

# Cato Policy Report

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## The Issue Is Freedom

by Malcolm Wallop

Anyone listening carefully to President Clinton's State of the Union address would have noticed something peculiar. Only once was the word "freedom" used. And it was used in the ironic assertion that the Clinton health plan "preserves" freedom. Claiming it would preserve the freedom of Americans to choose whatever health plan they may desire, Clinton left unsaid that he would severely restrict the number of those plans, their doctors, and their hospitals. He claimed to provide freedom while promoting an extensive intrusion of the federal government into private lives and choices.

Unfortunately, that is not the only invasion. The Democrats have unleashed a multifrontal attack on freedom. Just consider the Senate's actions during the past week. The Senate yesterday approved S. 4, the Democrats' attempt to revive central government planning through an industrial policy. At the same time we were debating that dangerous proposal, the

Malcolm Wallop is a Republican senator from Wyoming. He delivered these remarks at the Cato Institute on March 17, 1994.

Senate Finance Committee was holding a hearing on the Uruguay Round of trade agreements. Were we discussing the elimination of trade barriers, the expansion of free trade? No. The hearing explored how a new world of government subsidies to industry would be incorporated into the trade agreement.

That dubious concept is known as the "green-light" proposal—that is, the international trading community will give a green light to more government interference in the economy. With all our encouragement of government industrial planning, can anyone seriously blame the Russian parliament for backsliding on economic reforms?

The attempt to expunge "freedom" from the political discourse is the defining issue of this decade. The Democratic party, as the party of the expanding federal state, clearly has no desire to promote a free people. Freedom cannot exist absent restrictions on the powers of the state and bureaucracy. Democrats represent the interests and values of those who live by the state. Their philosophy is one of con-

### To This Issue

Why health care costs too much	3
Immigrants, taxes, and welfare	6
Book: how the educrats stopped choice in California	9
How to write tax and spending limits	13
Clinton at disadvantage vis-à-vis Cato	15

trol. A free people is an impediment to an efficient state. It is no wonder that the Democrats have banished "freedom" from their philosophy. In its place, they promote statism.

What about the Republican party? The Republicans, as reinvigorated by Ronald Reagan 14 years ago, seemed rededicated to freedom. Let me quote what ought to be a defining message for Republicans.

We are a nation that has a government—not the other way around. And this makes us special among the nations of the earth. . . . It is time to check and reverse the growth of government which shows signs of having grown beyond the consent of the governed. . . . It is not my intention to do away with government. It is, rather, to make it work—work with us, not over us; to stand by our side, not ride on our back. Government can and must provide opportunity, not smother it; foster productivity, not stifle it.

Those words, spoken by Ronald Reagan in his first inaugural address, are an embarrassing reminder of what Republicans could stand for. Could but frequently do not. Today, too many Republicans prefer to be Democrat Lite. As any beer connoisseur can tell you, Lite is a tasteless, repugnant concoction.



Stephen Moore listens as Cato adjunct scholar Julian Simon tells a Cato Policy Forum audience, "Immigrants come to the United States to make a better life for themselves and their families, to get away from corrupt governments and corrupt societies, and to help build a country dedicated to freedom and opportunity."

(Cont. on p. 10)



# Toward a New Relationship with Japan

## Chairman's Message



Next year will be the 50th anniversary of the end of World War II. That would be an appropriate occasion for the United States and Japan to establish a new relationship, one based on mutual respect for the laws and customs of the other nation and a shared commitment to resolving differences by mutual consent.

One might hope that our current relationship is based on comity and consent, but unfortunately, that is not the case.

For a decade U.S. trade policy has been based on the premise that Japan's laws, regulations, and business practices are an unfair barrier to trade, even if wholly consistent with all prior bilateral and multilateral agreements. And the U.S. government is about ready to impose trade sanctions against Japan because the Japanese government has resisted recent U.S. demands to manage the Japanese economy in the interests of specific U.S. firms and industries.

Americans should be offended by the nature of the demands that the U.S. government has made during the recent negotiations on the "framework arrangements" for U.S.-Japanese trade. Americans would be outraged if another government made similar demands on the U.S. government.

The proposed framework arrangement for the U.S.-Japanese auto trade is illustrative of the larger set of demands by the U.S. government. The proposed terms of that arrangement are entirely unilateral and grossly discriminatory; they would be illegal under U.S. law. The government of Japan, for example, is expected to issue "guidance" to the Japanese auto companies producing in the United States to

- increase their U.S. expenditures for research and development, design, and engineering;
- submit projections of their purchase of auto parts for 1995 and subsequent years; and
- increase their purchase of U.S. auto parts, "with special consideration for non-Japanese U.S. auto parts."

The last provision is especially egregious, because it would force the Japanese transplant companies, but not other U.S.-based auto companies, to discriminate among U.S.-based auto parts companies on the basis of the nationality of the company's owners.

Under other terms of the proposed arrangement, the government of Japan is expected to "actively facilitate and support" the purchase of foreign-produced automobiles and parts by promotional notices and seminars; changes in the tax code, regulations, and antitrust enforcement; and guidance to Japanese auto manufacturers, dealers, and repair shops. Our government, in summary, is demanding that the Japanese gov-

ernment guide Japanese firms to achieve U.S.-specified objectives. All, of course, in the name of fair trade.

Japan is a formidable competitor—an economic rival but not an adversary. Japan has a very productive economy, a democratic government, and a mature culture. The necessary condition for a new, more mature relationship between the United States and Japan is for the U.S. government to treat Japan more like we do other major friendly nations such as Germany. The first step toward that goal would be to terminate all U.S. trade measures specific to Japan, except those based on a violation of some existing agreement.

The large U.S. trade deficit with Japan is not a sufficient basis for the proposed U.S. measures. The bilateral deficit is a consequence of the combination of Japan's status as the world's largest net lender and the U.S. status as the largest net borrower, is not a violation of any existing agreement, is not sufficient evidence that Japan's economy is closed, and would not be reduced by trade measures.

A second important step would be to encourage the Japanese government to assume a larger responsibility for regional security arrangements in northeast Asia and in the major international organizations. That policy would be strengthened by a phased withdrawal of the 100,000 U.S. military personnel still in northeast Asia and by U.S. support of Japan (and Germany) for a permanent seat on the UN Security Council.

The sufficient condition for a more mature relationship between Washington and Tokyo is for the Japanese government to be more assertive in defense of its own interests and to exercise more leadership in the major international organizations. For decades the U.S. government has leaned on Japan, in part because the Japanese government has been relatively acquiescent to the pressure. That should end; U.S. policy would be more responsible, less discriminatory, if the Japanese government adopted a "just say no" response to discriminatory U.S. demands. However, Japan has been a substantial free rider on the U.S. security guarantee, the U.S. leadership in the multilateral trade negotiations, and other policies of enormous value to Japan. That should also end. The Japanese government, with much more at stake than has the U.S. government, should take the lead on security issues in northeast Asia. Japan is more dependent on multilateral trade than any other major nation, and the Japanese government should assume more responsibility for the success of the GATT.

The test of a mature relationship is whether it is peaceful, productive, and often boring. We should honor the 50th anniversary of the end of World War II by taking the first steps toward a more mature relationship with Japan.

