

Why Do Intellectuals Oppose Capitalism?

by Robert Nozick

It is surprising that intellectuals oppose capitalism so. Other groups of comparable socio-economic status do not show the same degree of opposition in the same proportions. Statistically, then, intellectuals are an anomaly.

Not all intellectuals are on the "left." Like other groups, their opinions are spread along a curve. But in their case, the curve is shifted and skewed to the political left.

By intellectuals, I do not mean all people of intelligence or of a certain level of education, but those who, in their vocation, deal with ideas as expressed in words, shaping the word flow others receive. These wordsmiths include poets, novelists, literary critics, newspaper and magazine journalists, and many professors. It does not include those who primarily produce and transmit quantitatively or mathematically formulated information (the numbersmiths) or those working in visual media, painters, sculptors, cameramen. Unlike the wordsmiths, people in these occupations do not disproportionately oppose capitalism. The wordsmiths are concentrated in certain occupational sites: academia, the media, government bureaucracy.

Wordsmith intellectuals fare well in capitalist society; there they have great freedom to formulate, encounter, and propagate new ideas, to read and discuss them. Their occupational skills are in demand, their income

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Reporters surround Federal Reserve chairman Alan Greenspan as he leaves the Hayek Auditorium after his keynote speech to Cato's 15th Annual Monetary Conference, "Money and Capital Flows in a Global Economy."

much above average. Why then do they disproportionately oppose capitalism? Indeed, some data suggest that the more prosperous and successful the intellectual, the more likely he is to oppose capitalism. This opposition to capitalism is mainly "from the left" but not solely so. Yeats, Eliot, and Pound opposed market society from the right.

The opposition of wordsmith intellectuals to capitalism is a fact of social significance. They shape our ideas and images of society; they state the policy alternatives bureaucracies consider. From treatises to slogans, they give us the sentences to express ourselves. Their opposition matters, especially in a society that depends increasingly upon the explicit formulation and dissemination of information.

We can distinguish two types of explanation for the relatively high proportion of intellectuals in opposition to capitalism. One type finds a factor unique to the anti-capitalist intellectuals. The second type of explanation identifies a factor applying to all intel-

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Government without Principles

Atlanta, Jan. 13 — Gov. Zell Miller proposed Tuesday that the state provide the parents of every Georgia newborn with a classical music cassette or compact disc in order to boost the infant's intelligence later in life.

We could make fun of poor Governor Miller. We could congratulate him on offering parents a choice of a cassette or CD and wonder why he won't also offer them a choice of musical styles. Or we could note that at least one expert quoted in the *New York Times* indicates that the research on music and intelligence is far from conclusive. We could question the wisdom of a governor who goes straight from reading an article in *Time* magazine to establishing a state program.

But the real issue here is what we might call government without a compass, government that careens wildly from scheme to scheme because it has no guiding principles. If Governor Miller thinks it is the role of government to provide musical recordings to the parents of newborns, is there any task he considers inappropriate for government? And in that regard is he any different from any other governor, member of Congress, or president?

We used to have rules for government. Unique among nations, the United States was founded on a clear conception of the role of government. The Declaration of Independence, our founding document, declared that "all men . . . are endowed by their Creator with certain unalienable rights . . . life, liberty, and the pursuit of happiness" and that "to secure these rights, governments are instituted among men."

The Constitution established a government of delegated, enumerated, and thus limited powers. That is, Americans understood that they had their rights prior to and independent of government. In the Constitution, they delegated some of their rights to a federal government. In so doing, they enumerated the specific powers that they were placing with the government, and that enumeration limited the new government's power. The Declaration set out a clear principle for the role of government, and the Constitution set up a government according to that principle.

For many years Americans expected the federal government, at least, to operate largely according to the rules of the Constitution. With a few exceptions, it did not interfere in matters best left to states, localities, or civil society, and most Americans encountered the federal government only in the form of the postman. But after a century or so, the national government began to hand out subsidies and dabble in economic regulation. Just a little bit at first, then a little more and a little more. By the 1930s Charles Warren could write a book called *Government as Santa Claus*.

Each new subsidy and regulation weakened the original conception of limited government. After all, people could reason, if

government can help the farmers of Ohio, why not Illinois? And if the farmers, why not the veterans? And if the veterans, why not the elderly? And eventually there ensued what James Buchanan has called the collapse of the constitutional consensus, when everyone made a mad dash for the piñata of federal largesse.

By the 1970s the federal government was being called on to bail out individual failing companies such as Penn Central and Chrysler. Today, a perusal of any month's "To be governed . . ." reveals that there is no subject so petty, so local, or so absurd that some politician won't propose to have government tax, regulate, mandate, forbid, or subsidize it. And alas, there are all too few Americans left who don't ask the government to subsidize their businesses and their hobbies and ban all of their neighbors' annoying habits.

The Consumer Product Safety Commission issues mandatory rules for bunk beds. Twentysomethings in Howard County, Maryland, the offspring of prosperous lawyers and lobbyists, complain that the county government doesn't provide any hobbies or social

activities for them. Rep. Bill Paxton (R-N.Y.) proposes that the federal government subsidize the hiring of 100,000 new teachers, a local function if there ever was one. The futile War on Drugs leads to 13-year-olds being suspended from school because they have Advil in their purses. Half the stories in every newspaper should be headlined "Stop me before I legislate again." In such a climate government has become Big Brother, Santa Claus, and Mary Poppins all rolled into

one. And the vice presidency of the United States, a position once held by John Adams and Thomas Jefferson, is now held by a man who declares that the federal government should be like a grandparent to the American people.

In the modern world Zell Miller is the ideal governor, a man who thinks his every idea, his every newspaper clipping, his every impulse should be enforced by law, with the bill sent to the productive people of Georgia.

Government not guided by firm principles is government adrift, government run amok, like a gargantuan two-year-old with an Uzi. It's time to tell the politicians, When all else fails, read the original instructions.



"Government has become Big Brother, Santa Claus, and Mary Poppins all rolled into one."

