

Replacing Welfare

by Michael Tanner

Detailing the failures of the current welfare system and proposed liberal and conservative reforms is easy. However, critics of welfare have an obligation to go beyond attacking the system to provide an effective, compassionate alternative.

The first step is to recognize that the 1996 welfare reform legislation falls far short of what is needed to fix the system. Let's look at some of its problems.

Time Limits

The bill is supposed to establish a five-year lifetime limit for welfare benefits. One could be forgiven, therefore, for believing that after five years welfare recipients would be off the public dole.

Several states have federal waivers that would allow some recipients to exceed the five-year time limit. Moreover, many state waivers guarantee a job after five years or provide for the continuation of benefits if no job is found.

Even without the waivers, few welfare recipients will actually be affected by the time limits. Most welfare recipients use the program for far less than five years and would never fall under the five-year limit. What about the small proportion of hard-core welfare recipients who do remain in the program for more than five years? That is the group that the time limit targeted. Yet, once again, exemptions limit the law's effectiveness.

For example, the time-limit provision does not apply to about 17 percent of the current welfare caseload: minor children, but not their parents, who are receiving assistance. A substantial portion of that group is children who are U.S. citizens born to non-



Photographs by Mark Fondersmith

Nadine Strossen, professor of law at New York Law School and president of the American Civil Liberties Union, warns a Cato conference audience that proposed anti-terrorism laws "neither protect us from terrorism nor preserve our civil liberties."

citizen parents. In addition, states are allowed to exempt up to an additional 20 percent of recipients from the five-year limit for hardship reasons.

Furthermore, the time-limit provision applies to only 4 of the nearly 80 federal welfare programs. A person who exceeds the five-year limit and has her cash benefits cut off would still be eligible for a host of federal welfare benefits, including food stamps; Medicaid; public housing; Supplemental Security Income; the Special Supplemental Food Program for Women, Infants, and Children; free school lunches; and so on.

Work Not Welfare

Since most workfare efforts have been little more than expensive boondoggles, perhaps we should be grateful that the law's work requirements are so limited. When we hear of the "stringent" work requirements, we

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Michael Tanner is director of health and welfare studies at the Cato Institute and author of The End of Welfare: Fighting Poverty in the Civil Society (Cato Institute, 1996), from which this article is drawn.

Parasite Economy Latches onto New Host



Perhaps the biggest success story of the American economy in the past decade is the Microsoft Corp., which made a profit of \$2.2 billion in fiscal 1996. Founder Bill Gates and many other millionaires in Redmond, Washington, got rich the only way you can in a free market: by producing something other people wanted. A lot of brilliant people worked long hours producing computer software that millions of people chose to buy, in the midst of a highly competitive market that offered lots of other options.

But in our modern politicized economy—which Jonathan Rauch called the “parasite economy” in his book *Demosclerosis*—no good deed goes unpunished for long. For many years all those brilliant minds at Microsoft and all the money they earned were devoted to making products that would help people. Then the federal government noticed that Microsoft was just too good and was helping its customers just too much. It launched a Federal Trade Commission investigation, later compounded by a Justice Department investigation, of whether Microsoft “has monopolized or has attempted to monopolize” markets for personal computer software and peripherals. Microsoft gave in and agreed to restrictions on its contracting and pricing policies in order to avoid long and costly litigation. That wasn’t enough for the government—or for some of Microsoft’s competitors—who went on to launch more antitrust investigations.

The issue today isn’t whether Microsoft is or was in fact a monopolist, though the facts shed a lot of doubt on that claim.

What concerns me here is how the government lured Microsoft into the political sector of the economy. For more than a decade the company went about its business, developing software, selling it to customers, and innocently making money. Then in 1995, after repeated assaults by the Justice Department’s Antitrust Division, not to mention its growing encounters with immigration, tax, trade, and other regulations, Microsoft broke down and started playing the Washington game—entirely defensively, it appears.

As early as 1990 it had employed the Washington office of Preston Gates Ellis & Rouvelas Meeds, a Seattle law firm that includes Bill Gates’s father, as its chief outside counsel in Washington. In 1995 the company opened its own Washington office, headed by Jack Krumholtz, a Washington lawyer. It also hired the lobbying firm Downey, Chandler, headed by two former congressmen, and the public relations firm Bozell Sawyer Miller Group. It worked on policy issues through several trade associations. (It also, I might note, for the first time made contributions to the Cato Institute,

the Center for Democracy and Technology, and other think tanks and public interest groups.)

There’s no evidence that Microsoft has done anything more than try to protect itself from depredation by the federal government. The tragedy is that the most important factor in America’s economic future—in raising everyone’s standard of living—is not land, or money, or computers; it’s human talent. And some portion of the human talent at one of America’s most dynamic companies is now being diverted from productive activity to protecting the company from political predation, motivated by envy, lust for power, or simply the desire to win in the political arena what you can’t win in the economic arena. The parasite economy has sucked another productive enterprise into its destructive maw. And while Microsoft’s lobbying and public affairs efforts are entirely defensive at present, will Microsoft someday perhaps be tempted to use its newfound political assets to gain something in Washington that it can’t win in the marketplace?

The slowdown of the American economy over the past few decades can be blamed in large measure on just this process—the expansion of the parasite economy into the productive economy. As Rauch points out, the number of corporations with Washington offices increased 10-fold between 1961 and 1982. *Congressional Quarterly* reports show that the number of people lobbying in Washington at least doubled and may have tripled between the mid-1970s and the mid-1980s. The number of lawyers per million Americans stayed the same from 1870 to 1970, then more than doubled by 1990.

Of course, all this investment in Washington reflected Willie Sutton’s observation about robbing banks: “That’s where the money is.” The federal budget has grown inexorably over the past 60 years or so. Even if you don’t want to get a piece of that budget, the long arm of the government reaches out to affect you. The number of pages in the *Federal Register*, where new regulations are printed, doubled between 1957 and 1967, tripled between 1970 and 1975, and remains at some 60,000 a year. No wonder so many corporations have opened Washington offices.

Microsoft’s new presence in Washington is entirely understandable, but it is a tragic symbol of the diversion of America’s productive resources into the unproductive world of political predation and the struggle to resist it.

“The human talent at one of America’s most dynamic companies is now being diverted from productive activity to protecting the company from political predation.”

—David Boaz

James Woolsey, Nadine Strossen speak on anti-terrorism laws

Protecting the Internet from Regulation

On September 20th the Cato Institute hosted a conference on "Regulation or Private Ordering? The Future of the Internet."

In his keynote address, Charles Platt, author of *Anarchy Online* and a contributor to *Wired* magazine, argued that the Internet can be a tremendously liberating force if it remains free from regulation. For example, he contended that the Internet has the singular ability to bridge certain cultural gaps that often interfere with the open discussion of ideas. "As the famous *New*



Charles Platt

Yorker cartoon put it, 'On the Internet no one knows you are a dog.' Well, no one knows you are a lord either. And nobody cares." Moreover, he argued, the Internet offers a voice to many people who previously did not have an outlet for their opinions. "On the Internet no one voice can shout the other voices down."

During the first panel discussion, David Post of Georgetown University and Dan Burk of Seton Hall University examined the problems that jurisdictional boundaries pose for those who wish to regulate the Internet. Post argued that the Internet is effectively "ungovernable" because geographical borders are key to lawmaking in the real world but the Internet knows no borders. He asked, "If material placed on the Net is equally accessible across the globe regardless of the

geographical location from which it originates, how can the U.S. Congress determine if the material is pornographic or infringing on an author's copyright? And if it does so, how can it enforce its determination when the source of that information is not within the U.S. borders?"

Trotter Hardy of the College of William and Mary argued that regulations aimed at reducing Internet access costs are wrong-headed. He claimed that those costs are already falling precipitously and soon nearly everybody who would like to be online will have the opportunity. And the Brookings Institution's Robert Crandall argued that increased Internet usage will result in lower long-distance telephone rates for everyone.

Danny Weitzner of the Center for Democracy and Technology discussed worldwide efforts to censor free speech on the Internet, informing the audience that this is not just an American phenomenon. He also argued that a private, nonmonopolistic rating system for Internet pages would be much more effective and constitutionally legitimate than a single, state-directed rating system. A private system, Weitzner stated, would be "consistent with our First Amendment traditions which say that there ought to be the maximum diversity of ideas and which particu-



Laura Murphy of the ACLU told Cato's conference on combatting terrorism that proposed anti-terrorism laws would be ineffective.