—William A. Niskanen

## Study Examines "Why Health Care Costs Too Much"

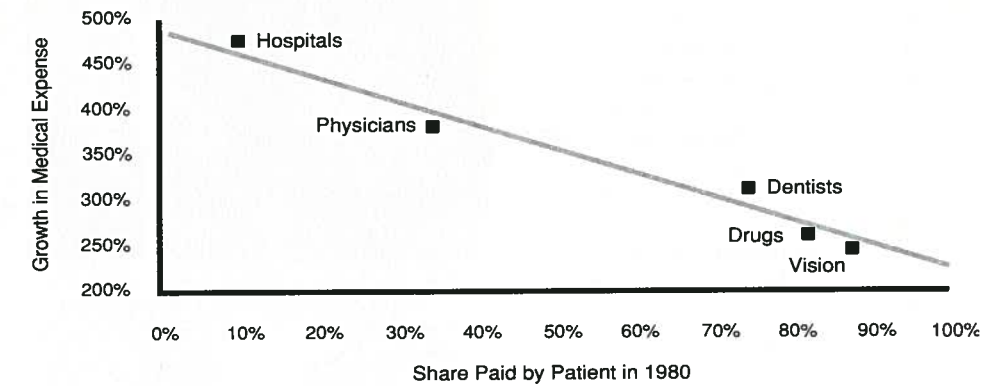
# Third-Party Payment Blamed for Medical Inflation

The major culprit in the seemingly endless rise in health care costs is the payment of medical bills by third parties—insurance companies and governments—according to economist Stan Liebowitz in "Why Health Care Costs Too Much" (Policy Analysis no. 211). In other words, writes Liebowitz, professor of managerial economics in the Management School of the University of Texas at Dallas, what makes medical care and health insurance so expensive is the removal of the patient as a major participant in financial and medical decisions.

The nation's bill for health care would have been \$300 billion less in 1992 and only 8 to 9 percent of GNP instead of 13.6 percent if third-party payments had been limited to catastrophic medical expenses, Liebowitz writes. He cites several studies, including one by the RAND Corporation, providing evidence that third-party payments dramatically increase the use of medical care. The RAND study found that families with no coinsurance (complete third-party payments) used 58 percent more medical care than did families who paid coinsurance. But the RAND study found no significant difference in health outcomes.

Liebowitz documents the increasing share of medical bills paid by third-party payers over a 25-year period (see accompanying figure) and the disastrous consequences. For example, patients overuse medical resources since those resources appear to be free or almost free. Pro-

Growth of Third-Party Payment and Expenditure



ducers of medical equipment create new and more expensive devices, even if they are of only marginal benefit, since third-party payers create a guaranteed market. Attempts to rein in those costs have led to a blizzard of paperwork but proven ineffective in controlling costs.

The cure for the present problems is straightforward, Liebowitz writes. The patient must once again be made the central actor in the medical marketplace, as the Patient Power plan would provide. Patients need to be given the same motivations to economize on medical care that they have to economize in other markets. Tax laws need to be rewritten to allow the creation of medical savings accounts, which would be used in combination with high-deductible catastrophic health insurance.

It typically costs an employer more than \$4,800 to provide health insurance for a worker, her spouse, and two children. Under the Patient Power plan, employers would purchase only catastrophic policies for workers, and workers would deposit the savings in premiums in medical savings accounts. The medical savings accounts could be used to pay small, routine medical bills not covered by catastrophic health insurance. If the account was not used to pay for medical bills, the owner could roll it over into an IRA to be used for other purposes after retirement.

Returning the patient, and normal market principles, to center stage is all that is necessary to bring the costs of health care under control, Liebowitz concludes.

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Biden, Breyer, and Property Rights

## Rep. Armev, Mayor Goldsmith Speak at Cato Forums

### Cato Events

**June 13:** A Policy Forum posed the question "Is the Davis-Bacon Act Constitutional?" Nona Brazier, president of Northwest Recovery Systems, and Clint Bolick, vice president and director of litigation at the Institute for Justice, discussed their pending court challenge to the act, which requires prevailing union wages and work rules on federal construction projects. Brazier said the requirement harms black-owned businesses, which are smaller and use more semiskilled labor than large unionized companies. Bolick said that in the 1920s, the sponsors of the act intended it to exclude black workers from federal construction jobs.

**June 22:** At a Roundtable Luncheon with Cato staff members and journalists, Bo Lundgren, Swedish minister for fiscal and financial affairs, discussed the Swedish government's economic policies.

**June 23:** A "New Perspectives for the Nineties" seminar was held in Pittsburgh, with Martin Gross, author of *The Government Racket: Washington Waste from A to Z*, as keynote speaker and Lawrence Kudlow, economics editor of *National Review*, as luncheon speaker. Cato staffers Edward H. Crane, Stephen Moore, and Michael



Cato director of regulatory studies Edward L. Hudgins is interviewed by a TV crew after his remarks at a Cato Policy Forum on the crisis of the welfare state.



Eloise Anderson, director of California's Department of Social Services, tells a Roundtable Luncheon how the welfare system breaks up families.

Tanner also spoke.

**June 27:** The ban on exporting Alaskan oil costs tens of thousands of jobs and billions of dollars, according to Samuel A. Van Vactor, president of Economic Insight, Inc., who spoke at a Policy Forum entitled "Time to Export Alaskan Oil?"

**July 6:** A Policy Forum on "The G-7 Economic Summit: Fostering Reforms or Preserving Failure?" inaugurated the West at the Crossroads series of forums. Edward L. Hudgins, Cato's director of regulatory studies, discussed the economic woes of the welfare states of Western Europe and Japan. Lawrence A. Hunter, Republican staff director of the Joint Economic Committee, focused on the fiscal problems of the United States, which he said stem from government intervention in the economy.

**July 7:** At a Roundtable Luncheon, Swedish economist Anders Aslund discussed "The Current State of Russian Privatization."

**July 8:** "Immigrants, Taxes, and Welfare" was the topic of a Policy Forum featuring Julian L. Simon of the University of Maryland; Michael Fix and Jeffrey Passel of the Urban Institute; and Susan Martin, executive director of the U.S. Commission on Immigration Reform.

**July 13:** Steve H. Hanke of Johns Hopkins University and Francois Riegert, commercial counselor at the French Embassy, debated the question "Will France Lead

Europe to Laissez Faire or Drag It toward Dirigisme?" Hanke said the French government has done little to liberalize its economy or privatize state-owned enterprises. Riegert disagreed, arguing that France's economic growth indicates that progress is being made. The forum was part of the West at the Crossroads series.

**July 15:** Rep. Dick Armev (R-Tex.) outlined his proposal for a flat income tax, budget enforcement, and regulatory relief at a Policy Forum entitled "The Freedom and Fairness Restoration Act: At Last a Prosperity Agenda for America." Armev's bill would create a 17 percent flat income tax that would exempt savings; it would also abolish the withholding tax.

**July 20:** "Is NASA the Greatest Obstacle to Space Enterprise?" was the issue examined at a seminar held on the 25th anniversary of the first moon landing.

**July 20:** A Policy Forum explored the question "Is the European Union in America's Interest?" Nigel Ashford of Staffordshire University in England said the United States has good reason to favor the European integration entailed in the Maastricht Treaty and predicted that the European Union would follow liberal economic policies. Stephen Haseler of City of London University, who described himself as a social demo-



Mayor Stephen Goldsmith tells a Cato Policy Forum audience how the federal government prevents him from introducing privatization and competition into municipal services.