—David Boaz

Wriston: "Capital stays where it is well treated"

Greenspan Keynotes Monetary Conference

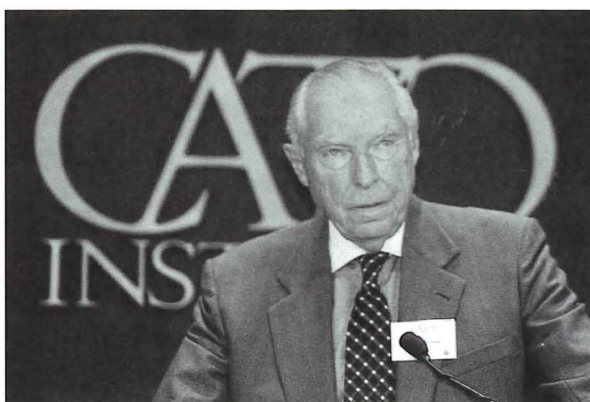
Alan Greenspan, chairman of the Federal Reserve Board, told the Cato Institute's 15th Annual Monetary Conference that "endeavoring to thwart technological advance and new knowledge and innovation through the erection of barriers to the spread of knowledge would, as history amply demonstrates, have large, often adverse, unintended consequences. We cannot turn back the clock of technology—and we should not try to do so."

On October 14th Greenspan and more than a dozen other speakers—including Anna J. Schwartz of the National Bureau of Economic Research; Jerry Jordan of the Federal Reserve Bank of Cleveland; Allan Meltzer of Carnegie Mellon University; Michael Prowse of the *Financial Times*; and Walter Wriston, former chairman of Citicorp—considered "Money and Capital Flows in a Global Economy."

Greenspan said that financial markets are far more efficient today than ever before thanks to changes in communications and information technology. He maintained that central bankers, instead of fearing such dynamic change, should embrace it and the unlimited opportunities that it offers. Wriston echoed that point, arguing that money goes only where it is treated well and that the self-regulating forces of the market will do more to ensure institutional stability than will government mandates.

Schwartz argued that financial crises can be avoided if countries pursue stable monetary and fiscal policies. However, should a national or regional disturbance occur, floating exchange rates will prevent the development of broad international crises.

Jordan reminded the crowd that the val-



Former Citicorp Chairman Walter Wriston discusses the mobility of capital in the global economy at Cato's Annual Monetary Conference.

ue of fiat money issued by central banks depends on the trust the public has in the stability of the currency. To produce such confidence, he said, "central banks must do more than control the supply of base money. They must be sure that their nation's financial infrastructure is capable of issuing, redeeming, and moving fiat-based claims safely and reliably."

Allan Meltzer and three other panelists

grappled with how to avoid problems similar to the Mexican peso crisis of 1995. Meltzer argued that, while the Mexican government is largely to blame for that crisis, other parties are culpable, too. "The U.S. Treasury and the Federal Reserve have been 'helping' Mexico since the 1930s. The IMF has been at it since the 1970s," reported Meltzer. "Successive Mexican governments have learned that if they face a crisis, one or all of these friends will lend them money to make the immediate crisis appear less onerous. Investors have learned that they get bailed out, so they continue to invest. I believe that goes a long way toward explaining why Mexican policy has been erratic and undisciplined at times."

In his paper "Prospects for Globalization," Michael Prowse maintained that the process of "Americanization"—a gradual dismantling of artificial barriers between national economies—is likely to continue.

Kevin Dowd of the University of Sheffield, coeditor of *Money and the Nation State*, made the case for the elimination of central banks and the introduction of a system of free banking.

More than 200 people attended the conference, held in the Cato Institute's F. A. Hayek Auditorium. In addition, 1,100 people watched the conference live on the World Wide Web. The Internet broadcast was one of the first of its kind. ■

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Forum examines GATT after 50 years

Connerly, Klaus, Huber Speak at Cato Events

◆**October 8:** In 1981 employees of Galveston and two other counties in Texas voted to opt out of the federal Social Security system in favor of a private alternative. At a Policy Forum on "Opting Out of Social Security: How Galveston County Did It," Donald Kebodeaux and E. J. Myers, who helped to design the private system, reported that retirees are receiving far greater benefits than they would have gotten under Social Security and maintained that Galveston County's plan could serve as a model for the entire United States.

◆**October 9:** At a Policy Forum titled "If We Had Known Then What We Know Now, Would There Be an Air Bag Mandate?" Sam Kazman of the Competitive Enterprise Institute argued that the National Highway Safety Administration has withheld evidence that the deployment of air bags can kill young children. He maintained that individuals have a fundamental right to determine how to best protect themselves and argued that they should be allowed to deactivate air bags in their cars if they wish. Charles Hurley of the Public Affairs National Safety Council claimed that the air bag mandate has saved far more lives than it has cost.

◆**October 10:** Mark Skousen, professor of economics and finance at Rollins College and columnist for *Forbes*, spoke about his new book *Puzzles and Paradoxes of Economics*. He discussed some seeming economic paradoxes, such as why efforts to eliminate poverty actually increase poverty and why diamonds—a luxury good—are more expensive than water—something that is needed for survival.

◆**October 14:** The Cato Institute hosted its 15th Annual Monetary Conference, "Money and Capital Flows in a Global Economy." In the keynote address, Alan Greenspan, chairman of the Federal Reserve Board, argued that governments—and particularly central banks—should not attempt to impede economic globalization. Regulation, he reminded the crowd, is likely to retard growth and to prop up inefficient institutions. Walter B. Wriston, former chairman of Citicorp, maintained that technological innovation is fundamentally changing the way markets

operate and that further progress, while not inevitable, is very likely. Participants also considered the lessons from the Mexican peso crisis, how to avoid international financial crises, and policy options in a world of mobile capital. More than 200 people attended the day-long event held in Cato's F. A. Hayek Auditorium. In addition, 1,100 people watched the conference live on the World Wide Web. The Internet broadcast was one of the first of its kind.