Arnold Beichman of the Hoover Institution urged an active anti-terrorism foreign policy.

larly say that we ought not have one single, centralized government authority making a choice about what is appropriate content for every single person in the country."

Eugene Volokh of the University of California at Los Angeles School of Law echoed Weitzner's remarks, arguing that private online

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Cato Policy Report is a bimonthly review published by the Cato Institute and sent to all contributors. It is indexed in *PAIS Bulletin*. Single issues are \$2.00 a copy. ISSN: 0743-605X. ©1996 by the Cato Institute. •Correspondence should be addressed to *Cato Policy Report*, 1000 Massachusetts Ave., N.W., Washington, D.C. 20001. •INTERNET: cato@cato.org •WEB SITE: <http://www.cato.org>

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Social Security remains focus of activity

What Went Wrong in the 1990s?

◆**August 22:** Author Jeffrey Rogers Hummel spoke at a **Roundtable Luncheon**. He discussed his book *Emancipating Slaves, Enslaving Free Men*, in which he argues that the Civil War was one of the principal engines for the growth of big government.

◆**August 23:** Cato hosted a **Roundtable Luncheon** for Brendan Moyle, professor of environmental economics at Massey University in New Zealand. He spoke about the successes of free-market environmental measures in New Zealand.

◆**August 27:** Cato policy staff met with Bolivian presidential candidate Eudoro Galindo-Anze at a **Roundtable Luncheon**. Discussion focused on tax and social security reform.

◆**August 30:** The Cato Institute hosted a Policy Forum titled “**The Real Bush-Clinton Record: What Went Wrong with the Economy in the 1990s.**” Six speakers evaluated the causes of the slow economic growth of the 1990s. All cited the 1990 and 1993 budget deals, both of which raised taxes sharply, as principal factors in the decline. In addition, William Niskanen, chairman of the Cato Institute, spoke about the Bush-Clinton regulatory record; Stephen Moore, director of fiscal policy studies at the Cato Institute, discussed the problem of runaway federal spending, particularly on entitlements; and Peter Ferrara of Americans for Tax Reform reported on health care policy. Chris Frenze of the Joint Economic Committee, the Hudson Institute’s Alan Reynolds, and Larry Hunter of Empower America were also on the panel. Among other things, Hunter argued that if the burdens of high taxation and overregulation were lifted, an annual economic growth rate of 3.5 to 4 percent would be sustainable.

◆**September 10:** The Cato Institute held a day-long conference on “**Combating Terrorism, Preserving Freedom.**” Attendees heard five panels and a luncheon speech delivered by James Woolsey, former director of the Central Intelligence Agency. Topics discussed included “Can a Free Society ‘Prevent’ Terrorism?” “Do Anti-Terrorism Laws Secure or Threaten our Civil Liberties?”



Former CIA director James Woolsey tells a Cato Institute audience that U.S. intelligence agencies should pay more attention to the threat of biological warfare.

and “Does American Global Activism Increase or Decrease the Danger of Terrorism?” Among the speakers were Nadine Strossen, president of the American Civil Liberties Union; Malcolm Wallop, chairman of the Frontiers of Freedom Institute; Ronald Steel of the University of Southern California; and Roger Pilon and Ted Galen Carpenter of the Cato Institute.

◆**September 15:** The Cato Institute hosted its 13th annual **Salmon Fest**. More than 400 sponsors and friends of the Cato Institute gathered at the home of Ed and Kristina Crane for an evening of lively discussion and fine food.

◆**September 17:** Stephen Moore, director of fiscal policy studies at Cato, moderated discussion at a **Roundtable Luncheon** that was attended by 12 governors and more than 40 journalists. The governors spoke about how they simultaneously have cut taxes and balanced their states’ budgets.

◆**September 19:** The Cato Institute visited New York for a City Seminar titled “**Toward an American Renaissance.**” Jerry Jordan,

president of the Federal Reserve Bank of Cleveland, delivered the keynote address, “Money and the Economic Future,” and syndicated columnist Robert Novak discussed term limits, tax cuts, and the politics of 1996. Cato president Ed Crane, Cato executive vice president David Boaz, and Stephen Moore, Cato’s director of fiscal policy studies, also spoke at the event.

◆**September 19:** The Cato Institute and the American University in Moscow co-hosted a **Roundtable Luncheon** informally titled “**American-Russian Alliance: Building a Strategic Partnership.**” Speakers included Ariel Cohen of the Heritage Foundation and Sergei Rogov of the Institute on the U.S.A. and Canada of the Russian Academy of Sciences.

◆**September 20:** Cato held a conference on “**Regulation or Private Ordering? The Future of the Internet.**” Three groups of panelists discussed alternatives to governmental regulation of the Internet and the future of free speech in cyberspace. The keynote address was given by Charles Platt, author of *Anarchy Online* and contributor to *Wired*



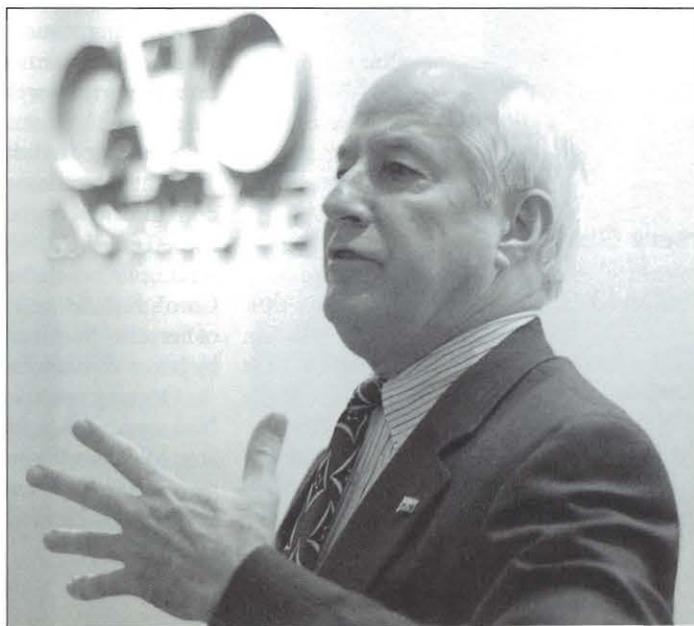
Michael Tanner (left) welcomed William G. Shipman, co-chairman of Cato's Project on Social Security Privatization, to a Cato Forum where Shipman discussed the new book, *Promises to Keep: Saving Social Security's Dream*, which he wrote with Marshall Carter.

Oleg Kalugin, a former major general of the KGB who now consults on security and intelligence issues, listens at a roundtable discussion on U.S.—Russian security sponsored by Cato and the American University of Moscow.



David Broder and James Glassman of the *Washington Post* and Gov. Kirk Fordice (R-Miss.) listen as Cato president Ed Crane introduces Gov. George Pataki (R-N.Y.) (third from right) at a September 17 Cato luncheon entitled "Cutting Taxes and Balancing Budgets: The Governors' Experience."

Rep. Jim Kolbe, co-chairman of the bipartisan Public Pension Reform Caucus, tells Cato's Business Executive Committee on Social Security Reform that the American people are ready to discuss Social Security's looming problems.



magazine. The conference was broadcast live over the Internet.

◆ **September 25:** The Cato Institute hosted a meeting of the Business Executive Committee on Social Security Reform. Delivering the opening address was Sylvester Schieber, a member of the President's Social Security Advisory Council. He discussed the various reform proposals that the council is now considering. Responding to Schieber's remarks was Steve Entin of the Institute for Research on the Economics of Taxation. The committee was also updated on the progress of the Cato Project on Social Security Privatization. Michael Tanner, the project's director, and Peter Ferrara, associate policy analyst at Cato, dealt with the fundamental policy questions of how a privatized system should be implemented and how it would function. Leanne Abdnor, Cato's vice president for external affairs, and Peggy Ellis, the Institute's director of government affairs, told the committee how Capitol Hill is responding to the idea of privatization. And Annie Sawtelle of Public Opinion Strategies presented the results of a poll Cato commissioned in June that showed strong public sentiment in favor of privatization. In addition, Tanner reviewed the developments in public pension reform in Europe, Asia, and Latin America. The meeting concluded with an address by Rep. Jim Kolbe (R-Ariz.), co-chairman of the bipartisan Public Pension Reform Caucus.