25th Anniversary of Moon Landing

## Is It Time to Jettison NASA?

On the 25th anniversary of the first Apollo moon landing, the Cato Institute held a half-day conference on the question "Is NASA the Greatest Obstacle to Space Enterprise?" Coordinated by regulatory studies director Edward L. Hudgins, the conference



George S. Robinson of the Library of Congress warns a Cato conference on July 20, 1994—the 25th anniversary of the moon landing—that "the concentration of power and money in the . . . government-industrial complex" ill serves the cause of space exploration.

sought to examine how the government bureaucracy raises the costs of, and otherwise impedes, space exploration. George S. Robinson, associate general counsel of the Smithsonian Institution and formerly of NASA, said it is clear that the "concentration of power and money in the . . . government-industrial complex" represented by NASA has ill served the cause of space exploration and development. He concluded that because of the vicissi-

tudes of politics, only private enterprise can provide a long-term, stable space policy.

David Gump, president of Lunacorp and author of *Space Enterprise: Beyond NASA*, questioned whether a government agency was ever capable of making the complex decisions about space exploration that arose after the Apollo mission. He said NASA's need to win the support of many constituencies produces unnecessarily complex projects with conflicting goals. The alternative is privately funded space exploration, Gump said. His company is working on placing an unmanned "tele-operated" rover vehicle on the moon in 1997; the project is being funded by a television network and a theme park, which will have a simulated lunar rover as an attraction.

Courtney A. Stadd, an independent consultant, said the NASA he worked for in the 1960s bears no relationship to today's "\$14-billion, 22,000-populated agency [that] has become almost grotesquely inefficient, wasteful, and fun-



Lori Garver of the National Space Society defends NASA as the key to developing a "spacefaring civilization" at Cato's conference on the future of NASA.

damentally incapable of nurturing the seeds of human space-flight exploration planted by Apollo." He noted the "unbelievable innovation" occurring in the private space-transport industry, recommended that commercial concerns play a larger role in space exploration, and called for cuts in NASA's overhead. But Lori Garver, executive director of the private National Space Society, said NASA, although a bureaucracy whose policies have failed, should be revamped, not abolished, because it is vital to creating a "spacefaring civilization." ■

### CATO INSTITUTE CALENDAR

#### New Perspectives for the Nineties

Chicago • Four Seasons Hotel • October 11, 1994

Speakers include Stephen Chapman, Edward L. Hudgins, Michael Tanner, Edward H. Crane, and Jim Rogers.

#### New Perspectives for the Nineties

Minneapolis Hilton & Towers • November 4, 1994

Speakers include Jerry Jordan and David Boaz.

#### Seventh Annual Benefactor Summit

Tucson • Loews Ventana Canyon • February 9-12, 1995

Speakers include William F. Weld, William Kristol, and Edward H. Crane.



## Immigrants, Taxes and Welfare: The Facts

### Policy Forum

The Cato Institute held a Policy Forum on July 8 in the F. A. Hayek Auditorium to discuss immigration's impact on taxes and welfare. Among the speakers were Susan Martin, executive director of the U.S. Commission on Immigration Reform; Michael Fix of the Urban Institute; and Julian Simon, professor of economics at the University of Maryland and adjunct scholar of the Cato Institute. Excerpts from their remarks follow.

**Susan Martin:** Because the U.S. Commission on Immigration Reform's first report isn't due until the end of September 1994 and its second one isn't due until September 1997, it's a bit awkward to address some of the issues raised here. But this is a valuable forum for getting at some of the most vexing public policy issues that the commission is facing. Take, for example, the question of whether immigration constitutes a contribution to or a drain on the public coffers of the United States.

If you're talking about aggregate long-term effects, the answer is very clear: immigration has always been and is likely always to be a contribution. However, I don't believe that's a sufficient answer. People don't live in the aggregate, and they don't live in the long term, so we need to understand the disaggregated effects of immigration in order to respond better to some short-term negative impacts that have very real effects on those who experience them.

We really don't know the answers to questions about the costs and benefits of immigration. There are three principal reasons we don't have the answers yet. The first is weaknesses in data and methodology. We're moving from aggregate into more specific impacts. The problems with the data need to be dealt with in innovative ways so that we can use some of the administrative data that the government collects to learn more about the earnings of different categories of immigrants in different locations at different points in their lives.

Although some of the weaknesses are in the data, the methodological weak-

nesses become very clear if one looks at Donald Huddle's research on the one hand and the Urban Institute's research on the other. Present research relies on certain methodological assumptions. But what may appear to be only slight shifts in some of those assumptions create shifts of billions of dollars in costs and benefits.

The commission is very concerned about present-day researchers' lack of consensus on methods and assumptions. We're interested in establishing a panel of expert methodologists who have not been involved in this debate but who know something about the benefit pro-



Susan Martin: "Aggregate and long-term, immigration is likely always to be a contribution. But people don't live in the aggregate, and they don't live in the long term."

grams as well as immigration and trying to forge a consensus among those experts on just what they would consider an effective methodology for measuring costs and benefits and an appropriate set of assumptions to use in doing so. Then the commission would like to be able to sponsor some research using that methodology to see what answers it would yield.

Second, we need much more disaggregated data. The Urban Institute has made a major contribution by beginning that discussion and looking at various categories of immigrants in various locations and understanding the interplay of the federal, state, and local impacts. We need to know more about who the winners and losers are—not just how the immigrants are doing but whom they're affecting. And we need to view that

information in terms of age, gender, skill levels, race, ethnicity, the state of the economy, and a better understanding of how economic cycles affect the adaptation of immigrants as well as their impact.

Third, the view that what is happening today is different from what happened in the past and that that means immigrants might have more negative effects is much too simplistic. (I'm a historian by training, and I remember reading treatises saying that the new immigration was awful because of the closing of the frontier. Of course, the authors of those treatises missed the coming of industrialization and the fact that the immigrants were spurring on the industrial revolution.) We need to look at immigration in a very open way, understanding both the positive and the negative impacts of some of today's developments, because we're in as much of a sea change today as we were in 1890 when the frontier closed.

Let me just mention four areas in which I hope we can get a better sense of what the implications of those developments are for immigration policy. The first is economic restructuring. We've been aware for a long time that economic cycles have an effect on the way immigrants are received and what happens to them. But it appears now that there is some more fundamental restructuring taking place in the economy, and we don't really know just what role immigration will play. We don't know what kinds of skill levels, what numbers, what types of criteria for admission make sense within that context.

The second area is health and welfare reform. Not only is the issue of immigrant eligibility for benefits coming up in the context of health and welfare reform, but what happens with those reforms will determine the future for immigration in terms of benefits and costs.

The third area probably represents the biggest change in thinking about the future—the end of the Cold War. Geopolitical changes will have a major impact on our refugee policy in the future. Refugees have tended to use benefits more than other immigrants for a very good reason: our way of providing

transitional help to refugees is to put them on welfare. We need to reevaluate that practice.

A fourth area that we need to look at is family trends or "family values"; there is a lot of concern about the disintegration of the family in the United States today. If I can think of one public policy that consistently has had as one of its objectives the support of family, it's immigration. The principal objective of legal immigration is family reunification. We have to look at how we think about immigration as a part of our general concept of families. That's on the positive side. There are also some negative aspects; historically, the second generation of immigrants starts to look just like the rest of us. Somehow the family values immigrants come in with tend to get lost.

**Michael Fix:** Obviously, welfare and immigration are difficult issues and matters of contention when dealt with independently. But if you put them together, they're even more controversial, and they have been put together—they've been joined at the hip—by the welfare reform proposals being advanced by both the Democratic and Republican parties. As you know, all of those plans would reduce immigrant eligibility for public assistance. Some are more punitive than others that have less reach and are less severe.