◆**October 20:** Paul R. Gross of the University of Virginia discussed a new book that he coedited, *The Flight from Science and Reason*, at a Book Forum. The contributors to the volume argue that reason and science can produce objective knowledge. Commenting on Gross's presentation was Paul Forman of the National Museum of American History, who wrote a critical review of the book in *Science*.

◆**October 21:** The Cato Institute hosted a City Seminar in Chicago. Among the speakers were Cato's Ed Crane, Roger Pilon, and Michael Tanner. Ward Connerly of the American Civil Rights Institute delivered the luncheon address, "Equality before the Law: The Key to Racial Harmony," and Stephen Chapman, columnist for the *Chicago Tribune*, gave the keynote address, "Campaign Finance Reform: The Threat to Open Political Discourse."

◆**October 21:** Christopher Lingle, author of *The Rise and Decline of the Asian Century*, discussed his book at a Book Forum. He maintained that authoritarian political institutions in many Asian countries make continued economic growth unlikely.

◆**October 22:** At a Policy Forum on "Crime, Self-Defense, and the Right to Carry a Handgun," Jeffrey R. Snyder, a Second Amendment columnist and author of a recent Cato Institute Policy Analysis on concealed-carry handgun laws, rebutted many of the arguments made by proponents of gun control, including that people lack the competence to handle firearms responsibly and that more guns necessarily mean more violence. Providing commentary was Douglas Weil of the Center to Prevent Handgun Violence.

◆**October 23:** Lynn Zimmer and John P. Morgan, authors of *Marijuana Myths, Marijuana Facts: A Review of the Scientific Evidence*, discussed their book at a Book Forum. They maintained that the dangers of marijuana have been greatly exaggerated and that, in fact, even regular use poses few health risks. In addition, they explained that the demonization of marijuana has led many people to believe that it is no less dangerous than heroine and cocaine; that belief has resulted in an increase in use of those substances.

◆**October 29:** At a Policy Forum four panelists debated the question "Should Land Mines Be Banned?" Stephen Goose of the International Campaign to Ban Land Mines and David Isenberg of the Center for Defense Information maintained that the United States should follow the lead of more than 100 other countries and sign a treaty banning the production and use of anti-personnel land mines. Larry Dodgen of the Department of Defense and Steven Costner of the Department of State argued that such an action would be premature and that the use of land mines might be necessary should the United States enter a conflict in Korea.

◆**October 30:** On the 50th anniversary of the signing of the original General Agreement on Tariffs and Trade, the Cato Institute hosted a half-day Policy Forum titled "GATT after 50 Years: The Future of Free Trade." Robert Z. Lawrence of Harvard University decried the rise of protectionist sentiment on both the left and the right. He said that "those who are calling for a 'level playing field' are really asking for an elimination of the gains of trade." Claude Barfield of the American Enterprise Institute and Fred Smith of the Competitive Enterprise Institute maintained that the United States must be very wary of trade agreements that contain side agreements on environmental and labor standards. Brink Lindsey, of Willkie, Farr & Gallagher and an adjunct scholar of the Cato Institute, argued that the United States should not wait for multilateral trade agreements to be signed before eliminating its own trade barriers. He maintained that immediate unilateral trade liberalization would benefit American consumers. Terry Fortune of Paul,

Weiss, Rifkind, Wharton & Garrison and David Palmer of Graham & James considered the harmful effects of U.S. anti-dumping statutes.

◆**November 11:** Václav Klaus, then-prime minister of the Czech Republic, discussed his new Cato Institute book *Renaissance: The Rebirth of Liberty in the Heart of Europe* at a Book Forum. He spoke about how the Czech Republic, perhaps the most Stalinist state in Eastern Europe during the Cold War, was transformed into the open society that it is today.

◆**November 12:** The Cato Institute visited Los Angeles for a City Seminar. Among the speakers were Cato's Ed Crane, David Boaz, Michael Tanner, and José Piñera, as well as Ward Connerly of the American Civil Rights Institute.

◆**November 13–15:** The Cato Institute, along with the Bionomics Institute and *Forbes* ASAP, hosted

Then-Czech prime minister Václav Klaus, author of *Renaissance: The Rebirth of Liberty in the Heart of Europe*, discusses the Czech Republic's economic and political transformation at a Cato Book Forum.



Cato's vice president for external affairs Lea Abdnor and gubernatorial aide Doug Turner listen as New Mexico governor Gary Johnson discusses state policy issues with Cato policy directors.



Steven Costner from the State Department listens as Gen. Larry Dodgen defends the necessity of land mines in a potential Korean conflict at a Cato debate, "Should Land Mines Be Banned?"

cannot be justified either on a moral basis or by a cost-benefit analysis.

◆**November 24:** Four experts debated the question "Defense Spending: Up, Down, or Flat?" at a Policy Forum. Earl Ravenal of the Cato Institute argued that unwise and entangling U.S. alliances require large amounts of military spending and that, if the United States wishes to cut spending, it must rethink its foreign policy and abandon its interventionist approach. Michael

the 5th Annual Bionomics Conference, "Now What? Living with Perpetual Evolution," in San Francisco. Among the issues discussed were the ways in which a free society promotes trust, how technological innovation will affect education, and how competition is crucial to a vibrant, dynamic society. In addition, there were luncheon and dinner addresses by Virginia Postrel, editor of *Reason*; Peter Huber, author of *Law and Disorder in Cyberspace*; and Gregory Benford, editor of *Far Futures*.

◆**November 13:** At a Policy Forum titled "The Coming, Joyous Collapse of Western Europe's Farm Policies," Dennis Avery, director of the Hudson Institute's Center for

Global Food Issues, argued that agricultural subsidies in Western Europe encourage trade protectionism, undermine job creation, exacerbate the volatility of world food prices and supply, and endanger environmental health. Happily, he predicted that as the United States phases out its price supports, the costs of Western Europe's subsidies will be made apparent and they will be eliminated as well.