◆ **September 27:** Speaking at a policy forum titled "Who's Tougher on Crime? The Quadrennial Circus" was David Kopel, associate policy analyst at the Cato Institute and research director at the Independence Institute. Kopel warned that representatives from both major political parties continually violate constitutional restrictions in an attempt to appear "tough on crime." He cited the war on drugs, anti-terrorism measures, military involvement in domestic law enforcement, and gun control initiatives as prominent examples of federal overreach.

◆ **September 30:** William G. Shipman, co-chairman of Cato's Project on Social Security Privatization, came to the Institute's F. A. Hayek Auditorium for a Book Forum. He discussed the new book, *Promises to Keep: Saving Social Security's Dream*, which he wrote with Marshall Carter. In the book Shipman and Carter argue that the current Social Security system must be privatized and lay out a plan for doing so. Steve Entin of the Institute for Research on the Economics of Taxation provided commentary. ■

Photographs by Mark Fondersmith

“The 1996 welfare reform legislation falls far short of what is needed to fix the system.”

REPLACING WELFARE *Continued from page 1*

probably think of our own hectic work schedules and marathon days balancing work and family. Many of us may be surprised to learn, therefore, that for single-parent families the law's work requirement is 20 hours per week for the first two years, 25 hours per week for the third year, and 30 hours per week thereafter. For two-parent families the work requirement is a total for both parents of 35 hours per week.

Those “stringent” work requirements become even less so when exemptions from work and state waiver provisions are examined. For example, welfare mothers with children under age six will not have to work if they cannot find day care. About 60 percent of current single-parent Aid to Families with Dependent Children households have at least one child under age six, so the size of this loophole is readily apparent. Moreover, at least 30 states have been granted waivers exempting recipients from the full impact of the law's work requirements. In many cases, states have defined work to include job search activities, job training, and, in at least

one case, drug rehabilitation.

State Control

One of the rhetorical centerpieces of the welfare reform legislation is the idea that it turns welfare over to the states, allowing them to run their programs as they see fit. However, in reality, the federal government will retain an enormous degree of control over state actions. For example, a “federal maintenance of effort” provision requires states to maintain their spending at no less than 75 percent of the 1994 AFDC level. So citizens will continue to send their money to Washington, Washington will take a cut off the top, and the states will be told how much to spend on welfare and on whom those funds should be spent.

Cutting Welfare Spending

From the howls of outrage from defenders of the welfare state, one might think that this legislation at least reduced welfare spending significantly. Unfortunately, exactly the opposite is true. The new law actually continues to increase welfare spending by more than \$70 billion over the next seven years.

Eliminating the Welfare State

Welfare may have started with the best of intentions, but it has clearly failed. It has failed to meet its stated goal of reducing poverty. But its real failure is even more disastrous. Welfare has torn apart the social fabric of our society. Everyone is worse off. The poor are dehumanized, seduced into a system from which it is terribly difficult to escape. Teenage girls give birth to children they will never be able to support. The work ethic is eroded. Crime rates soar. Such is the legacy of welfare.

Instead of “reforming” failed programs, we should eliminate the entire social welfare system for individuals able to work. That means eliminating not just AFDC but also food stamps, subsidized housing, and all the rest. Individuals unwilling to support themselves through the job market should have to fall back on the resources of family, church, community, or private charity.

As both a practical matter and a question of fairness, no child currently on welfare should be thrown off. However, a date should be set (for symbolic reasons, I like nine months and one day from now), after

Cato Calendar

Leviathan and the New Millennium

Chicago • *Intercontinental Hotel* • December 16, 1996
Speakers include Edward H. Crane.

Ninth Annual Benefactor Summit

Scottsdale, Arizona • *Gardiner's Tennis Resort* • February 5-9, 1997
Speakers include Charles Murray, Brit Hume, José Piñera, and Ralph Raico.

20th Anniversary Gala

Washington, D.C. • *Washington Hilton* • May 1, 1997
Speakers include Steve Forbes and P. J. O'Rourke.

China as a Global Economic Power

Market Reforms in the New Millennium
Shanghai • *Shanghai Hilton* • June 15-18, 1997

CONFERENCES *Continued from page 3*

speech controls would be a desirable solution for individuals who wish to monitor content for themselves and their families. And David Sobel of the Electronic Privacy Information Center discussed constitutional problems with the Communication Decency Act.

The audio portion of the conference was broadcast live over the Internet by AudioNet.

◆ Combatting Terrorism, Preserving Freedom

The Cato Institute and the Frontiers of Freedom Institute cosponsored a September 10th conference on “Combatting Terrorism, Preserving Freedom.” The conference, held in Cato's F. A. Hayek Auditorium, consisted of five panel discussions and a luncheon address by James Woolsey, former director of the CIA.

Opening remarks were given by William Niskanen, Cato's chairman, and former senator Malcolm Wallop (R-Wyo.), now chairman of the Frontiers of Freedom Institute. Wallop set the tone for the conference by stat-

“The availability of welfare disrupts normal labor migration by allowing people to remain in areas with low employment.”

which no one new would be allowed into the welfare system. There are two distinct populations of welfare recipients. Those who currently use the system as a temporary safety net will be out of the system relatively soon. Immediately ending their eligibility would have only a minor impact on the system but would risk flooding the job market and private charities without allowing for a transition.

There are serious problems with expecting hard-core, long-term welfare recipients to be able to find sufficient employment to support themselves and their families. When we established the incentives of the current system, we may have made a Faustian bargain with those recipients. Now it may be too late to change the rules of the game. We should do whatever we can to move those people out of the system but recognize that success may be limited. It is far more important to prevent anyone new from becoming trapped in the system. That will be possible only if the trap is no longer there.

What would happen to the poor if welfare were eliminated? First, without the incentives of the welfare state, fewer people would

be poor. For one thing, there would probably be far fewer children born into poverty. The availability of welfare leads to an increase in out-of-wedlock births, and giving birth out of wedlock leads to poverty. If welfare were eliminated, the number of out-of-wedlock births would almost certainly decline. How much is a matter of conjecture. Some social scientists suggest as little as 15 to 20 percent; others say as much as 50 percent. Whatever the number, it would be smaller.

In addition, some poor women who did still bear children out of wedlock would put the children up for adoption. The civil society should encourage that by eliminating the present regulatory and bureaucratic barriers to adoption. Other unmarried women who gave birth would not be able to afford to live independently; they would choose to live with their families or with their boyfriends. Some might even choose to marry the fathers of their children.

Poor people would also be more likely to go to work, starting to climb the ladder that will lead out of poverty. A General Accounting Office report on women who lost their welfare benefits after the Reagan

administration tightened eligibility requirements in 1981 found that, on average, the women increased the number of hours they worked and their hourly wage and had a significantly higher overall earned income. Two years after losing their eligibility, a significant minority of the women (43 percent in Boston, for example) had incomes as high as or higher than they did while receiving benefits.

Similarly, in 1991 Michigan abolished its General Assistance program, which provided cash assistance for poor adults without children. Two years later, a survey for the University of Michigan found that 36.7 percent of those people were working in the month before the survey. Of those with at least a high school education, 45.6 percent were working. Two-thirds of former General Assistance recipients, regardless of education, had held a job at some point during the two years before the survey.

It is important to recognize that job opportunities do exist for individuals willing to accept them. That can be seen in the experience of unskilled immigrants who enter this

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Victoria Toensing
diGenova & Toensing

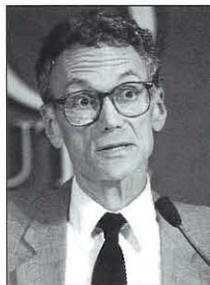
ing, “Make no mistake about the meaning of this conference. Everyone in this room understands the need to identify out and attempt to thwart future acts of terrorism. It must be done, however, within the letter and the spirit of the law and our Constitution. . . . The debate needs wisdom, not passion, and understanding, not bluster.”