I submit that the issues of welfare and immigration are interesting and important not only for what they are—and what they are is a battle over money, rights, and who is and who is not a member of this society—but also for what they tell us about how people are thinking about immigration today. People's thinking is driven by a number of misconceptions. One of the foremost is the idea that immigration is one undifferentiated policy that is an abject failure because we have failed to control our borders and reduce the level of illegal immigration.

Although there is some truth to the claim that we have not been successful in controlling illegal immigration, we need to break immigration policy down into three distinct domains. The first is legal immigration for family and employment-related reasons; the second is our humanitarian admissions, principally our refugee and asylum policy; and the third is control of illegal immigration. One reason we need to do that is because the

human capital endowments and patterns of incorporation of refugees, legal immigrants, and illegal immigrants differ, and those differences have significant implications for public policy. Nowhere is that more evident than in the welfare area.

A second misconception that we are wrestling with is a failure to think in time, to view the immigrant population in dynamic terms. When the immigrant population is viewed longitudinally, we see that its economic and social integration is quite dynamic. That explains the comparatively low welfare use among working-age immigrants, and it explains to some extent the declining welfare use among refugees. The fervid discussion over the last couple of years about immigrant use of welfare has obscured our perception of the dynamic social and economic incorporation of immigrants into this society.

Let me summarize a few key points.



Michael Fix: "Welfare use among immigrants of working age is extremely low—substantially lower than among natives."

First, immigrants, especially illegal immigrants, are already barred from federal public benefit programs to a degree that is simply not appreciated in the public discourse. Second, welfare use among immigrants is in general slightly higher than it is among the native population. But if you go underneath the numbers, what you find is that immigrant use of public benefits is very much concentrated within two subpopulations: refugees and elderly immigrants who receive Social Security benefits. Welfare use among immigrants of working age is extremely low—substantially lower than it is among natives—and welfare use

among illegal immigrants is virtually undetectable, given the current statistics. I would suggest that efforts to slow illegal immigration by curbing immigrant access to public benefits have not succeeded in the past, and that they hold little promise of doing so in the future.

I would also argue that the issue of immigrants and welfare is important because it marks a departure in immigration policy from efforts to limit the membership in this society for illegal immigrants, which has been the focus of our policy for the last decade and a half, to limiting membership in this society for legal immigrants. And it raises basic questions about membership that need to be addressed head-on in the public debate, not in the back-door way they're being taken up in the current welfare reform debate.

There are at least three wellsprings of the discontent that has brought us to the point where we are looking to exclude legal immigrants from public benefits. First, there's opportunism. We need the money to fund welfare reform. But I can't help but contrast the principle-driven debate about the social contract that animates the welfare reform debate with the ad hoc character of the strategies that are being debated to finance it.

A second wellspring of discontent is the effort to reduce the lure of the welfare magnet. In the old days, proponents of immigration control would show a horseshoe magnet: one pole of the magnet was the lure of jobs, the other pole was the lure of welfare.

A third wellspring, which explains the proposals to reduce the eligibility of immigrants for public welfare, is a tacit complaint about immigration flows to the United States and about the declining quality of immigrants, in terms of both skills and education, as well as their willingness to use welfare—in effect a complaint about their character and their values.

**Julian Simon:** It's a very special joy to study immigration this week of July 4th when we celebrate the heritage of the United States. The human face of immigration, even illegal immigration, is particularly evident this week at the World Cup, as we read in the newspaper about our team: Midfielder Hugo Perez's family sneaked into the United States from El Salvador when he was a child. The wife



## Immigration (Cont. from p. 7)

and two children of Fernando Clavijo, who played spectacularly against Brazil, moved to the United States from Uruguay as illegal aliens in the 1980s. He busbed tables and cleaned factory floors around New York City to make ends meet until his indoor soccer career took off. Striker Roy Weggerly was born in South Africa.

They, like other immigrants, came to the United States for the very best of reasons: to make a better life for themselves and their families, to get away from corrupt governments and corrupt societies, and to help build a country dedicated to freedom and opportunity. And our nation has often acted with generosity beyond what people believed was in our self-interest, even though our self-interest was better served than most people ever believed.

Now I'll become an economist and demographer and get to the facts and the analysis. The hot news about the effects of immigration on the pocketbooks of natives is that everything that we've known for years is still true. And the claim of the anti-immigration activists that immigration was good in the past but conditions have changed is false.

Here is a thumbnail summary of the situation: Every time our immigration policy lets one more immigrant come into the country, on average, the standard of living of natives goes up. And every time we shut the door against an immigrant, on average, our pocketbooks suffer. The most important policy issue is the total number of immigrants that we're going to let into the country. It's very important for us to keep our eyes on that, because it's very easy for that to get lost in a welter of emotional issues: Will immigrants be people from country A or from country B? Will they be refugees, or will there be skill-based immigration? The main issue gets lost in discussions of illegality and charges of crime and terrorism. Again, the key policy issue is, how many people will be allowed into the country?

Let's start with a couple of demographic facts. First, the rate of immigration now is not high but low. You hear anti-immigration organizations saying things like (I quote the Federation for American Immigration Reform)

"Immigration to the United States is at record levels." In the decade from 1905 to 1914, more than 10 million immigrants came to this country; that's an average of more than a million a year, whereas the highest number of legal immigrants from then until 1988 was 650,000. Since 1988 the numbers have gone way up, but that reflects amnesty granted to people who had been in the country a long time. And even if we add to the 650,000 the highest conceivable number of illegals—say, 250,000 or 300,000, according to Bob Warren at the Immigration and Naturalization Service, who keeps tabs on those things—the absolute number of immigrants coming now is not as high as it was almost a hundred years ago.



Julian Simon: "The hot news about the effects of immigration on the pocketbooks of natives is that everything we've known for years is still true."

The economic impact of immigrants, though, is not related to their absolute numbers but to their numbers relative to our population size. The immigrants who came between 1905 and 1914 came at the rate of about 1 percent of our population each year. Nowadays, immigration is at the rate of only about a third of a percent.

Second, let's talk about the costs and benefits of immigrants. The supposed costs that capture the public's imagination most are welfare costs and services such as schooling. The last good take on those costs in the United States came from a 1976 survey done by the Census Bureau. From it I found that immigrant families, putting old-age welfare aside, average about the same level of welfare as do native families. But when you add old-age payments in, immigrant families receive far less in welfare services than do average native families.

On the other side of the ledger, immigrants pay more than their share of taxes. Within three to five years after arriving in this country, immigrant families' earnings reach or pass the earnings of the average native family. (That's because the population of American families includes a lot of retired families.) If we now do an analysis to determine the lifetime effects of an immigrant family, taking into account the expected effects over the future years—and that's the only appropriate framework for such a study—we find that immigrant families contribute about \$2,500 per year to the public coffers more than they take out. And when you add that up over a lifetime, it comes to about two years' full-time earnings for an average native. That means that an average native could retire about two years earlier than otherwise, because of an immigrant family.

No study has been produced to contradict what I just said. And in Canada, where the conditions are very different, Ather Akbari has recently used the same methods to do a study that arrives at just the same sorts of conclusions.

Why does it happen that immigrants put in more than they take out? The main reason is that they come when they're young and when they're strong, when they're just beginning their work life rather than when they are taking from the public coffers as retired people. A second reason is that though many more immigrants than natives come from the bottom end of the educational scale, immigrants also are much more highly represented at the top end; that is, a much larger proportion of new immigrants than of natives has 16 or more years of education. So, for these two reasons—they are young and they are well educated—immigrants are able to put much more in than they take out.