◆**November 14:** Steven E. Landsburg, associate professor of economics at the University of Rochester and author of *The Armchair Economist*, discussed his new book *Fair Play: What Your Child Can Teach You about Economics, Values, and the Meaning of Life*. He argued that forced egalitarianism

Vickers of the Center for Strategic and Budgetary Assessments maintained that defense resources are adequate but that the composition of spending needs to be changed; more should be spent on technical innovation and less on conventional troops. Michael O'Hanlon of the Brookings Institution contended that current military spending is slightly inadequate if the United States is to stay engaged in the world in the way it is today. He argued that relatively small increases will be needed for hardware acquisition. Frank Gaffney of the Center for Security Policy maintained that the United States is woefully unprepared for a nuclear or biological attack and that defense spending has been cut much too sharply since the end of the Cold War. ■

Now What? Living with Perpetual Evolution

On November 13–15 the Cato Institute, with the Bionomics Institute and Forbes ASAP, sponsored the 5th Annual Bionomics Conference, “Now What? Living with Perpetual Evolution,” in San Francisco. Among the speakers were Gregory Benford, professor of plasma physics and astrophysics at the University of California at Irvine, editor of *Far Futures*, and a contributing editor to *Reason*; David Post, professor at the Temple University School of Law and cofounder and codirector of the Cyberspace Law Institute; and Sameer Parekh, president of C2Net, a company specializing in providing commercial Internet security software. Excerpts from their remarks follow.

Gregory Benford: There is a controversy over global warming. But for this talk I shall simply concede that there is a problem of some kind, or that there will be one in the future. I am not entirely convinced that’s true, but let’s assume it is for this discussion.

The dominant ideology of the moment says that the answer to the problem of global warming is prohibition: don’t burn fossil fuel. However, that does not make a lot of sense. Much research funded by the National Academy of Sciences over the last decade and a half has shown that it’s much cheaper to mitigate global warming than it is to prohibit people—in both the developing and the developed worlds—from burning fossil fuels, which, of course, is vital to so many industries and to economic progress.

There are basically three ways you can mitigate the problem. First, you can plant trees. Everyone understands that trees sop up carbon dioxide. What everyone does not understand is what a significant effect planting trees can have. If done correctly, it could reduce the total CO₂ output of the United States by 30 percent.

The next thing is rather high tech. You can change the reflectivity of the planet. If you alter the reflectivity of the earth by one-half of 1 percent—and send some sunlight back into space—you can completely offset any plausible increase in warming due to the emission of CO₂. We currently reflect about 30 percent of the sunlight that enters our atmosphere. If you increase that to 30.5 percent, you’ll be able to settle the thermal books.

The trick, of course, is how to do it. There are both local and global ways.

A study published last year by the Department of Energy showed that if you painted every roof in Los Angeles white and if you planted trees in the traffic islands, you could lower the cost of air conditioning by 18 percent and Los Angeles would instantly become cooler than Orange County, instead of being, on average, five degrees warmer on a summer day. That is local; you could also do a number of things nationally or globally.

The most obvious large-scale solution is to adjust the percentage of the sky covered by clouds. If you change the cloud cover slightly, you can completely solve the greenhouse problem, and we know how to produce clouds. Cheapest is to create them at about 35,000 to 40,000 feet. And how do you do that? You simply go up there and dump a lot of fine-grained dust. Happily, it turns out that we do that already. In fact, most of you did that inadvertently on the way to this meeting. Fine-grained dust is left behind in the exhaust trail of jet planes.

A study done by the National Academy of Sciences showed that if you burn rich jet fuel, you deposit micron-sized droplets behind that are essentially unburned carbon. What you leave behind at 35,000 feet stays, on average, about three months. It then disperses and provides added nuclei for the production of clouds. Moreover, the micron-sized droplets reflect sunlight. By using rich fuel—which is slightly more expensive—you will raise airline ticket prices by a few percent. But you will also mitigate the entire CO₂ problem in the United States, and you will do it for just a few tens of millions of dollars, not tens of billions of dollars, which is what prohibition of the use of fossil fuels could cost.

There are other ways to increase cloud cover, as well. You can burn sulphurous coal in the tropics and let the exhaust train—the smoke trail—blow out over the Pacific Ocean. That will increase cloud production and reflect light exactly where you need to: in the oceans. Oceans are darker than land, so they don’t reflect sunlight very well; they absorb it. If you want to cool the world, the best thing is to go to the tropics, where sunlight is most intense, and cover the darkest surface—the ocean. That option is particularly reasonable

because nobody lives in the middle of the Pacific Ocean. Therefore, you can build all the clouds you want and there’ll be no “not in my backyard” opposition to it. That is also true of leaving an exhaust trail behind jet planes. Nobody lives at 35,000 feet.

The third method, which I’ll mention only briefly, is to dump iron dust in the oceans. There is a block in the production of plankton in the oceans due to an inadequate amount of iron in the water. I like to call it the Geritol problem. By dumping iron, you will produce more plankton, the plankton will absorb more CO₂, and when they die, they will sink to the bottom of the ocean and leave the CO₂ in the mud two or three kilometers below the sea surface. We know that option works. It has been tried in two separate experiments near the Galápagos Islands and it has been successful. Plus, it has at least one positive side effect: by stimulating the production of plankton, you can get a bumper crop of fish. The increase in fish stocks will probably pay whatever expenses you incur in stimulating plankton development. In other words, this method is, in the aggregate, free.

Those are just three methods—the primary approaches the National Academy of Sciences studied. When the academy published its findings in 1992, there was widespread revulsion among members of the academy, which absolutely puzzled me. So I went and talked to several people who had worked on the report as well as people who opposed it, including a colleague of mine at the University of California at Irvine, Sherwood Rowland, who won the Nobel Prize in 1995 for predicting the depletion of the ozone layer.