During the first panel discussion, David Kopel, associate policy analyst at Cato and research director at the Independence Institute, pondered the absurdity of efforts to rid society of all risk, including the risk of terrorism. He remarked that more people are killed each year by falling off ladders and by drowning in their bathtubs than by terrorist acts, yet no one seriously proposes outlawing ladders and bathtubs. Why, then, he

asked, should we be willing to succumb to draconian regulations in an effort to rid ourselves of terrorism?

Laura Murphy of the ACLU talked about the various anti-terrorism bills that have been drafted thus far and those that are in the works. “We have to remind people that these are big-government proposals. These are proposals that put the government into the private lives of citizens with a negligible law enforcement and national security benefit.” She added, “We really need to elevate the discussion to make it a little more sophisticated.”

Nadine Strossen, president of the ACLU, attorney Victoria Toensing, and Roger Pilon, director of the Cato Institute’s Center for Constitutional Studies, examined the question of



Ronald Steel, UCLA

Photographs by Mark Fondersmith

whether anti-terrorism laws secure or threaten civil liberties. Strossen stated, “Not only do they threaten our civil liberties, they violate our civil liberties. Moreover, they don’t even secure our safety.”

Does American military activism fuel terrorist acts of aggression, such as the June bombing in Saudi Arabia? Ted Galen Carpenter, vice president for defense and foreign policy studies at the Cato Institute, and Ronald Steel of the University of Southern California argued that foreign hostility, on both an individual and the national level, is often the result of American intervention. Carpenter remarked, “If the United States insists on playing the role of global policeman, violent reaction against American targets both inside and outside the United States is one of the costs of that policy. And those costs appear to be rising. . . . Terrorists are becoming bolder.” In contrast, Arnold Beichman of the Hoover Institution argued that an interventionist foreign policy might actually deter terrorism to a degree. ■

Combatting Terrorism, Protecting Freedom

The Cato Institute and the Frontiers of Freedom Institute cosponsored a conference on September 10 titled "Combatting Terrorism, Preserving Freedom." More than a dozen speakers discussed the prevalence of terrorism in the modern world and how it might be countered without infringing on individual rights. Among the speakers were former U.S. senator Malcolm Wallop, now chairman of the Frontiers of Freedom Institute; David Kopel, research director of the Independence Institute and a Cato associate policy analyst; and Nadine Strossen, professor of law at New York Law School and president of the American Civil Liberties Union. Following are excerpts from their remarks.

Malcolm Wallop: I want to welcome you to this conference sponsored by the Cato Institute and the Frontiers of Freedom Institute. The topic, purely and simply, will be fighting terrorism while preserving constitutional rights.

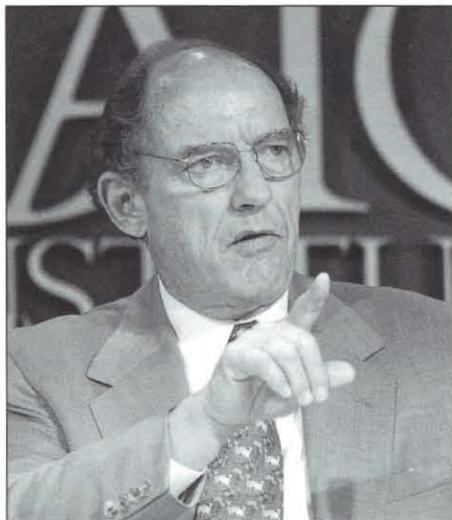
In today's context, who can be against anti-terrorism legislation except the terrorist? The answer, of course, is clear: any citizen who holds the Constitution sacred. It is wise to be against even beautiful sounding legislation if that legislation hurts the citizens; treats them as subjects, not citizens; and makes them answerable to unelected government officials.

Make no mistake about the meaning of this conference. Everyone in this room understands the need to identify and attempt to thwart future acts of terrorism. That, however, must be done within the letter and the spirit of the law and our Constitution. Otherwise, we risk accusing innocents of wrongdoing. The debate needs wisdom, not passion, and understanding, not bluster.

Thus far, every anti-terrorism measure suggested by our leaders tests the fine line between fighting terrorism and denying basic liberties. The majority of measures offered by well-meaning legislators in the year and a half the terrorism debate has been going on would do little or nothing to stop or deter terrorism. Not one legislator can point to a single provision of any of those bills that would have prevented the World Trade Center bombing, the Oklahoma City bombing, the Amtrak derailment in Arizona, or even the Unabomber. In fact, those measures cheerfully and without apology do more to crack down on aver-

age Americans than on terrorists.

What we have here is a knee-jerk reaction to a blow. The Oklahoma City bombing, the horrible incident that started the debate raging, was not a light blow. We are not here today to minimize the pain, the horror, and the violence and violation that the people of Oklahoma have sustained and endured. But this country has had a long, glorious, and, at times, brutal history. Through it all we have revered the Constitution. It is that document that has held and can continue to hold us together as a people. It is not a document that grants powers to the federal government, as some advocates of big government would have you believe. Rather, its purpose is specifical-



Malcolm Wallop, *Frontiers of Freedom Institute*

ly to limit the ability of government to infringe upon those inalienable rights with which we are endowed by our creator.

We all support law enforcement. A civilized society must have it. But, as the Constitution stipulates, law enforcement must remain limited in how far it can intrude into any citizen's private life. And no protestations of good intentions in pursuit of security must be allowed to expand the limits of government power.

First of all, acts of violence are not necessarily terrorist acts. No matter how much legislation regulates them and how much technology is at law enforcement's command, no one can deter or stop a psychotic predator from creating or committing an act of violence.

Second, the Federal Bureau of Investiga-

tion has a horrible recent track record on its treatment of American citizens. It is not a stretch to suggest that in the past two months the FBI has destroyed one American's life. Twenty years from now many people will be able to recall the name of Richard Jewell. Much like Billy Dale in the White House travel office, Mr. Jewell has been persecuted by a federal authority seemingly untroubled by and certainly unapologetic about the consequences of its actions. Mr. Jewell's privacy rights were thrown to the wolves by the FBI, as were the rights of the 900-plus citizens whose files were handed over to the White House.

And now we are expected to trust the same FBI with enhanced wiretapping authority, a lower threshold of probable cause, and a promise of good faith in place of a court order. I think not.

No one can doubt that there will be terrorist acts in the future. Yet we cannot let fear of such attacks overwhelm us into ceding constitutional rights to any government, however benign its promises. Once ceded, they can never be restored except by revolution.

This debate is really about whether or not we will first surrender to the terrorists and then to an intrusive federal government. Government, which does not and did not grant us our rights, must not now seek to deny them by using fear as its justification. The president and members of Congress must take a deep breath of freedom's air and resist the heroic in favor of the rational.

In the 1950s a senator from Wisconsin investigated many U.S. citizens and judged their guilt on the basis of their associations and beliefs. What bothers me most about the anti-terrorism proposals drawn up thus far is the ambiguity about what constitutes criminal activity. You name it and the FBI can claim it is criminal. Similarly, Senator McCarthy was broad and ambiguous in his accusations of communist activity.

One last point before I conclude: I am concerned about the use of the military in domestic law enforcement activity. That is wrong. It ought to outrage Americans. It ought to outrage the military, and I believe it does. I have been told time and time again by military personnel that it is not their job to police Americans and that it sets a very dangerous precedent. Constitutionally, it is not the role

“Government, which does not and did not grant us our rights, must not now seek to deny them by using fear as its justification.”

—Malcolm Wallop

of the military to work with federal, state, and local law authorities in law enforcement activities. We see from the Waco disaster what can happen when military operations collide with federal, state, and local law enforcement procedures.

The measures proposed last year and this year give federal law enforcement enormous reach into the private lives of citizens. Republicans once held the belief that local and state governments could police their communities better and that the federal role was to support those functions. Where is that philosophy right now? Since 1995 it has been the Republicans who have been the loudest supporters of much unconstitutional legislation. Vying with the president to appear tough on crime, they continually have abandoned their once adamantly held strict constructionist views.