As to illegals, people say, well, we're hurt by having to pay for services for them. That's ironic because we rip off the illegals unmercifully: we take their taxes, and we don't give them any services because they can't legally request them, and also because many go back before they would collect old-age payments. So the story for illegals is the same as for legal immigrants.

Let me say a word about another charge frequently made against immigrants: immigrants increase native unem-

## Valuable Guide for Choice Activists

## Despite California Setback in 1993, U.S. Still Needs School Choice

California's school-choice initiative, Proposition 174, was well designed, writes David J. Harmer in *School Choice: Why You Need It, How You Get It*, and school-choice activists can learn much from its defeat at the polls.

Harmer's book, just published by the Cato Institute, offers an annotated discussion of the complete text of Proposition 174, which Milton Friedman called "by far the best formulated version [of school choice] that has yet been put to the voters anywhere." Harmer explains, for the benefit of future activists in California and other states, just why each provision of the initiative was written as it was.

*School Choice* makes a comprehensive case for educational reform. Harmer reviews the evidence on school performance—rising costs and falling test scores—and concludes that government schools are not adequately preparing graduates for college, work, or responsible citizenship. Reviewing the budget of the Los Angeles Unified School District, he finds that only 36 percent of its expenditures ever reach the classroom. Harmer lists the titles of 31 LAUSD nonteaching personnel who make over \$100,000 a year, along with 80 "categorical programs" virtually unrelated to education that cost California's school system more than \$4 billion a year.

Drawing on his experiences living in the inner city, Harmer writes: "Parents in the poorest circumstances sometimes have the strongest desire for their children to do better. They want good schools and they know where good schools are. School choice opens those schools to them."

Harmer, an attorney who served as president of the Excellence through Choice in Education League, which put Proposition 174 on the ballot, reviews previous efforts at school reform and concludes that only a scholarship or voucher plan can break up the entrenched bureaucracy that resists reform. His vivid story of how the education establishment made good on its vow to fight choice "fang and claw" provides a frightening lesson for school

reformers.

Sen. Joe Lieberman (D-Conn.) says: "By expertly analyzing the school-choice issue, David Harmer provides readers with a detailed vision of how choice can work to improve the lives of American children. He has



David Harmer

made a valuable contribution to the debate over what kinds of changes American education needs to meet the needs of tomorrow."

Mayor Bret Schundler of Jersey City, New Jersey, says: "David Harmer's arguments about why we need school choice are right on the mark. His chapter on how to make it happen has some great ideas that school-choice advocates should seriously consider."

*School Choice* is available from the Cato Institute for \$22.95 cloth, \$12.95 paper. Call 1-800-767-1241. ■

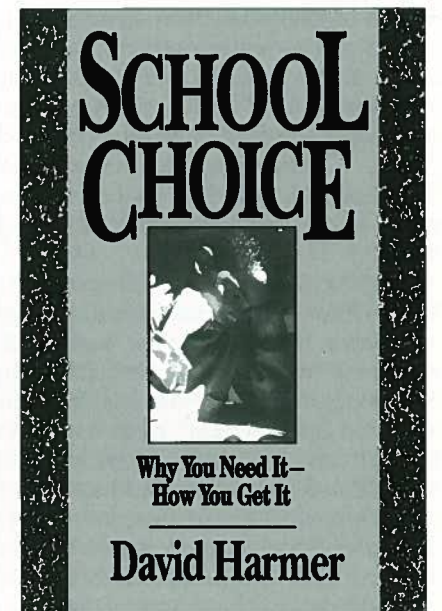
## Defending Civil Society

Ed Crane's much-talked-about speech to the Chautauqua Institution, now available on audiotape

"The bottom line of political philosophy and therefore of politics itself is, Who is going to make decisions about your life, you or somebody else? In a civil society you make the choices about your life. In a political society someone else makes those choices."

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**Freedom** (Cont. from p. 1)

The task of conservatives is to challenge the Republican party to return to its true principles rather than try to mirror Democrats. The alternative is corruption, and never has government been more corrupt. No, not more venal or dishonest but corrupted by anonymity and uncontested power. Government touches every life. How ironic that we, a free democracy, won the Cold War against communism but now seem incapable of preventing the growth of powerful centralized government—and even seem to embrace its basic concepts—here in America.

**The Roots of Big Government**

The threat of big government is hardly a recent problem. It did not begin with Clinton or Carter or LBJ or FDR. We must go back to the turn of the century, and another Roosevelt, Teddy, to find the source of the modern welfare state. The Progressive Era created the desire for government intervention. It was inspired by a real problem, namely how a rapidly industrializing society would maintain a representative government that promoted the common welfare.

Instead of relying on the principle of freedom based on federalism and free markets, the Progressives turned to expanding the federal government. The first step was to utilize the Commerce Clause in the Constitution to expand the powers of Congress. Such contemporary failures as the Superfund program and such modern burdens as the Americans with Disabilities Act owe their existence to an expanded reading of the Commerce Clause. That reading has meant that Congress could regulate, could mandate, nearly everything—and, unchallenged, it has.

The Progressives were inspired. As Samuel Eliot Morison states in his history of America, the Progressives “looked forward to a ‘welfare state’ controlled by Congress but staffed by an intelligent and dedicated bureaucracy.” Even back then Republicans lost their bearings. The Republican Roosevelt created the cabinet-level Departments of Commerce and Labor. His Republican successor, William Howard Taft, promoted the Sixteenth Amendment to the Constitution—the federal income tax. That is the kind of mischief that results when political par-

ties compete to promote statism.

The result is best summed up by a 1917 Supreme Court decision. At the end of the Progressive Era, the Court declared, “There can be nothing private or confidential in the activities and expenditures of a carrier engaged in interstate commerce.” We can see a straight line of that thinking down to today. The attitude is afoot that the federal government can interfere in the activities of any individual engaged in any private enterprise.

Just as some turn-of-the-century Republicans aided and abetted the birth of statism, we find today that many Republicans, even some who claim to be conservatives, continue to promote big government. The problem of too many Republicans is that they assume big, and perhaps bigger, government is here to

**“The attempt to expunge ‘freedom’ from the political discourse is the defining issue of this decade.”**

stay and that the only question is who will run it. Those Republicans are wrong. Disdain for modern big government is wise, patriotic, and even lovely.

Let me remind you that the creators of our problem, the Progressive reformers, argued that power and wealth in America were distorted. Yet by the end of the Progressive Era, power was even more concentrated in the federal government, and the income of the average American had not improved. While the Progressives tried to subdue the robber barons of commerce and trade, they themselves became the robber barons of personal liberty. Incomes did not improve until the 1920s—a period when free-market ideas flourished and government interference was subdued. That period of growth, of course, crashed to a halt when Congress imposed new trade tariffs in 1929.

It would be wise for conservatives to revive the idea that even when we are the government, government must be the enemy. Its very nature is subsuming and must be confronted on principle. One of my favorite observations, by Alexis de Tocqueville, describes that predicament:

After having thus successfully taken each member of the community in its powerful grasp, and fashioned him at will, the supreme power then extends its arm over the whole community. It covers the surface of society with a network of small complicated rules, minute and uniform, through which the most original minds and the most energetic characters cannot penetrate, to rise above the crowd. Thus will of man is not shattered, but softened, bent, guided; men are seldom forced by it to act, but they are constantly restrained from acting: such a power does not destroy, but it prevents existence; it does not tyrannize, but it compresses, extinguishes, and stupefies a people, ‘til each nation is reduced to be nothing better than a flock of timid and industrious animals, of which the government is the shepherd.

