers and have committed no offense against American industry. Because one country may impede American imports, the Department of Agriculture claims a license to engage in unfair trade practices against any country in the world. If Mexico banned Japanese auto imports, and the Japanese government "compensated" its automakers by subsidizing Toyota ads in New York, Congress would go berserk. But it's okay if the United States plays such games.

The Futility of Export Subsidies

The United States has long relied on export subsidies to try to solve farm problems caused in Washington. U.S. politicians have offered various explanations of why U.S. export subsidies for farm products are morally different from foreign governments' export subsidies. The 1986 *Economic Report of the President* declared, "[Farm] export subsidies are a cause for complaint only if they allow the subsidizing country to gain more than an equitable share of the world market, or if subsidized products are priced significantly below those of other suppliers." (Naturally, no two governments can agree on "equitable share of the world market.") Similarly, Deputy U.S. Trade Representative Julius Katz declared on November 15, 1990, "We won't try to outspend the [European] Community, but we'll find other ways of protecting ourselves and protecting our market share." The usual method the U.S. government uses to protect market share is to send U.S. taxpayers on economic kamikaze missions.

The premise underlying export subsidies is that U.S. profit margins are so low that American grain exporters cannot afford to cut prices to garner sales. Yet if the profit margin is so low, any subsidy higher than 5 or 10 percent would mean that the United States was selling at a loss. The average cost of the Export Enhancement Program's wheat subsidies has been roughly 50 percent of the value of the wheat this year. It is tricky to earn a profit that way. The USDA has mandated that the EEP be cost-effective: "a net plus to the overall economy should result [from subsidies]." The notion that America can profit from export subsidies assumes that USDA bureaucrats have the wisdom of Solomon, the patience of Job, and the speed of Mercury—that they can play a market with all the skills of the best traders. But the GAO reports that the USDA does a shoddy job of calculating subsidies, that it is incapable of judiciously setting subsidy margins, and that it moves too slowly to seize sales opportunities.

> **"The main victims of dairy export subsidies are the world's most efficient dairy farmers—New Zealanders."**

This year the Department of Agriculture rewarded farmers for leaving over 60 million acres of land idle (including 15 million acres previously planted in wheat), thereby sharply decreasing American output and farmers' productivity. The goal of the set-aside program is to make domestic grain prices higher than they otherwise would have been. But the higher the set-aside program drives wheat prices, the less competitive American grain is on world markets. Export subsidies are used in large part to counteract the effect of other farm policies that make American crops uncompetitive on world markets. Export subsidies are one more link in an endless chain of self-defeating farm programs.

For 70 years farm programs have sought to inflate farm prices. Yet because American agriculture is an export industry, politicians cannot drive up U.S. prices without driving American farmers out of world markets. Export subsidies, by allowing American politicians to almost totally disregard the realities and discipline of world markets, have permitted far more government control of agriculture than otherwise could have occurred.

The United States has long been its own biggest enemy in agricultural trade wars. Every acre the USDA pays to idle reduces the cost of the European Community's handouts to its own farmers. If the United States produced to full capacity, European farm subsidy costs would skyrocket—and the entire structure of the Common Agricultural Policy would soon collapse.

The Bush administration's goal in negotiations on the General Agreement of Tariffs and Trade—world farm trade liberalization—is commendable. We are more likely to achieve trade liberalization by deregulating and liberating U.S. agriculture than by browbeating the Europeans. A study by Andrew Feltenstein of Kansas State University estimated that the elimination of agricultural subsidies in 1986 would have reduced America's trade deficit by $42 billion, and a Purdue University study found that eliminating farm subsidies would boost U.S. exports by $10 billion.

Export subsidies provide an excellent case study of the delusion of strategic industrial policy. When the EEP subsidies began, farm-state congressmen and USDA bureaucrats were confident that a few carefully selected sales would demonstrate America's willingness to export at any price and thereby bring the Europeans to their knees. Instead, the precedent of a few subsidies created the demand for far more subsidies, and soon the United States was paying subsidies on the vast majority of its wheat exports. When it became evident that subsidies would not achieve their goal, perpetuating them began to be perceived as an act of national machismo—proving that the United States would not be intimidated regardless of its losses. In trade wars, as in other wars, the original provocation is forgotten as politicians become obsessed with saving face and achieving victory at any cost.

American agricultural exports would be far higher and more profitable if the Department of Agriculture had been abolished long ago. Getting into an export subsidy war is like trying to punish a foreign government by financially massacring our own citizens.