At a time when Americans think we are moving to limit government and when the country fears an overly intrusive federal bureaucracy, anti-terrorism legislation runs rapidly down the street in the opposite direction. I challenge my former colleagues in the House and Senate not to go for the easy political victory and the 30-second news clip on Dan Rather. Do not cave in to pressures from advocates of big government and do not let emotions dictate your focus. Fight for personal freedom. It often seems as if Congress views the Constitution as an impediment to good government. I say to my former colleagues in Congress, please prove me wrong.

David Kopel: When we think about what America should give up in order to improve security against terrorism, we need to take a very hardheaded and clear look at what we can gain and the price that we are supposed to pay. Let's take a look at the size of the problem in the first place.

There has never been a year in U.S. history in which there have been 200 deaths attributable to terrorism. So, let's start by saying that terrorism costs 200 lives per year. We will thereby avoid any risk of underestimating the problem.

I can think of two ways in which we could save more lives with changes in our society that are far less meaningful than the changes that are being proposed to reduce terrorism.

First of all, we could outlaw ladders. Falls from ladders caused 317 deaths in the Unit-

ed States last year. A second step would be to outlaw bathtubs. Three hundred twelve people drowned in their bathtubs last year. Doing either of those things would save more lives than would implementing the proposed anti-terrorism measures. And neither would be as damaging to our civil liberties.

To put the situation in perspective, one should consider that the risk that any given American will be killed by a terrorist attack is about the same as the possibility that any random high school football player will one day be a starting quarterback in the Super Bowl. The odds aren't zero—two people are going to be starting quarterbacks in any Super Bowl—but they are very, very small.



David Kopel, *Independence Institute*

What is the price that we may pay for trying to eliminate the very small risk of being killed by a terrorist? I think the best example for us in this regard is Great Britain, our mother country and the intellectual source of many of the great liberties that we enjoy in the United States.

In a little over two decades, Great Britain, once a magnificent edifice of liberty, has squandered many of its liberties. Right now it is a much less free country than it was two decades ago. That decline really started in 1974 when the Irish Republican Army bombed a pub frequented by soldiers in Birmingham. Within a few weeks the government introduced the Prevention of Terrorism Temporary Provisions Bill. That was the title: “temporary.” It was supposed to be in effect for only one year. In

fact, it has been renewed every year since then and is still in effect.

It allows a suspected terrorist to be searched without a warrant. It allows the government to label organizations as illegal, and it makes it illegal for an individual even to wear clothes indicating that he supports such an organization. It also makes it illegal for any words in support of those organizations to be broadcast on television or radio.

In Northern Ireland there is now no jury trial in political violence cases, and coerced confessions obtained by police beatings and other violent techniques are routinely admitted as evidence.

In Great Britain you no longer have a right to remain silent when you are accused of any crime. If you remain silent, your silence can and will be used against you in court. That provision was originally introduced solely as an anti-terrorism measure, but like so many other measures it quickly spread and infected the entire criminal justice system.

In addition, the government can do black-bag jobs. Its agents can break into somebody's house, do whatever they want, even steal property if they wish. And they can do all the wire-taps they want without judicial approval.

What has all of this led to? Great Britain has gone from having the best civil liberties record of all West European countries to having the worst, and it still have plenty of terrorism.

Your risk, as a British citizen, of being blown up by a bomb at a pub or anywhere else is no less now than it was 20 years ago. But your risk of being victimized by state terror, by official government violence and violation of your civil liberties, is much higher now than it was before. Of course, as is true of so many government programs, nothing succeeds like failure. The current loss of civil liberties is just the starting point, since every time there is a new incident the government says, “Well, we need more power. If only we had more power, then we would be safe. So give us some more.”

We see, of course, the same cycle here in the United States. Every incident leads the Clinton administration to say, “Well, just give us more and more power.” There is no stopping point, because you never get to the point of complete safety. Nor do you ever get to the point where the government's desire for pow-

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“Benjamin Franklin once said that people who trade their fundamental liberty for a little temporary security deserve neither.”

—David Kopel

TERRORISM *Continued from page 9*

er is satiated.

Benjamin Franklin once said that people who trade their fundamental liberty for a little temporary security deserve neither. The bargain we are being asked to make in terrorism legislation isn't even that good. The heinous anti-terrorism legislation that passed last April is one of the most repressive bills that has ever gone through the U.S. Congress. And in the end, it doesn't contain a single provision that would have prevented the Oklahoma City bombing, which, after all, was the impetus for the legislation in the first place.

In the book of Genesis, Esau sold his birthright for a mess of pottage. That was known as one of the worst deals ever made. But at least he got a meal out of it. In contrast, the anti-terrorism legislation that is being promoted today won't even give us a good lunch. We will trade our fundamental liberties, our civil liberties that have been won over many centuries, at a tremendous cost and for no gain in our real security.

Nadine Strossen: The question we are asked is, “Do anti-terrorism laws secure or threaten our civil liberties?” My answer is that not only do they threaten our civil liberties, they violate our civil liberties. Moreover, far from securing civil liberties, they don't even secure our safety. The so-called anti-terrorism measures that have been enacted or proposed are doubly flawed. They neither protect us from terrorism nor preserve our civil liberties. Quite the contrary.

I think what we are seeing is an understandable overreaction to a few terrible events. Understandably, people were outraged and wanted to do something. What is not understandable and what is not rationally justifiable is that the something that is offered up, as is always the case when there is an overreaction to this kind of tragedy, is a scapegoating of civil liberties.

The danger, which we have seen recurrently throughout our history, was well captured in a 1995 dissent by Justice Sandra Day O'Connor, who can hardly be accused of being a flaming libertarian. She said, “It cannot be too often stated that our greatest threats to our Constitutional freedoms come in times of crisis.” That is certainly illustrated by the

bill that was passed in April.

The law was introduced under the name of the Omnibus Counterterrorism Act. The American Civil Liberties Union immediately issued a press release saying it would far more accurately be called the Ominous Counter Constitution Act because it violated such a wide range of our most precious liberties: free speech, free association, due process, privacy, and so forth. That law, as you all know, was enacted with most of the anti-liberties provisions still intact.

One of the many aspects of this law that has absolutely nothing to do with terrorism is how it cuts back on the rights of immigrants. What we are talking about in this law is subjecting people to summary or immediate deportation. People who arrive here or are suspected of arriving here without proper documentation, even if they are completely law-abiding, can be subjected to summary deportation. To make matters worse, those deportation decisions can be made by Immigration and Naturalization Service employees without any administrative or judicial review. That is going to have its most devastating impact on legitimate refugees who were forced to flee their countries without valid travel documents. Immediately upon arrival, they are going to have to persuade an INS official that they have a legitimate fear of persecution on account of their political opinions, race, religion, or national origin. In other words, they will have to prove that they meet the standard for “refugee” status. They will no longer have a right to a hearing before an immigration judge or a federal court review. Federal courts are no longer the final arbiters of those claims, which are often life-or-death matters.

Bad as the legislation passed in April was, we have seen more demands for still greater governmental authority to deal with suspected acts of terrorism that have occurred since then. After the TWA explosion and the Atlanta bombing, there was a call for more wiretapping authority.

Let me respond to some of the justifications that have been offered for that additional invasion of the privacy of innocent Americans. Wiretapping advocates say, “The government agents don't listen very long. They listen only long enough to determine who you are and that you are not, in fact, engaged in any crime.” And that reminds me a lot of the

point that is often made to me when I stand up for Fourth Amendment rights: “If you are not a criminal you don't have anything to hide. Why should you care?” We care because we value our privacy, our personal lives. I don't like the fact that a government agent is listening in on my conversations, no matter how innocent those conversations are and no matter how briefly the agent may be listening.

One of the many reasons why wiretapping is objectionable is that we don't even know that it is going on. There is no requirement that the government notify you that your conversations are being wiretapped. I saw a cartoon recently that I think illustrates the dangers of the wiretapping that is already authorized. It shows an FBI agent sitting in front of all of his wiretapping equipment who says, “We're proposing a sweeping nationwide system of wiretapping. Sure some fuzzy-headed civil libertarians will object, but we'll do everything possible to respect your rights and privacy.” As he is putting on the headphones he says, “Don't forget we are professionals that are trained to ferret out only those tidbits of information the authorities can use and also don't forget,” and at this point, with his headphones on, he says, “your wife wants you to pick up milk on the way home.” The information may not be damaging, but I think the intrusion certainly is.