When I spoke to Rowland about global warming, he said, “I’m really opposed to mitigation procedures.” I said, “But mitigation is probably cheaper than prohibition, right?” He said, “Yes, it appears cheaper.” So, I asked him, “Why shouldn’t we do it?” He said, “Because it will give people the impression that there is some better way to do it than by controlling their own urges to burn fuel.” And so I told him, “I didn’t know you were a Puritan.” To which he replied, “What do you mean?” “What you advocate,” I responded, “sounds like a response produced by the Puritan heritage in the American psyche—namely, the terrible fear that

“The Internet can be a powerful, self-organizing system if the geographical sovereigns of the world allow it to become one.”

someone, somewhere is happy, or doing something that you don't approve of.” That train of thought runs, unrecognized, deep in the scientific policymaking establishment.

What libertarians and people interested in sound science must do is oppose people who would like to block human progress by prohibiting the burning of fossil fuels. We need to demonstrate that there are ways that we can manage the system that will allow us to live in a healthy environment, while at the same time being economically prosperous and allowing the bulk of the world to attain much better living standards. We can be the voice of reason speaking against prohibition and for mitigation, for harnessing the increasing power we have over the world in a way that helps, not hurts, us. Mitigation can be achieved. But it can be achieved only through the use of markets, not through the decrees of managers.

David Post: I want to talk about how I think rules and law might evolve in cyberspace. Today, we live in a world that is divided into sovereign states, each of which tries to find a legal system that is best for its citizens. And, in fact, many sovereign states are broken up into smaller regions, which in turn are broken up into even smaller regions. We live in a world in which law is determined by geography. Sovereignty is defined as a geographical matter.

Defining sovereignty by geography has made a lot of sense for a long time because the spillover effects of human conduct, in large part, have been defined and distributed geographically. Throughout the sweep of human history, conduct in one place has primarily affected the well-being of people in that place—not exclusively, but nearly so. But we don't live in that world anymore. Thanks to communication technology generally and the Internet in particular, spillover effects are no longer geographically localized. You know that intuitively. If some financial analyst catches a cold in Hong Kong, my pension funds go down. Now, that's obviously a generalization, but there is more than a kernel of truth to it.

To take a more realistic example, when I publish copyrighted material on the Internet, that action affects the author, the publisher, the publisher's shareholders, the pub-

lisher's employees, students, those who read the information—an endless number of people. Yet none of those people is necessarily in Philadelphia, where I live and where I posted the information. They can be anywhere. What we are searching for in cyberspace, I think, are new governing groups that, at their core, are not geographical. If there is to be any hope of tracking nongeographical spillovers, geographical sovereignty has to be completely rethought. We need to make sure that spillover effects and membership are closely aligned. And to do that I think we should consider an answer that Stuart Kauffman has suggested: “patching.”

In his book *At Home in the Universe: The Search for Laws of Self-Organization and Complexity*, Kauffman demonstrates that there is a way to solve problems in complex systems. He calls that solution “patching.” Patching means breaking up a system into nonoverlapping groups of individual elements and allowing each of those elements in each of those groups to self-optimize, to find within the patch the best possible configuration for the members. The breaking up of a system in such a fashion can, in fact, help to produce a solution that optimizes the welfare of the system as a whole—that is, for the entire collection of patches.

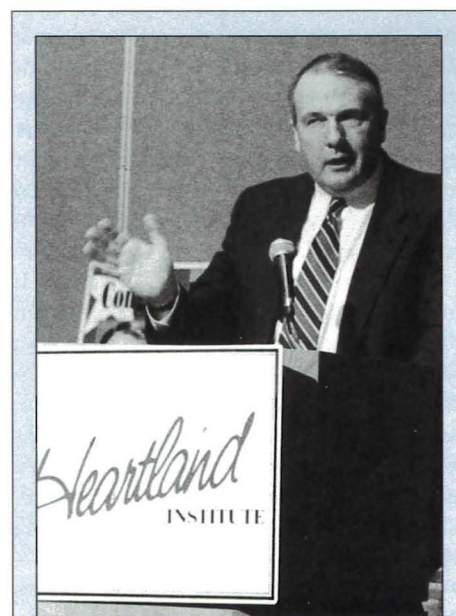
Dividing complex systems into patches—patches where spillover and membership are closely, though not perfectly, aligned—can allow complex systems to adapt to change, and to evolve more efficiently. In a world of nongeographical spillover—the world of the Internet—geographic patches are not likely to be adaptive.

I am hardly the first person to suggest that new technology will lead to the death of conventional notions of sovereignty. Walter Wriston, George Gilder, and many others have talked about that for some time. But I think that patching gives us reason to believe that the demise of geographic sovereignty is a good thing. It gives us reason to think that we are not powerless, that we can adapt in a manner that will maximize our welfare. We should not be worried or surprised that the U.S. Congress will not be able to produce adequate policies regarding copyright and other issues on the Internet, precisely because its membership is defined in geographical terms.

I think the central question for law in cyberspace—and it may well be the central question for law in general in the 21st century—is, What processes can we rely on to produce appropriately shaped and defined decisionmaking patches? To me, the answer to that question is really exciting because, ultimately, it will be individuals, not states, defining their own decisionmaking patches. They will be able to organize their own sovereign communities and to attract members voluntarily. Individuals, after all, have the best information about what conduct and which spillovers affect their own well-being. The Internet can be a powerful, self-organizing system if the geographical sovereigns of the world allow it to become one.

Sameer Parekh: Often when people think about cryptography, they think about the camouflage angle, about confidentiality. Confidentiality, of course, is very important. It protects sensitive information from being stolen. And it makes sure, for example, that when you're writing to your mother

Continued on page 8



Cato Institute founder and president Edward H. Crane received the 1997 Liberty Prize from the Heartland Institute for his outstanding contributions to the cause of individual liberty and free enterprise.

“Having learned from its early mistakes, the government has developed a much more sophisticated approach to stopping cryptography.”

BIONOMICS *Continued from page 7*

about the vacation that you're taking next week, the robber down the street or the hacker next door doesn't find out and decide to break into your home.

In addition to confidentiality, however, there are two other extremely vital components to cryptography: integrity and authentication. Those components are vital to the growth of the Internet because, in addition to growing the networks, we need to make sure that people trust the networks.