We cannot become rich by giving food to foreigners. U.S. farm export subsidies have disrupted international markets, squandered billions of dollars, and bushwhacked some U.S. farmers. The sooner our current crazy-quilt collection of farm export subsidies is abolished, the more prosperous America will be. ■

Foreign Aid (Cont. from p. 7)

between 1986 and 1989). Burma, whose vicious military socialist government has reduced its country to the nadir of poverty, has not been starved of funds ($1,455 million between 1986 and 1989). Zaire, the fortune of whose president is said to equal the external debt, received $2,288 million in the same period. Even Saddam Hussein's Iraq, despite its military excesses and wasted oil revenues, received $139 million during those four years.

There is thus no reason to suppose that subventions will help Russia climb out of the pit of Lenin's making. If it consistently and unequivocally pursues market-orientated policies, it will be able to attract direct investment and to raise loans; if it does not, no amount of aid will rescue it. Indeed, aid might then be harmful, for it would reinforce the policies that made aid allegedly necessary in the first place.

Intergovernmental subsidies are demonstrably neither necessary nor sufficient for the creation of prosperity. It is not possible to prove conclusively that they have done, or will do, harm in every case; but they have done enough harm in enough cases to raise serious doubts about them.

Why the Support for Aid?

In the light of those doubts, it is curious to note the virtually unanimous acceptance of the benefits of aid. Such near unanimity invites inquiry as to its cause, although such speculation cannot in itself shed light on the value of aid.

In the first place, there are powerful interest groups, in both the public and the private sectors, in favor of aid. There are large bureaucracies who administer it, both at home and overseas. Jobs depend upon the continuation and, if possible, the expansion of aid. As the American professor of economics, Thomas Sowell, puts it:

> To be blunt, the poor are a goldmine. By the time they are studied, advised, experimented with and administered to, the poor have helped many a middle-class liberal to attain affluence with government money.

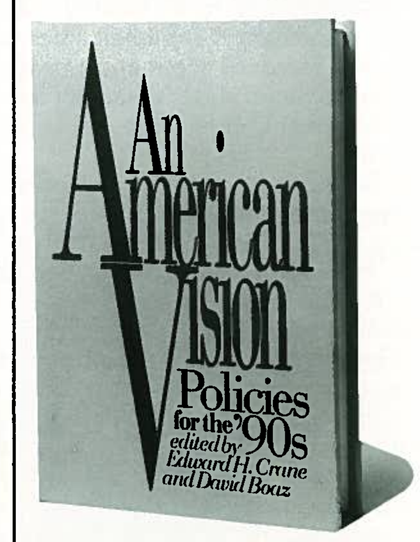
And since much aid is granted on condition that it be spent on goods and services from the donor's country, contractors may bid without fear of foreign competition.

But there is something deeper than mere financial interest at stake. The argument that poor countries are poor because the rich are rich satisfies the widespread craving for personal transcendence in a post-colonial and post-religious age. If Western civilization can no longer be considered the fount of all that is good in the world, it can at least be considered the fount of all that is bad. For many, it may be more satisfying to be bad on a cosmic scale than to be merely insignificant.

As to Russia, it is gratifying for some to think that that great country, with its highly talented people, needs us for its redemption. But it is surely presumptuous and condescending to imagine that people who crave material progress cannot achieve it without our handouts. We would help them more by opening our markets to their produce than by turning them into our pensioners. ■

"Three books that I have found invaluable in writing this uninvaluable one were *Losing Ground* and *In Pursuit: Of Happiness and Good Government* by Charles Murray and ***An American Vision***, edited by Ed Crane and David Boaz of the Cato Institute. I commend these tomes to any critic of government seeking serious amelioration rather than comic relief."

—**P. J. O'Rourke**
from the foreword to
Parliament of Whores: A Lone Humorist Attempts to Explain the Entire U. S. Government



An American Vision: Policies for the '90s
edited by Edward H. Crane and
David Boaz
358 pp., $15.95, paper

Let the Soviet Jews Come to America

Reforms Urged in Swedish Welfarism, U.S. Jurisprudence

New Cato studies argue that Sweden's economy was wrecked by the welfare state, that commercial speech should be protected under the First Amendment, and that the Bush administration should reverse its policy of limiting the number of Soviet Jews who can come to the United States.

The Myth of Sweden's Third Way

Free-market ideas have begun to take root in Sweden, states Swedish economist Peter Stein in "Sweden: From Capitalist Success to Welfare-State Sclerosis" (Policy Analysis no. 160). Stein correctly predicted that Swedish voters would throw out the socialist government on September 15 and bring in the nonsocialist bloc. For years Sweden was perceived as "proof that a vibrant free-market economy . . . could harmoniously coexist with an ambitious and successful egalitarian welfare state." But as Stein demonstrates, "Sweden's rapid growth occurred before the imposition of the welfare state." Sweden was merely able to delay the negative effects of state intervention.

"Between 1870 and 1970," Stein writes, "Sweden progressed from an underdeveloped country to a country with one of the highest per capita incomes in the world." Sweden's economic growth, according to Stein, was the result of limited government, free trade, and free enterprise.