We have to look beyond the label of this legislation, which is anti-terrorism. What is actually being done is a severe violation of all of our rights.

More recently, as a result of the report by the Gore Commission on Air Travel Security, the president is calling for, among other things, “profiling” measures. To be able to use those profiles, the federal government must create a massive computerized database of information about everybody who is actually or potentially traveling by airplane—in other words, a computerized database of virtually everybody in this country. Our privacy is under siege. I dare say there is no one in this room who flies more often than I do. I fly almost 200,000 miles a year. There is nobody who is more concerned about safety in flying as well as other forms of safety than I am, but I believe that what is being offered up is not going to enhance our safety. It is simply going to undermine our liberty for purely political reasons. ■

Cato Hosts Luncheon for 12 Governors

On September 17th the Cato Institute hosted a Roundtable Luncheon attended by 12 governors. The event was titled "Cutting Taxes and Balancing Budgets: The Governors' Experience." The governors discussed how their efforts to cut taxes and spending have resulted in economic growth and balanced budgets.

Among the governors present were Steve Merrill (R-N.H.), George Pataki (R-N.Y.), and Fife Symington (R-Ariz.). All three received A's in the recent Cato study, "A Fiscal Policy Report Card on America's Governors: 1996."

Pataki, who signed a 20 percent income tax reduction last year, stated that in 1995 New York ran a budget surplus for the first time since 1978. Gov. John Rowland (R-Conn.) discussed how cuts in general assistance, public housing, and transportation

programs coupled with a \$200 million tax cut have helped to bring more than 40,000 new jobs to his state since July 1995. Gov. John Engler (R-Mich.) argued that the 15 tax cuts he has signed have helped to reduce Michigan's unemployment rate to its lowest level in more than 30 years. And Gov. Frank Keating (R-Okla.) contended

that the privatization of many services, including prison management, has helped to bring his state's budget into balance.

The governors argued that simultaneously cutting taxes and spending would result in balanced budgets on the federal level as well. In order for that to occur, however, Washington's mentality must change. Congress and the president must realize that throwing more money at problems not only doesn't solve them but in many cases makes them worse. Merrill remarked, "Only Washington politicians think that a \$100 million program is twice as good as a \$50 million program."

More than 40 journalists attended the luncheon, which was organized by Stephen Moore, director of fiscal policy studies at the Cato Institute.



Stephen Moore, Cato's director of fiscal studies outlined the "Fiscal Policy Report Card on America's Governors."



Photographs by Mark Fondersmith

Twelve governors and over 40 journalists attended a Cato media luncheon on "Cutting Taxes and Balancing Budgets" including (left) Gov. Ed Schafer of North Dakota seated next to Susan Dentzer of U.S. News and (right) Gov. David Beasley of South Carolina seated next to Morton Kondracke of Roll Call.

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“Without the welfare state, fewer people would be poor.”

REPLACING WELFARE *Continued from page 7*

country with disadvantages at least as significant as those of welfare recipients. Many have less schooling than the average welfare recipient and many cannot even speak English. Yet the vast majority find jobs, and most eventually prosper.

Of course, it may be necessary for people to move where the jobs are. In some ways, the availability of welfare disrupts normal labor migration patterns by allowing people to remain in areas with low employment. If welfare had been in place at the beginning of the century, the great migration of black sharecroppers and farm workers from southern farms to northern factories would never have taken place.

People forced to rely on themselves will find a variety of ways to get out of poverty. Richard Vedder and Lowell Gallaway of Ohio University examined the movement of poor individuals out of poverty. They found that 18.3 percent of poor people receiving welfare moved out of poverty within one year. However, 45 percent of poor people who did not receive welfare were able to escape poverty.

Even many liberals understand that without welfare many poor people would find other options. As Gary Burtless of the Brookings Institution says, “My guess is that if welfare recipients realize their benefits are going to stop . . . it will cause them to search much, much harder for alternatives.”

Of course, many people will still need help. As the Bible says, “The poor always you will have with you.” The civil society will not turn its back on those people. Instead, they will be helped through a newly invigorated system of private charity.

Replacing Welfare with Private Charity

Private efforts have been much more successful than the federal government’s failed attempt at charity. America is the most generous nation on earth. Americans already contribute more than \$125 billion annually to charity. In fact, more than 85 percent of all adult Americans make some charitable contribution each year. In addition, about half of all American adults perform volunteer work; more than 20 billion hours were worked in 1991. The dollar value of that vol-

unteer work was more than \$176 billion. Volunteer work and cash donations combined bring American charitable contributions to more than \$300 billion per year, not counting the countless dollars and time given informally to family members, neighbors, and others outside the formal charity system.

Private charities have been more successful than government welfare for several reasons. First, private charities are able to individualize their approach to the circumstances of poor people in ways that governments can never do. Government regulations must be designed to treat all similarly situated recipients alike. Glenn C. Loury of Boston University explains the difference between welfare and private charities on that point: “Because citizens have due process rights which cannot be fully abrogated . . . public judgments must be made in a manner that can be defended after the fact, sometimes even in court.” The result is that most government programs rely on the simple provision of cash or other goods and services without any attempt to differentiate between the needs of recipients.

Take, for example, the case of a poor person who has a job offer. But she can’t get to the job because her car battery is dead. A government welfare program can do nothing but tell her to wait two weeks until her welfare check arrives. Of course, by that time the job will be gone. A private charity can simply go out and buy a car battery (or even jump-start the dead battery).

The sheer size of government programs works against individualization. As one welfare case worker lamented, “With 125 cases it’s hard to remember that they’re all human beings. Sometimes they’re just a number.” Bureaucracy is a major factor in government welfare programs. For example, a report on welfare in Illinois found procedures requiring “nine forms to process an address change, at least six forms to add or delete a member of a household, and a minimum of six forms to report a change in earnings or employment.” All that for just one program.

In her excellent book *Tyranny of Kindness*, Theresa Funiciello, a former welfare mother, describes the dehumanizing world of the government welfare system—a system in which regulations and bureaucracy

rule all else. It is a system in which illiterate homeless people with mental illnesses are handed 17-page forms to fill out, women nine months pregnant are told to verify their pregnancies, a woman who was raped is told she is ineligible for benefits because she can’t list the baby’s father on the required form. It is a world totally unable to adjust to the slightest deviation from the bureaucratic norm.

In addition to being better able to target individual needs, private charities are much better able to target assistance to those who really need help. Because eligibility requirements for government welfare programs are arbitrary and cannot be changed to fit individual circumstances, many people in genuine need do not receive assistance, while benefits often go to people who do not really need them. More than 40 percent of all families living below the poverty level receive no government assistance. Yet more than half of the families receiving means-tested benefits are not poor. Thus, a student may receive food stamps, while a homeless man with no mailing address goes without. Private charities are not bound by such bureaucratic restrictions.

Private charity also has a better record of actually delivering aid to recipients. Surprisingly little of the money being spent on federal and state social welfare programs actually reaches recipients. In 1965, 70 cents of every dollar spent by the government to fight poverty went directly to poor people. Today, 70 cents of every dollar goes, not to poor people, but to government bureaucrats and others who serve the poor. Few private charities have the bureaucratic overhead and inefficiency of government programs.

A Safety Net, Not a Way of Life

Second, in general, private charity is much more likely to be targeted to short-term emergency assistance than to long-term dependence. Thus, private charity provides a safety net, not a way of life.

Moreover, private charities may demand that the poor change their behavior in exchange for assistance. For example, a private charity may reduce or withhold benefits if a recipient does not stop using alcohol or drugs, look for a job, or avoid pregnancy. Private charities are much more likely than gov-

“Government relies on force; the civil society relies on persuasion.”

ernment programs to offer counseling and one-on-one follow-up rather than simply provide a check.

By the same token, because of the separation of church and state, the government cannot support programs that promote religious values as a way out of poverty. Yet church and other religious charities have a history of success in dealing with the problems that often lead to poverty.

Finally, and perhaps most important, private charity requires a different attitude on the part of both recipients and donors. For recipients, private charity is not an entitlement but a gift carrying reciprocal obligations. As Father Robert Sirico of the Acton Institute describes it, “An impersonal check given without any expectations for responsible behavior leads to a damaged sense of self-worth. The beauty of local [private charitable] efforts to help the needy is that . . . they make the individual receiving the aid realize that he must work to live up to the expectations of those helping him out.”