Integrity is the function that verifies that documents and information have not been modified. It guarantees that when you send a document, the receiver knows that it is the actual thing, as opposed to something that a third party modified in transit. That's important because you don't want to have a third party go in and change, say, a “must” to a “mustn't” in a contract. In addition, you have situations in which, for example, you need to download software to a personal computer. In that case, you don't want a third party to alter that software and attach a virus that would invade the privacy of your PC.

The second additional aspect of cryptography is the authentication function. It allows someone you're talking to on your computer to know that you are actually who you say you are. For example, when you are trying to get vital company information, your company is able to verify that you are indeed an employee, instead of a competitor. Authentication also allows us to be sure that we're buying a product from the correct vendor. If you want to buy a car from Honda, you can go to the honda.com Web site and order one. What you get in return, thanks to verification, is a Honda, not a Chrysler. In addition, authentication protocols protect against other types of fraud. You don't want to go to a restaurant, buy a meal with your credit card, and then have the restaurant go to Honda and buy a car on your credit card.

In the real world, authentication schemes generally require sensory signals. For example, mammals often authenticate others by using their sense of smell. However, since we can't sniff each other over the Internet, we must use cryptographic protocols. The U.S. government, of course, wants to make all that illegal.

We are all aware of the parasitic nature of government. A parasite must walk a very fine line between feeding off its host for a substantial period of time and killing it immediately. If a parasite kills its host immediately, it either dies or it has to find another host. The smartest parasite feeds off its host without the host even noticing. The HIV virus is a very good example of an effective parasite. It can reside in a host for years and infect additional hosts as well, without the hosts ever knowing. HIV often doesn't turn into full-blown AIDS until many years after the initial infection. Government cryptography policy has evolved from a very simplistic strategy to a much more successful HIV-like strategy.

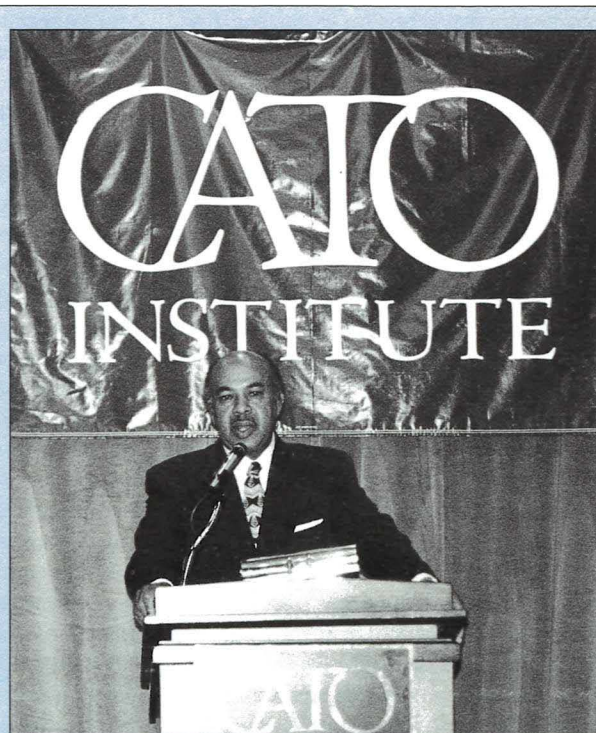
In the beginning, when cryptography wasn't much of a public issue, the only regulations were export restrictions on strong cryptography developed in the United States. While those restrictions were constitutionally questionable and damaging to the U.S. encryption industry, they did not have a significant impact on the ability to deploy strong cryptography worldwide. Only when the Clinton administration announced its support for the clipper chip did the cryptography issue receive widespread recognition.

At that point, more people than just the cryptography freaks found out about cryptography laws, the value of cryptography, and what the government was trying to do to stop cryptography. The public learned what cryptography is and what it is good for. The clipper chip announcement was a perfect example of the government's using a very primitive parasitic strategy. It aroused such a strong reaction in the host that the host retaliated early and had the opportunity to set up defenses. Having learned from its early mistakes, the government has developed a much more sophisticated approach.

Much as HIV resides in the host for years without causing symptoms, the current government policy is to implement an infrastructure for unhampered cheap access to plain text so that it or any criminal organization eventually can snoop in Internet traffic without anyone ever knowing.

We must continue to expand our knowledge of the tactics the government is using to invade our privacy. And we must be very wary of any statements by members of Congress or by the administration in support of strong cryptography. The chances are that such statements are part of a manipulation scheme to enable the government to acquire unlimited access to plain text.

The cure to the problem is also clear. We must quickly deploy strong cryptography worldwide. To cure an infection, it is best to diagnose and treat it quickly. The rapid deployment of strong cryptography is the antidote to the disease of government. Such a cure will secure the future of the Internet and allow it to evolve into a free and fully functioning part of the marketplace. ■



Ward Connerly, chairman of the American Civil Rights Institute, delivered a moving address on equality under the law at a Cato seminar in Los Angeles on November 12.

“Intellectuals feel they are the most valuable people, the ones with the highest merit, but a capitalist society does not satisfy the principle of distribution ‘to each according to his merit.’”

NOZICK *Continued from page 1*

lectuals, a force propelling them *toward* anti-capitalist views. Whether it pushes any particular intellectual over into anti-capitalism will depend upon the other forces acting upon him. In the aggregate, though, since it makes anti-capitalism more likely for each intellectual, such a factor will produce a larger proportion of anti-capitalist intellectuals. Our explanation will be of this second type. We will identify a factor which tilts intellectuals toward anti-capitalist attitudes but does not guarantee it in any particular case.

The Value of Intellectuals

Intellectuals now expect to be the most highly valued people in a society, those with the most prestige and power, those with the greatest rewards. Intellectuals feel *entitled* to this. But, by and large, a capitalist society does not honor its intellectuals. Ludwig von Mises explains the special resentment of intellectuals, in contrast to workers, by saying they mix socially with successful capitalists and so have them as a salient comparison group and are humiliated by their lesser status. However, even those intellectuals who do not mix socially are similarly resentful, while merely mixing is not enough—the sports and dancing instructors who cater to the rich and have affairs with them are not noticeably anti-capitalist.