**The Conservative Mission**

True conservatives have a clear mission. We must resist the promise of comforts delivered by a powerful state in exchange for bits of liberty easily ceded and virtually unrecapturable. An all-powerful state will casually but cruelly exercise its power and often seem to be of service when doing so.

The corruption of statism goes hand in hand with the growing anonymity of power, of politics. Members of Congress continually vote to give vast amounts of power to the federal bureaucracy. Broad policy goals are written into statute. The Occupational Safety and Health Act, passed in 1970, is only a few pages long. It delegates to the bureaucracy extensive police and regulatory powers. Bureaucrats set workplace health standards based on questionable or nonexistent risk assessment. Americans spend \$47 million per individual to reduce suspected health exposures. Fines are imposed, costs mandated, and no one

can be found who voted to do that. Other laws are equally vague and burdensome.

Look at the Americans with Disabilities Act. It is a gold mine for bureaucrats writing the regulations required or desired, and lawyers looking for fees love it. As I found out several days ago, small communities in my state cannot even resurface roads because the law requires curb ramps to be installed simultaneously.

Much has been made of the 1,300-page Clinton Health Act. It is long simply because it seeks to totally restructure and regulate one-seventh of our economy. The original Medicare Act was less than 100 pages. Even with the Clinton bill’s 1,300 pages, the regulatory authority given to the bureaucrats will be enormous. The regulations they enact will be anonymous. No senator will have voted for them, yet all Americans will be required to abide by them. No one will be accountable, because no one will be responsible.

The message of liberty and freedom does not need shaping; it needs amplifying and implementing. More important, we must do more than talk. We have had enough—indeed, we have had much too much—of politicians, Republican and Democratic alike, who espouse conservative rhetoric while enacting liberal policies. George Bush’s Clean Air Act and Civil Rights Act and Americans with Disabilities Act and tax increases were not the policies of conservative government. They were the policies of more government. Statist, elitist, and commanding, Bill Clinton is no new Democrat! He is a big-government Democrat.

Government, in the past six years, has crossed a threshold in managing our economy and meddling in our lives, and we have unfortunately let it do so. We are faced today with a virtually socialistic administration reaching for unprecedented government intervention into every aspect of each of our lives.

The new embrace of government demands we give up our liberty in exchange for safety, education, and health. Freedom is sacrificed for the promise of security.

Look at the administration’s three principal efforts:

- the national education bill, Goals 2000, which would ensure that at some point in

time Americans will be dependent on Washington for the education of their children;

- the crime bill, which would nationalize both the police and the courts; 100,000 new police officers sound like a welcome addition, but when the communities of America become dependent on Washington for their police protection, and the federal government asks them to change their sentencing laws and other policies in order to get funding, Americans will have become dependent on Washington for their physical security; and

- national health care, which would cause Americans to become dependent on Washington and on people whom they do not know for their health and well-being and that of their families.

While believing government has

**“It would be wise for conservatives to revive the idea that even when we are the government, government must be the enemy.”**

failed to adequately perform its appropriate tasks, an ever-increasing majority of Americans see government as an outright adversary; in fact, we fear it. Instead of viewing government as a protector of our rights, we seek to hide from it lest it take notice of us and deny even more.

Bill and Hillary Clinton today unapologetically promote the bigger-is-better ideology of government that the American people reject. Clinton advocates programs that Americans adamantly oppose and governs amidst swirling accusations of unethical and amoral personal conduct. Yet he remains relatively popular. Why?

Although they disapprove of where he is going, Americans perceive that he is at least leading. That leadership is con-

trasted to an opposition party that knows little but the “me-too” Republicanism of compromise and conciliation. Whatever new proposals the Clintons offer, Republicans want just a little less of the same. Sen. Lauch Faircloth of North Carolina described that tendency with his usual insight. “If the Democrats introduced a bill to burn down the Capitol, we’d offer a compromise to phase it in over three years.”

**The Task at Hand**

The task for us, as conservatives, is as clear as our message. Self-government is self-government. Self-government is not anonymous. The people are ready even if their leaders are not. We are rebelling against the postal monopoly with faxes and Federal Express. We’re taking back education with the voucher movement. We’re taking responsibility for our own protection with the Guardian Angels, neighborhood watches, and private security forces in our malls. Americans don’t realize it, but the shopping malls have become their new cities, the places where families walk together, youngsters court, and friends meet without fear. Why? Because the malls are private property; vagrants and criminals are not allowed there; security is provided not by the police but by the private property owner. Americans are reclaiming elements of their lives in a form of self-government that is defying the national government.

The people are stirring. And I tell you that as the Republican party was born from the ashes of the Whigs so too can a new party rise from the ashes of a party that refuses to confront the defining issue of the day—American liberty.

Last month’s *National Review* published an article I wrote entitled “Can the GOP Take America Back?” The responses I received from readers suggest that Americans hunger for conservative leadership.

In my article, I enumerated broad philosophical guidelines for conservative action: cut taxes, stop thinking of entitlements as rights, privatize rather than further socialize medicine, deregulate everywhere, end federal and judicial tyranny over the states, restore personal responsibility, abolish racial and other special preferences, restore control of education to parents, curb crime, restore community moral standards—and you don’t do



## Freedom (Cont. from p. 11)

those things from Washington. The conservative error has been to say, "We know how to take care of your morals." The answer is to let communities and local governments define their own morals as Washington stays out of the way.

Do we need a federal Department of Education? It has squandered over \$400 billion in its 20 years of existence—yet educational achievements have plummeted. It should be abolished, and control of schools should return to the local level. That is one way to circumvent those who oppose school choice.

Welfare should be returned to the states as a block grant. And the crime bill should, I reluctantly conclude, not be passed. While Congress tries to address the crime issue with greater federal mandates and controls, the destruction of the family and moral values, coupled with revolving jail and courthouse doors, remains the real problem today.

Borrowing from my friend Bill Bennett's concise analysis, welfare and illegitimacy are the root cause of our crime problem today: undisciplined groups of unsocialized males are allowed to run amok unsupervised in our neighborhoods. Conservatives ought to be for more than just locking up the criminals. We must embrace basic values and demand good citizenship. Fix the welfare problem, and you will have taken a giant step toward solving the crime problem.

We must start *now* to question the premise of each government program and activity. Every government program, existing or proposed, should be judged against five simple considerations:

1. Does it restrict or increase the growth of government?
2. Does it expand or deny personal liberty?
3. Will it create or diminish economic growth?
4. Will it foster or deny America's traditional values?
5. Will it ensure or diminish Americans' security?

Government programs or proposed activities *should be either abolished or not created unless in each instance the basic interest of a free people comes first.*

These may well be radical proposals

inside the Beltway, but they are mainstream to main-street America. If you doubt that, just look at the popularity of Rush Limbaugh and the burgeoning circulation of conservative publications. Even in the hotbed of liberalism, Washington, D.C., G. Gordon Liddy has a successful conservative radio talk show and Armstrong Williams attracts both blacks and whites to conservatism.

Conservatives have the right message for the American people. And today, more than at any time in recent years, we have a unique opportunity to find new ways of conveying that message, of reframing the debate. We have innovative and creative ideas—and ideas do have consequences. Leaders of courage and principle can put our ideas into prac-

tice and the state into retreat.

Government was not meant to possess us, rule us, encompass us, judge for us, substitute for us. It was meant to serve us. This nation began as a noble self-governing tribe of free peoples respecting each other as Americans under God—not under Washington. Americans know that, even if their government does not.