Private charity demands that donors become directly involved. Former Yale political science professor James Payne notes how little citizen involvement there is in government charity:

We know now that in most cases of government policy making, decisions are not made according to the democratic ideal of control by ordinary citizens. Policy is made by elites, through special interest politics, bureaucratic pressures, and legislative manipulations. Insiders decide what happens, shaping the outcome according to their own preferences and their political pull. The citizens are simply bystanders.

Private charity, in contrast, is based on “having individuals vote with their own time, money, and energy.”

There is no compassion in spending someone else’s money—even for a good cause. True compassion means giving of yourself. As historian Gertrude Himmelfarb puts it, “Compassion is a moral sentiment, not a political principle.” Welfare allows individuals to escape their obligation to be truly charitable. As Robert Thompson of the University of Pennsylvania said a century ago,

government charity is a “rough contrivance to lift from the social conscience a burden that should not be either lifted or lightened in that way.”

Civil Society

That is the essence of the civil society. When George Washington warned that “government is not reason, it is not eloquence—it is force,” he was making an important distinction. Government relies on force and coercion to achieve its objectives, including charity. In contrast, the civil society relies on persuasion—reason and eloquence—to motivate voluntary giving. In the civil society people give because they are committed to helping, because they believe in what they are doing.

Thus private charity is ennobling of everyone involved, both those who give and those who receive. Government welfare is ennobling of no one. Alexis de Tocqueville recognized that 150 years ago. Calling for the abolition of public relief, Tocqueville lauded private charity for establishing a “moral tie” between giver and receiver. In contrast, impersonal government relief destroys any sense of morality. The donor (read taxpayer) resents his involuntary contribution, while the recipient feels no gratitude for what he receives

and inevitably believes that what he receives is insufficient.

Perhaps the entire question of government welfare versus private charity was best summed up by Pope John Paul II in his recent encyclical *Centesimus Annus*.

By intervening directly and depriving society of its responsibility, the welfare state leads to a loss of human energies and an inordinate increase in public agencies, which are dominated more by bureaucratic ways of thinking than by concern for serving their clients, and which are accompanied by an enormous increase in spending. In fact, it would appear that needs are best understood and satisfied by people who are closest to them and who act as neighbors to those in need. It should be added that certain kinds of demands often call for a response which is not material but which is capable of perceiving the deeper human need.

Better yet, consider this simple thought experiment: If you had \$10,000 available that you wanted to use to help the poor, would you give it to the government to help fund welfare or would you donate it to the private charity of your choice? ■

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- 257. A Fiscal Policy Report Card on America's Governors: 1996** by Stephen Moore and Dean Stansel (July 26, 1996)
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Human ingenuity is the ultimate resource

Rebutting the Doomsayers

In his 1981 book *The Ultimate Resource*, Cato senior fellow Julian Simon challenged Paul Ehrlich and other neo-Malthusians who argued that natural resources were becoming dangerously scarce, population growth was going to cripple standards of living, and environmental disaster was imminent.

The book and its conclusions were widely debated. Peter Bauer stated, "Throughout the book he supports his argument both by analytical reasoning and by a mass of informative detailed evidence. His stance is exceptional also in that he never loses sight that man is the ultimate resource behind economic performance and progress." In contrast, Garrett Hardin declared that "Simon's conclusions are highly palatable to budget evaders, car salesmen, realtors, advertisers, land speculators, and optimists in general; scientists find them appalling."

Sure to attract similar attention is Simon's new and thoroughly revised edition of the book, *The Ultimate Resource 2*. It is being published jointly by the Cato Institute and Princeton University Press.

In *The Ultimate Resource 2*, Simon brings the data presented in the first edition up to date. He demonstrates that the arguments he made in 1981 have been vindicated and shows why they should remain so for years to come.

In addition, he tackles a number of timely issues that weren't addressed in *The Ultimate Resource*. He argues that the supposed rapid rate of species extinction is a figment of many biologists' imaginations. He reveals that the vanishing farmland "crisis" has been manufactured by the U.S. Department of Agriculture and its environmental supporters. He contends that public recycling programs are inefficient and wasteful. And he examines whether global warming and ozone depletion are really the threats that many would have us believe.

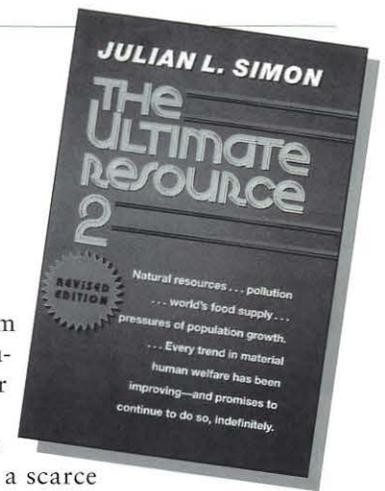
At the core of Simon's arguments is his belief in human innovation and progress. In the short run, he explains, all resources are limited and therefore greater use of any resource tends to place strains on its supply and increase its price. In the long run, however, people respond to such situations by

treating them as opportunities for gain.

When prices for a scarce good increase, incentives for innovation and adaptation arise. When innovations are implemented, the good or a reasonable substitute once again becomes abundant, and the price winds up falling below what it was at the time of the shortage. That scarcity-innovation mechanism has functioned throughout recorded history, Simon argues, and will continue to do so.

Simon reminds us throughout the book that the creation and effective dissemination of new ideas and solutions are dependent on personal and economic freedom. Talented people are the most innovative when they aren't shackled by regulation. Thus, Simon concludes, the true ultimate resource is the human spirit and human imagination in the presence of liberty.

The book can be purchased for \$35.00 (cloth) by calling 1-800-767-1241. ■



Cato Studies

Term Limits Are Still Part of the Solution

In his new paper, "The Political Revolution That Wasn't: Why Term Limits Are Needed Now More Than Ever" (Policy Analysis no. 259), Cato Institute senior fellow Doug Bandow argues that despite various legal and legislative obstacles that have been put in their way, congressional term limits are still necessary and obtainable. He states that the 1994 elections failed to produce a citizen legislature, with the overall House reelection rate remaining at approximately 90 percent. As a result, politically entrenched representatives—who have become too attuned to Washington's "culture of spending"—continue to dominate legislative activity.

To overturn the Supreme Court's 1995 decision that voided term-limit restrictions placed on members of Congress, Bandow

argues that the states should call for a constitutional convention. If enough states were to do so, it is likely that Congress would take heed and pass a term-limits amendment on its own. But if it didn't, Bandow contends, continued action on behalf of a constitutional convention should be taken. "Only rarely in U.S. history has there been sufficient consensus to amend the Constitution. Term limits have generated such a consensus."

◆The United States Should Withdraw from the Gulf

The recent conflict in Iraq is just one sign of the United States' extensive military commitment in the Persian Gulf region. The federal government now spends approximately \$40 billion a year in an effort to treat the southern gulf states as American military

protectorates. In a new Cato Institute study titled "Time Bomb: The Escalation of U.S. Security Commitments in the Persian Gulf Region" (Policy Analysis no. 258), Barbara Conry, foreign policy analyst at Cato, argues that such a policy is not only expensive but dangerous.

She writes that the recent bombing that killed 19 U.S. troops in Saudi Arabia was "one consequence of the high-profile U.S. military presence in the region, and there is great potential for similar attacks in the future."

Instead of expanding American military involvement, as many have argued we should, Conry contends that "Washington should withdraw U.S. troops and encourage countries in the region to take responsibility for their own security."

Cookie-cutter schools?

An Individualist Perspective on Education

It is becoming increasingly clear that government schools have failed. SAT scores are low, dropout rates are staggeringly high, and violence is often rampant.

In a new Cato Institute book, *Why Schools Fail*, Bruce Goldberg, professor of philosophy at the University of Maryland, explains the many reasons for the failure of public schooling and offers a prospective remedy to the educational mess in which the United States finds itself.