Why then do contemporary intellectuals feel *entitled* to the highest rewards their society has to offer and *resentful* when they do not receive this? Intellectuals feel they are the most valuable people, the ones with the highest merit, and that society should reward people in accordance with their value and merit. But a capitalist society does not satisfy the principle of distribution “to each according to his merit or value.” Apart from the gifts, inheritances, and gambling winnings that occur in a free society, the market distributes to those who satisfy the perceived market-expressed demands of others, and how much it so distributes depends on how much is demanded and how great the alternative supply is. Unsuccessful businessmen and workers do not have the same animus against the capitalist system as do the wordsmith intellectuals. Only the sense of

unrecognized superiority, of entitlement betrayed, produces that animus.

Why do wordsmith intellectuals think they are most valuable, and why do they think distribution should be in accordance with value? Note that this latter principle is not a necessary one. Other distributional patterns have been proposed, including equal distribution, distribution according to moral merit, distribution according to need. Indeed, there need not be any pattern of distribution a society is aiming to achieve, even a society concerned with justice. The justice of a distribution may reside in its arising from a just process of voluntary exchange of justly acquired property and services. Whatever outcome is produced by that process will be just, but there is no particular pattern the outcome must fit. Why, then, do wordsmiths view themselves as most valuable and accept the principle of distribution in accordance with value?

From the beginnings of recorded thought, intellectuals have told us their activity is most valuable. Plato valued the rational faculty above courage and the appetites and deemed that philosophers should rule; Aristotle held that intellectual contemplation was the highest activity. It is not surprising that surviving texts record this high evaluation of intellectual activity. The people who formulated evaluations, who wrote them down with reasons to back them up, were intellectuals, after all. They were praising themselves. Those who valued other things more than thinking things through with words, whether hunting or power or uninterrupted sensual pleasure, did not bother to leave enduring written records. Only the intellectual worked out a *theory* of who was best.

The Schooling of Intellectuals

What factor produced feelings of superior value on the part of intellectuals? I want to focus on one institution in particular: schools. As book knowledge became increasingly important, schooling—the education together in classes of young people in reading and book knowledge—spread. Schools became the major institution outside of the family to shape the attitudes of young people, and almost all those who later became intellectuals went through schools. There they were successful. They were judged against oth-

ers and deemed superior. They were praised and rewarded, the teacher's favorites. How could they fail to see themselves as superior? Daily, they experienced differences in facility with ideas, in quick-wittedness. The schools told them, and showed them, they were better.

The schools, too, exhibited and thereby taught the principle of reward in accordance with (intellectual) merit. To the intellectually meritorious went the praise, the teacher's smiles, and the highest grades. In the currency the schools had to offer, the smartest constituted the upper class. Though not part of the official curricula, in the schools the intellectuals learned the lessons of their own greater value in comparison with the others, and of how this greater value entitled them to greater rewards.

The wider market society, however, taught a different lesson. There the greatest rewards did not go to the verbally brightest. There the intellectual skills were not *most* highly valued. Schooled in the lesson that they were most valuable, the most deserving of reward, the most entitled to reward, how could the intellectuals, by and large, fail to resent the capitalist society which deprived them of the just deserts to which their superiority “entitled” them? Is it surprising that what the schooled intellectuals felt for capitalist society was a deep and sullen animus that, although clothed with various publicly appropriate reasons, continued even when those particular reasons were shown to be inadequate?

In saying that intellectuals feel entitled to the highest rewards the general society can offer (wealth, status, etc.), I do not mean that intellectuals hold these rewards to be the highest goods. Perhaps they value more the intrinsic rewards of intellectual activity or the esteem of the ages. Nevertheless, they also feel entitled to the highest appreciation from the general society, to the most and best it has to offer, paltry though that may be. I don't mean to emphasize especially the rewards that find their way into the intellectuals' pockets or even reach them personally. Identifying themselves as intellectuals, they can resent the fact that intellectual activity is not most highly valued and rewarded.

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“The intellectual wants the whole society to be a school writ large, to be like the environment where he did so well and was so well appreciated.”

NOZICK *Continued from page 9*

The intellectual wants the whole society to be a school writ large, to be like the environment where he did so well and was so well appreciated. By incorporating standards of reward that are different from the wider society, the schools guarantee that some will experience downward mobility later. Those at the top of the school's hierarchy will feel entitled to a top position, not only in that micro-society but in the wider one, a society whose system they will resent when it fails to treat them according to their self-prescribed wants and entitlements. The school system thereby produces anti-capitalist feeling among intellectuals. Rather, it produces anti-capitalist feeling among verbal intellectuals. Why do the numbersmiths not develop the same attitudes as these wordsmiths? I conjecture that these quantitatively bright children, although they get good grades on the relevant examinations, do not receive the same face-to-face attention and approval from the teachers as do the verbally bright children. It is the verbal skills that bring these personal rewards from the teacher, and apparently it is these rewards that especially shape the sense of entitlement.

Central Planning in the Classroom

There is a further point to be added. The (future) wordsmith intellectuals are successful within the formal, official social system of the schools, wherein the relevant rewards are distributed by the central authority of the teacher. The schools contain another informal social system within classrooms, hallways, and schoolyards, wherein rewards are distributed not by central direction but spontaneously at the pleasure and whim of schoolmates. Here the intellectuals do less well.

It is not surprising, therefore, that distribution of goods and rewards via a centrally organized distributional mechanism later strikes intellectuals as more appropriate than the “anarchy and chaos” of the marketplace. For distribution in a centrally planned socialist society stands to distribution in a capitalist society as distribution by the teacher stands to distribution by the schoolyard and hallway.