Since we are meeting in the F. A. Hayek Auditorium, let me conclude with a quote from Dr. Hayek: "By giving the government unlimited powers the most arbitrary [and I would add 'anonymous' and 'corrupting'] rule can be made legal, and in this way a democracy may set up the most complete despotism imaginable." ■

## Policy Analysis Studies

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| 214. <b>Draft Registration: The Politics of Institutional Immortality</b> by Doug Bandow (August 15, 1994)                                 | 204. <b>Intrastate Trucking: Stronghold of the Regulators</b> by Cassandra Chrones Moore (February 16, 1994)                           |
| 213. <b>Taming Leviathan: Are Tax and Spending Limits the Answer?</b> by Dean Stansel (July 25, 1994)                                      | 203. <b>A Fiscal Policy Report Card on America's Governors: 1994</b> by Stephen Moore and Dean Stansel (January 28, 1994)              |
| 212. <b>Ending Welfare As We Know It</b> by Michael Tanner (July 7, 1994)  | 200. <b>Taken to the Cleaners: A Case Study of the Overregulation of American Small Business</b> by Jonathan Adler (December 22, 1993) |
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## How to Write a Tax-Limit Initiative

## Welfare Can't Be Reformed, Must Be Ended, Study Says

## Cato Studies

Rational welfare reform must avoid bringing more people into a cycle of welfare, illegitimacy, and fatherlessness, and the only way to do that, writes Michael Tanner, Cato's director of health and welfare studies, is to eliminate the entire social welfare system for individuals who are able to work. In "Ending Welfare As We Know It" (Policy Analysis no. 212), Tanner argues that welfare benefits breed disincentives and destructive behavior that trap the recipient in poverty. He cites studies that show that welfare encourages out-of-wedlock births, which lead to fatherlessness, poverty, crime, and more illegitimacy.

Furthermore, job training and public-service jobs are unlikely to give recipients the job skills or work experience necessary to find work in the private sector and will do little good for those welfare recipients most at risk for long-term dependence—teenage mothers, 80 percent of whom are high school dropouts.

Tanner argues that unless we eliminate the programs that shield people from the natural consequences of their actions, out-of-wedlock births will continue to rise, especially among teenagers. Adoption should be encouraged for those women who bear children they cannot afford to raise, he writes. Individuals who are able to work but cannot support themselves through the job market should be required to fall back on the resources of family, church, community, or private charity.

## Tax and Expenditure Limitations Can Curb States

Tax and expenditure limitations (TEs), if properly constructed, are effective in restricting the growth of state taxes and spending, according to a study by Dean Stansel, a fiscal policy analyst at the Cato Institute. In "Taming Leviathan: Are Tax and Spending Limits the Answer?" (Policy Analysis no. 213), he reports that less than five years after implementation of a TEL, a family of four faced a state tax burden, on average, of \$650 less than it would have faced without the limit. Tax limitation initiatives may be on the ballot this November in as

many as six states, including Florida, Oregon, and Missouri.

Stansel examines the tax and spending records of states with TELs and analyzes their strengths and weaknesses to develop a blueprint for the ideal TEL, which should have the following characteristics.

- It should originate with and be approved by the voters, where possible, rather than the legislature.
- It should be constitutional rather than statutory.
- It should apply a cap to 100 percent of the budget rather than to only certain categories.
- It should cap spending rather than revenue or taxes.
- It should limit the growth of spending to the growth rate of population plus inflation rather than to the growth of personal income.
- It should require voter approval for its provisions to be circumvented.
- It should apply to both state and local governments. And it should allow for transfer of responsibility to local governments and provide for the appropriate adjustments in each jurisdiction's limit.
- It should not require additional action by the legislature for implementation.
- It should give taxpayers standing to sue to enforce its provisions and require injunctive relief to prohibit any illegal taxes or spending while suit is pending.

Stansel concludes that even the existing TELs that do not contain all those provisions have helped to rein in the growth of state taxes and spending and that an ideally designed TEL would have a much greater impact.

## Draft Registration Is Useless and Expensive

President Clinton's endorsement of continued draft registration demonstrates how difficult it is to terminate even the most useless government pro-

grams, says Doug Bandow in "Draft Registration: The Politics of Institutional Immortality" (Policy Analysis 214). Bandow, a senior fellow at the Cato Institute and a former assistant to President Reagan, notes that even the Pentagon has admitted that registration could be discontinued with no adverse effect on national security.

The study points out that President Carter reinstated draft registration to demonstrate toughness toward the Soviet Union after it invaded Afghanistan. But today there is no Soviet Union, America's military power is unrivaled, and the all-volunteer force is an undoubted success.

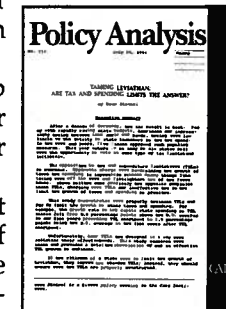
Clinton's three reasons for retaining registration all lack credibility. His first rationale, that the sign-up constitutes a relatively low-cost "insurance policy," ignores that fact that registration was always designed to generate a large conscript army for a protracted conflict. In the post-Cold War era, such a conflict is utterly improbable.

Moreover, the Pentagon does not need peacetime registration even to create a conscript army, Bandow contends. The Carter administration developed a feasible postmobilization plan to begin inductions within 17 days without advance registration.

The president also states that ending registration could send the "wrong signal" to potential enemies. But America's military credibility is the result of highly skilled personnel and advanced weaponry, not the existence of an inaccurate list of potential conscripts.

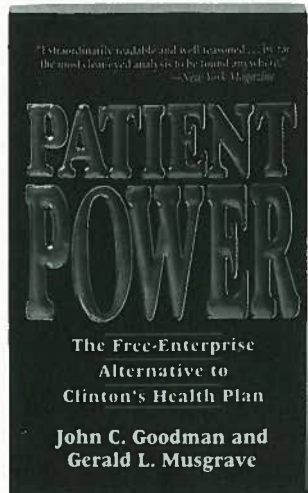
Finally, Clinton argues that registration can help "maintain the link between the all-volunteer force and society at large." That rationale, Bandow contends, is especially inappropriate coming from someone who did everything possible to avoid military service. In any case, merely signing a draft card does not instill patriotism.

Bandow concludes that ending draft registration would save American taxpayers \$25 million a year and set a useful precedent for terminating other archaic and unnecessary government programs. ■



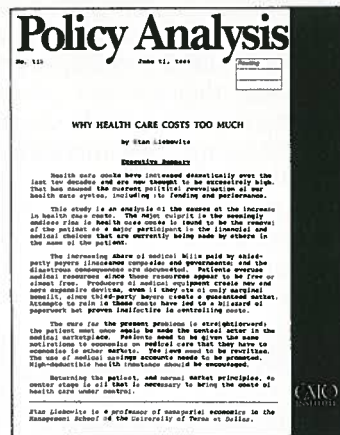


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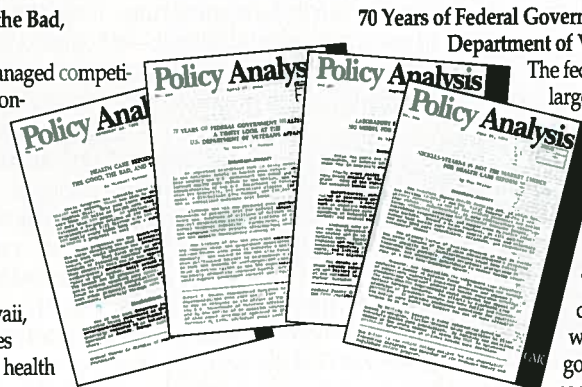
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**Borens, McCollister Take Cato Posts, Young Named Research Associate**

Robert N. Borens is the new director of development for the Cato Institute. Borens formerly headed the



Robert N. Borens



Anna M. McCollister

Anna M. McCollister has been named director of public affairs at the Cato Institute. She previously worked for Citizens for a Sound Economy and the E. Bruce Harrison Company and most recently was founder and vice president of Risk Communication International. Earlier in her career, she worked in radio news and as a stringer for the *New York Times*.