The Social Democrats had controlled the government since 1932 (except from 1976 to 1982). They increased public-sector employment and developed a cradle-to-grave welfare state that slowly diminished the quality of life in Sweden. The negative effects have become increasingly apparent since the 1970s. The nonsocialist parties that won the recent election, Stein writes, "have a joint economic platform that calls for privatization, deregulation, and moderate tax cuts." He adds that the platform would "mark the beginning of a political watershed in Sweden."

Commercial Speech Merits Protection

Commercial speech should receive the same First Amendment protection that political speech does, says Jonathan W. Emord, an attorney with the Institute for Justice, in a new Cato study, "Contrived Distinctions: The Doctrine of Commercial Speech in First Amendment Jurisprudence" (Policy Analysis no. 161). According to Emord, "The press known to the Founders was replete with advertising matter, yet the entire press, not merely the part devoted to political discourse, was placed beyond the reach of the state. In short, the Founders did not create a legal distinction between commercial and political speech."

That artificial distinction has been created by the Supreme Court, which has given commercial speech "almost no protection and held that the content of speech that proposes a commercial transaction, even when intertwined with speech about noncommercial concerns, is regulable." But because "the Court has not been able to define 'commercial speech' unambiguously," its commercial speech doctrine is "unprincipled and draws within the regulatory reach of the state" communication that would be protected under a traditional interpretation of the First Amendment.

Emord shows that "the Court has in place no standard capable of preventing an enormous amount of speech indispensable to the exchange of ideas and information from being swept within the censorial power of the state." He calls on the Court to "rededicate itself to first principles."

Lift the Quotas on Soviet Jews

The Bush administration should not guarantee loans for Israeli settlement of Soviet Jews. Instead it should allow the Soviet Jews to come to the United States, writes Cato senior editor Sheldon L. Richman in "Let the Soviet Jews Come to America" (Foreign Policy Briefing no. 13). President Bush's decision to delay the guarantees for 120 days and possibly link them to the cessation of Israeli settlement of occupied Arab territories does not solve the problems he seeks to address, Richman writes, because Israel sees settlement of the refugees and retention of the West Bank and Gaza Strip as a single problem. Since money is fungible, the loans guaranteed by the United States would free money for use in the territories, as has happened before.

"Granting the guarantees . . . would harm the Soviet Jews, American taxpayers, and the Israelis themselves," Richman writes. In Israel the highly educated refugees face unemployment and despair in a stagnant socialist economy. Most Soviet immigrants would come to the United States if allowed free choice. Before Israel pressured the United States into lowering the quota of Soviet refugees, about 90 percent of them came to America. "In sum, allowing Soviet Jews to come to the United States is consonant with human rights, their own conception of the good life, and the legend on the Statue of Liberty," Richman states.

The guarantee would hurt American taxpayers because they would probably have to give Israel foreign aid so it could repay the loans. Israel currently uses much of its foreign aid to repay old loans. "The final cost to the United States . . . would be the loss of economic and other benefits that would have been provided by the immigrants themselves," writes Richman. "Soviet Jews are some of the most highly educated and potentially most productive immigrants in the world. Israel's wish for the money *and* the immigrants can only be described as *chutzpah*."

Israeli citizens would be hurt by the guarantee because "it reinforces bad policies and puts off the day when market-directed reforms are recognized as necessary." ■

Transport Deregulation Backed

Major additional deregulation of the transportation industries is an important complement to the transportation bill now being considered by Congress, asserts the Summer 1991 issue of *Regulation*, Cato's review of business and government. Federal policies affecting the trucking, airline, railroad, and maritime industries are critically reviewed and found to need further reform to improve the productivity of those industries.

Robert E. Farris of the American Trucking Associations reports that longer combination trucks increase the trucking industry's productivity without reducing highway safety. Therefore, he concludes, all states should be allowed to set truck-size standards. L. Lee Lane of the Association of American Railroads contends that those vehicles should be allowed to operate only if fees are increased to reflect the costs they impose on highways.

Thomas Gale Moore assesses the efficacy of the motor carrier deregulation of the 1970s and 1980s and concludes that the remaining controls should be eliminated to increase the productivity of the trucking industry. Reviewing the poor performance of America's subsidized merchant fleet in the Desert Shield/Desert Storm operations, Rob Quartel of the Federal Maritime Commission calls for major reform of U.S. maritime policies.

Although domestic airline routes and fares have been deregulated since 1978, some critics have contended that deregulation has led to higher fares, less competition among airlines, and less safe operation of airplanes. Joseph Schweiterman of DePaul University, Andrew N. Kleit of the Federal Trade Commission, and Richard B. McKenzie of the University of Mississippi show that those perceptions are false and argue that domestic aviation should be further deregulated.