According to John Taylor Gatto, former New York State Teacher of the Year and author of *Dumbing Us Down: The Exhausted School*, Goldberg “elegantly exposes the whole shabby enterprise of educational theorizing upon which modern education is built. . . . In these pages you meet the ridiculous pretensions, groundless claims, grandiose proclamations, false tasks, pseudoactivities, and genius for trivia inherent in the structure and staffing of the school empire, and you learn why things got that way. Goldberg is an impressive guide, and this is a very fine book.”

Goldberg traces the history of public schools and the dominant educational theories of the past 150 years, including behaviorism, progressivism, structuralism, and traditionalism. He argues that all of those theories are flawed because they presume that children are essentially interchangeable and thus can be educated in the same way.

To Goldberg, “It is the denial of individuality, the idea that everyone must follow some general plan, that is at the core of the failure of the schools.”

He argues that educators who claim they have “scientific knowledge” of what children need are sorely mistaken. From Horace Mann in the 1840s to Chester Finn and Diane Ravitch in the 1980s, Goldberg contends that such theorists simply do not understand how children learn. There is no one path to intellectual advancement.

Not all children need, or want, to learn Latin, take math for 12 years, or read from a “Great Books” list that, at best, has been randomly compiled. Instead, they should be free to pursue the things that interest them and at which they are adroit. If that were allowed, schooling would no longer be viewed by many children as torturous and mind numbing; it would be considered exciting and productive.

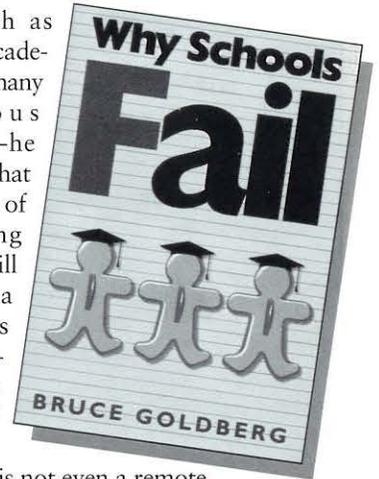
Goldberg argues that such a scenario is unlikely to develop as long as the public school monopoly remains in place. He writes that the “public school system, despite occasional lip service to the idea, has been at war with individuality.”

If competition were introduced via a system of vouchers, however, the stifling effects of the one-size-fits-all educational approach could be mitigated. While he concedes that there will remain certain private schools that do not appreciate the merits of individual-

ism—such as military academies and many religious schools—he contends that a “system of competing schools will produce a vigorous and thorough discussion of standards, and there is not even a remote chance of that happening in the present system.” With competition “there will not be such casual suppression of the character and interests of children in favor of some expert’s personal taste.”

The time has come for society to reappraise the way it educates children. As Goldberg writes, “It is a time to create an environment in which schools will not only operate efficiently but will also, more important, recognize and respond to the fact that children are all different and have different needs. It is time to create an environment that will nurture and encourage individuality instead of treating it as irrelevant.”

To purchase the book call 1-800-767-1241. Prices are \$19.95 (cloth) and \$9.95 (paper). ■



◆Downsizing the World Bank

A new Cato Institute study titled “The World Bank’s Procurement Myth” (Foreign Policy Briefing no. 43) discusses the merits of the World Bank’s soft-loan branch, the International Development Association. The author, John G. Thibodeau, director of research at Probe International, argues that financing IDA is not in the economic self-interest of the United States, despite the claims made on its behalf.

He concludes that American firms receive only 23 cents in contracts for each dollar the United States contributes to IDA. “Instead of being a boon for the American economy, IDA appears to be a black hole into which taxpayers pour billions of dollars for bad projects and pork-barrel contracts for a few

American firms.” The time is right, Thibodeau argues, for the United States and other donor countries to end funding for a program that has proven to be such a failure.

◆Government “Enterprise Funds” Should Be Privatized

The widely recognized failure of traditional foreign assistance programs has prompted Washington to look for new ways to distribute international aid. The result has been increased spending on “enterprise funds” operated by the U.S. Agency for International Development and the Overseas Private Investment Corporation. Those funds are directed by private managers who, acting as venture capitalists, use taxpayer dollars for oper-

ating costs and investment capital.

In his new study, “Uncle Sam as Investment Banker: The Failure of Washington’s Overseas Enterprise Funds” (Policy Analysis no. 260), Doug Bandow, senior fellow at the Cato Institute, argues that the Clinton administration was mistaken in increasing taxpayers’ obligation to those funds 10-fold. He writes that “there is no evidence to suggest that enterprise funds have generated additional private investment, helped create better environments, or had a positive impact on development in poor countries.” The federal government, Bandow contends, should recognize that the enterprise funds, like more traditional foreign aid programs, have failed and should be eliminated. ■

"To Be Governed..."

◆Power: that's what life is about

Charles W. Gilchrist might have been . . . Maryland's governor [after] a seat in the Maryland Senate [and] two terms as Montgomery County executive.

Instead, he [is] serving as director of operations for the New Song ministry, which runs a Habitat for Humanity housing rehabilitation program and a church, school, health center and children's choir. . . .

"I just wish he would get through his penance, take off his hair shirt and put himself to use in government, where he's got such incredible skills," said . . . Blair Lee IV, Gilchrist's former lobbyist in Annapolis. "He's too good to spend his time washing the feet of beggars."

—*Washington Post*, Oct. 8, 1996

◆Mistakes were made

An extensive independent probe [by the Energy Department's inspector general] into Energy Secretary Hazel R. O'Leary's foreign travel missions blames sloppy planning and inefficient management for exorbitant costs and other difficulties associated with the trips, but stops short of holding any individual Energy Department officials accountable.

—*Washington Post*, Oct. 9, 1996

◆This just in: Fonda lauds downsizing

If any employee of Turner Broadcasting System Inc. had reason to feel secure as the cable giant prepares for a wave of cost cutting, it was the promotions manager for its home-video unit: Robert E. "Teddy" Turner IV, son of the company's legendary chairman, Ted Turner.

But . . . "I was concerned," says Teddy Turner, who is 33 years old. "I figured we were fairly safe, but I asked, 'What do you think?' It was a natural question."

His father's reply: "You're toast." . . . The Turner offspring insist their father wasn't completely coldblooded about axing their brother. Later on in the fateful dinner, they say, he said remorsefully: "I fired my own son." Mr. Turner's wife, Jane Fonda, who was at the dinner, hastened to reassure her husband and put a friendlier cast on his actions.

—*Wall Street Journal*, Oct. 9, 1996

◆It could be worse; we could live in Singapore

A group of Howard County [Md.] anti-smoking activists has filed complaints with the police against 16 restaurants, alleging that they are violating the county's tough new anti-smoking restrictions.

County police visited six of the restaurants, did not witness illegal smoking but issued citations to four for violating the new law by not having proper signs. . . .

At Frankie's 8 Ball Cafe, barman Dave Millingham said that the pool hall would put up no-smoking signs but that people probably would continue to smoke.

—*Washington Post*, Sept. 18, 1996

◆Easier than just teaching the three R's

The average scores for African American students on the Scholastic Assessment Test tumbled by 21 points in Montgomery County [Md.] this year. . . .

[One high school principal] said the

school has . . . launched a semester-long course in taking the SAT.

—*Washington Post*, Sept. 24, 1996

◆No attack ad ever educated a child

The Sandinistas, whose militant socialist regime [in Nicaragua] went from victory in a revolution to defeat at the ballot box in the space of 11 years, have undergone a startling face lift that has propelled them into contention in this month's highly polarized presidential election.

Presidential candidate Daniel Ortega [is now running] about even with Arnaldo Aleman, the rightist candidate. . . .

The most effective TV spots attacking Ortega have been banned, at least temporarily, by the electoral council as too aggressive. The spots show, without commentary, newsreels of Ortega and other Sandinistas. One shows Ortega announcing the closing of the opposition newspaper *La Prensa* in the 1980s, while shouting that the news media "will be controlled. They can call it censorship or whatever they like." Another showed Sandinista leaders reading a list of basic goods that would be rationed; another depicts mothers weeping as their sons are forcibly recruited into the army to fight in the civil war.

—*Washington Post*, Oct. 2, 1996

◆Next year they'll learn to counter the ideas

Three Advocacy Institute projects seek paid interns for September through December: . . . • **Media advocacy project to counter libertarian rhetoric.** Starts Sept. 3.

—Flyer posted on college campuses, August 1996

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