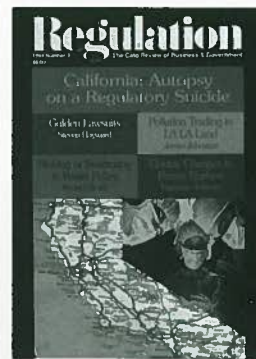
Individualist feminist author Cathy Young has been named a research associate of the Cato Institute. Young is a frequent contributor to *Reason* and the *Washington Post's* Sunday "Outlook" section. Her articles have criticized left-wing feminist legal theory and other aspects of feminist philosophy. She is currently working on a book entitled *Gender Wars*.

Washington office of Getty Oil, which he describes as "one of the few corporations that were committed to the principles of individual liberty and free markets that Cato stands for."

**Transport Regulation Adds Costs; Mortgage Bias Studies Are Flawed**

U.S. maritime policy has failed and should be radically changed, writes economist Allen R. Ferguson in the latest issue of *Regulation* (1994, no. 2), which focuses on the regulation of transportation. "U.S.-flag carriers are not competitive; they are less efficient than those of other high-wage, industrial countries, as well as those of many developing countries," Ferguson adds. Ferguson blames government

restrictions, particularly the Jones Act, for the poor health of the U.S. shipping industry. Among other reforms, he calls for repeal of the statutory requirement to use only citizen crews and restrictions on foreign investment in U.S.-flag shipping companies and the sale of U.S.-flag ships to foreigners. He also calls for elimination of govern-



ment rules that increase the costs of shipping. In another article, John C. Taylor of Wayne State University argues that intrastate regulation of trucking is a disaster and that the industry should be deregulated, as interstate trucking was in the 1980s. After detailing intrastate regulation and some of its consequences, Taylor concludes that "intrastate deregulation would help lower intrastate rates to the interstate level [and] result in social benefits . . . such as reduced mileage and a resulting impact on accidents, fuel consumption, and air pollution."

Julian L. Simon of the University of Maryland, in "Origins of the Airline Oversales Auction System," tells the story of how the incentive system he devised replaced involuntary bumping on oversold flights. Attorney Donald I. Baker argues that antitrust law should not be used to compel access to information networks because such regulation "will tend to level competition in the network market and . . . bring about de facto mergers of competitive

**Clinton Feels "Disadvantaged" By Cato**

President Clinton complained about the Cato Institute and other free-market think tanks in a July 20 interview with the *Miami Herald*. A *Herald* editorial writer said to the president: "One gets the impression that your friends aren't as well organized and mobilized as your opponents are. What can be done about it?"

President Clinton replied, "Republicans have worked—going back to the early '80s—to build up these think tanks, the Cato Institute, the Heritage Foundation. . . . We are at a disadvantage, and I am well aware of that. . . . But I am doing the best I can with the tools I have."

Edward H. Crane, president of the Cato Institute, responded: "The Cato Institute was not founded by Republicans, nor does it have any partisan affiliation today. But we're gratified—if a little bemused—that our \$5-million institute is seen as a threat by the president of the United States, who presides over a \$1.5-trillion budget, who has an 80-seat majority in the House of Representatives, and whose every word is front-page news. I think it's a testament to the power of market-liberal ideas and the increasing dissatisfaction with big government around the country that President Clinton feels at a disadvantage because of us."

alternatives." Economists Benjamin Zycher and Timothy A. Wolfe write that studies purporting to show that mortgage lending is influenced by racial prejudice are unreliable because they miss key variables.

In the "Currents" section, Joe Cobb of the Heritage Foundation writes that the World Trade Organization, which would be established under the new GATT, would produce a pro-free trade international rule of law; and Bryan Caplan of Princeton University describes the dramatic growth in private dispute resolution.



# "To be governed..."

## But just wait

The American Medical Association yesterday urged the government to regulate cigarettes as an addictive drug.

"Cigarettes are no different than syringes," AMA spokesman Randolph Smoak said. . . . "They should be regulated just as we regulate morphine and heroin."

Smoak said the AMA is not calling for a ban on cigarettes.

—*Washington Post*, June 8, 1994

## Light at the end of the tunnel

Months after Colombian authorities eliminated the world's once-dominant Medellin cocaine cartel, the organization based in the city of Cali is moving aggressively to trade in new drugs and to derail efforts to prosecute its leaders. . . .

Since [the death of Pablo Escobar], U.S. and Colombian authorities acknowledge, Colombian cocaine has flowed undiminished to the United States—and Colombian cocaine and heroin traffic to Europe is rising sharply.

—*Washington Post*, June 16, 1994

## Blame the ADA for the next post office shooting spree

"I conclude that [a Postal Service supervisor] became fearful of [an employee] and believed that [he] was mentally imbalanced and capable of violence, the court said. . . .

The court said it would have been permissible to fire the employee "for his irascibility alone."

However, the Post Office tolerated his irascibility for some time and only fired him when his boss became afraid that he was capable of a shooting spree. This was discrimination based on a perceived handicap, the court said.

—*Lawyers Weekly USA*, June 6, 1994

## That's valuable experience for getting a city job

Teens on the payroll of [New York] city's Summer Youth Employment Program were caught goofing off at nearly 30 percent of the work sites last year, it was disclosed yesterday.

Comptroller Alan Hevesi, whose office conducted the survey, said youngsters supposedly gaining valuable work experience were instead learning they could collect a paycheck for doing nothing.

—*New York Post*, June 29, 1994

## If at first you don't succeed . . .

More than 1,300 Internal Revenue Service workers . . . violated a moral and legal obligation by scouring the financial records of family members, neighbors, acquaintances and celebrities. . . . If citizens' confidence in the absolute privacy of their tax records is undermined, . . . the trust between taxpayer and government will begin to erode.

We do have in hand at least one solid explanation from officials of why a lot of mail isn't getting delivered on time. It isn't being delivered at all. They've

been hiding it instead.

The D.C. police department's office of internal affairs says members of the vendor control unit are on the take. . . . Chief Fred Thomas [has] had to address the spreading scourge of police misconduct.

—editorials in the *Washington Post*, July 23, 1994

A good health care reform bill can still be salvaged in this Congress. . . .

The elements would include insurance market reform, which is the catch phrase for what would amount to a federal regulatory takeover of the insurance market. . . . subsidies . . . [and] cost containment.

—editorial in the *Washington Post*, July 26, 1994

## Nightmare on Constitution Avenue

It's been a bizarre couple of weeks for Gail McDonald. As chairman of the Interstate Commerce Commission, McDonald's job has been to beat back bloodthirsty budget cutters in Congress who have tried for years (but failed) to put the ICC out of business. . . .

If things don't go well when members from the House and Senate meet to settle their differences, McDonald will be remembered as the *last* chairman of the ICC, who had to pink-slip about 600 employees.

"It's a horrifying thought," she said.

—*Washington Post*, July 29, 1994

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