Since 1926 the railroads have had the most unionized workforce, the most overpaid workers, the most outlandish work rules, and the lowest return on capital. "At age 65, retire the Railway Labor Act," recommend Morgan O. Reynolds and D. Eric Schansberg of Texas A&M University.

In other articles, federal judge Douglas H. Ginsburg looks at "Antitrust as Antimonopoly"; Cato's Roger Pilon shows that the quotas and other problems attributed to the 1991 civil rights bill actually stem from the sacrosanct 1964 Civil Rights Act and its restrictions on freedom of association; Robert J. Smith discusses hazardous waste disposal; and Virginia state climatologist Patrick J. Michaels looks at global warming. ■

CATO INSTITUTE CALENDAR

National Energy Policy: Markets or Mandates?
Willard Hotel • Washington • January 16, 1992
Speakers will include M. A. Adelman, Gregg Easterbrook, Robert L. Bradley, Jr., Ed Rothchild, and Jerry Taylor.

Fourth Annual Benefactor Summit
Ritz-Carlton • Naples, Florida • February 6–9, 1992
Speakers will include Nadine Strossen, Vladimir Bukovsky, and P. J. O'Rourke.

Money in the Transition from Plan to Market
Tenth Annual Monetary Conference
Willard Hotel • Washington • March 5–6, 1992
Speakers will include Malcolm S. Forbes, Jr., Nikolai Petrakov, Vaclav Klaus, Allan Meltzer, Wayne Angell, and Judy Shelton.

The Regulation of Medical Care
Annual *Regulation* Conference
J. W. Marriott Hotel • Washington • April 30–May 1, 1992

Liberating the Hemisphere: Free Trade and Beyond
Cosponsored with Centro de Investigaciones Sobre la Libre Empresa
Camino Real • Mexico City • May 19–22, 1992

"To be governed..."

Define "legitimate"

Former president Ronald Reagan says he's "pleased with recent press reports that the legitimate government in the Soviet Union has been restored."

—*Washington Times*, Aug. 22, 1991

OK, define "constitutional"

"We are not giving up on the restoration of constitutional government in the Soviet Union," the President declared.

—*New York Times*, Aug. 20, 1991

Mass murder: a public choice perspective

So far there has not been released, about this war fought in the video age, a single foot of film depicting anything resembling combat involving human beings. Military censors went crazy when one field commander let reporters watch a gun camera video from an Apache gunship that snuck up on an Iraqi squad. In the tape, terror-stricken teenagers rush wildly in all directions as cannon rounds from the helicopter, which they can't see, slice their bodies in half. This video was quickly withdrawn from circulation. When I asked a senior Pentagon official why, he replied, "If we let people see that kind of thing, there would never again be any war."

—Gregg Easterbrook in the *New Republic*, Sept. 30, 1991

Still a few bugs in the system

At the sprawling flea market on the edge of [Vilnius], the old system, energetically represented by a police inspector, Oleg Orlov, today confronted the new entrepreneurial spirit, as personified by Narine Paciaviciene. . . .

It all began with two boxes of chocolate, an item virtually impossible to find on the scantily provisioned shop shelves of the city. Mrs. Paciaviciene found the candy bars in Moscow, and was briskly selling them for 10 rubles each—considerably more than she had paid, and a goodly amount here—when the police confiscated her supply on the grounds of speculation. . . .

"The fact is she is buying it cheaper and selling it for more," Inspector Orlov declared as he spurned Mrs. Pacaviciene's pleas for understanding. "That's speculation, and it's still against the law."

—*New York Times*, Sept. 15, 1991

Get in there and tax, regulate, and mobilize

The recent obituary of Thomas I. Emerson, the eminent authority on civil liberties law, after noting that he was "a Phi Beta Kappa graduate of Yale before going on to its law school and becoming editor in chief of *The Yale Law Journal*," continued:

"He went to Washington with President Roosevelt's New Deal in 1933 and worked in the National Recovery Administration, on the National Labor Relations Board, on the Social Security Board, and in the Attorney General's office.

"In World War II he was deputy administrator for enforcement of the Office of Price Administration, general counsel for the Office of Economic Stabilization, and general counsel of the Office of War Mobilization and Reconversion."

Such a record of government service was not uncommon among the outstanding law graduates of Emerson's generation. The tragedy is that it would be extremely uncommon among the graduates of the past 20 years. . . .

The best and the brightest, who have chosen private practice over government, have often doomed themselves to moral marginality.

—Charles Peters in the *Washington Monthly*, Oct. 1991

Hey kids, kick the drug habit with tobacco!

Last week the K Mart chain said it would no longer sell rolling papers unless accompanied by tobacco. . . .

K Mart faced pressure from an Arkansas-based group [whose] national profile has increased dramatically since Dick Gregory, the social activist and health guru, joined its antidrug crusading.

—*Time*, Aug. 26, 1991

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