Our explanation does not postulate that (future) intellectuals constitute a majority

even of the academic upper class of the school. This group may consist mostly of those with substantial (but not overwhelming) bookish skills along with social grace, strong motivation to please, friendliness, winning ways, and an ability to play by (and to seem to be following) the rules. Such pupils, too, will be highly regarded and rewarded by the teacher, and they will do extremely well in the wider society, as well. (And do well within the informal social system of the school. So they will not especially accept the norms of the school's formal system.) Our explanation hypothesizes that (future) intellectuals are disproportionately represented in that portion of the schools' (official) upper class that will experience relative downward mobility. Or, rather, in the group that predicts for itself a declining future. The animus will arise *before* the move into the wider world and the experience of an actual decline in status, at the point when the clever pupil realizes he (probably) will fare less well in the wider society than in his current school situation. This unintended consequence of the school system, the anti-capitalist animus of intellectuals, is, of course, reinforced when pupils read or are taught by intellectuals who present those very anti-capitalist attitudes.

No doubt, some wordsmith intellectuals were cantankerous and questioning pupils and so were disapproved of by their teachers. Did they too learn the lesson that the best should get the highest rewards and think, despite their teachers, that they themselves were best and so start with an early resentment against the school system's distribution? Clearly, on this and the other issues discussed here, we need data on the school experiences of future wordsmith intellectuals to refine and test our hypotheses.

Stated as a general point, it is hardly contestable that the norms within schools will affect the normative beliefs of people after they leave the schools. The schools, after all, are the major non-familial society that children learn to operate in, and hence schooling constitutes their preparation for the larger non-familial society. It is not surprising that those successful by the norms of a school system should resent a society, adhering to different norms, which does not grant them the same success. Nor, when those are the very ones who go on to shape a society's self-

image, its evaluation of itself, is it surprising when the society's verbally responsive portion turns against it. If you were designing a society, you would not seek to design it so that the wordsmiths, with all their influence, were schooled into animus against the norms of the society.

Our explanation of the disproportionate anti-capitalism of intellectuals is based upon a very plausible sociological generalization.

In a society where one extra-familial system or institution, the first young people enter, distributes rewards, those who do the very best therein will tend to internalize the norms of this institution and expect the wider society to operate in accordance with these norms; they will feel entitled to distributive shares in accordance with these norms or (at least) to a relative position equal to the one these norms would yield. Moreover, those constituting the upper class within the hierarchy of this first extra-familial institution who then experience (or foresee experiencing) movement to a lower relative position in the wider society will, because of their feeling of frustrated entitlement, tend to oppose the wider social system and feel animus toward its norms.

Notice that this is not a deterministic law. Not all those who experience downward social mobility will turn against the system. Such downward mobility, though, is a factor which tends to produce effects in that direction, and so will show itself in differing proportions at the aggregate level. We might distinguish ways an upper class can move down: it can get less than another group or (while no group moves above it) it can tie, failing to get more than those previously deemed lower. It is the first type of downward mobility which especially rankles and outrages; the second type is far more tolerable. Many intellectuals (say they) favor equality while only a small number call for an aristocracy of intellectuals. Our hypothesis speaks of the first type of downward mobility as especially productive of resentment and animus.

The school system imparts and rewards only *some* skills relevant to later success (it is, after all, a specialized institution) so its

“The wordsmith intellectuals are successful within the formal, official social system of the schools, wherein the relevant rewards are distributed by the central authority of the teacher.”

reward system will differ from that of the wider society. This guarantees that some, in moving to the wider society, will experience downward social mobility and its attendant consequences. Earlier I said that intellectuals want the society to be the schools writ large. Now we see that the resentment due to a frustrated sense of entitlement stems from the fact that the schools (as a specialized first extra-familial social system) are not the society writ small.

Our explanation now seems to predict the (*disproportionate*) resentment of schooled intellectuals against their society whatever its nature, whether capitalist or communist. (Intellectuals are disproportionately opposed to capitalism as compared with other groups of similar socio-economic status within capitalist society. It is another question whether they are disproportionately opposed as compared with the degree of opposition of intellectuals in other societies to those societies.) Clearly, then, data about the attitudes of intellectuals within communist countries toward apparatchiks would be relevant; will those intellectuals feel animus toward *that* system?

Our hypothesis needs to be refined so that it does not apply (or apply as strongly) to every society. Must the school systems in every society inevitably produce anti-social animus in the intellectuals who do not receive that society's highest rewards? Probably not. A capitalist society is peculiar in that it seems to announce that it is open and responsive only to talent, individual initiative, personal merit. Growing up in an inherited caste or feudal society creates no expectation that reward will or should be in accordance with personal value. Despite the created expectation, a capitalist society rewards people only insofar as they serve the market-expressed desires of others; it rewards in accordance with economic contribution, not in accordance with personal value. However, it comes close enough to rewarding in accordance with value—value and contribution will very often be intermingled—so as to nurture the expectation produced by the schools. The ethos of the wider society is close enough to that of the schools so that the nearness creates resentment. Capitalist societies reward individual accomplishment or announce they do, and so they leave the intellectual, who considers himself most

accomplished, particularly bitter.

Another factor, I think, plays a role. Schools will tend to produce such anti-capitalist attitudes the more they are attended together by a diversity of people. When almost all of those who will be economically successful are attending separate schools, the intellectuals will not have acquired that attitude of being superior to *them*. But even if many children of the upper class attend separate schools, an open society will have other schools that also include many who will become economically successful as entrepreneurs, and the intellectuals later will resentfully remember how superior they were academically to their peers who advanced more richly and powerfully. The openness of the society has another consequence, as well. The pupils, future wordsmiths and others, will not know how they will fare in the future. They can hope for anything. A society closed to advancement destroys those hopes early. In an open capitalist society, the pupils are not resigned early to limits on their advancement and social mobility, the society seems to announce that the most capable and valuable will rise to the very top, their schools have already given the academically most gifted the message that they are most valuable and deserving of the greatest rewards, and later these very pupils with the highest encouragement and hopes see others of their peers, whom they know and saw to be less meritorious, rising higher than they themselves, taking the foremost rewards to which they themselves felt themselves entitled. Is it any wonder they bear that society an animus?

Some Further Hypotheses

We have refined the hypothesis somewhat. It is not simply formal schools but formal schooling in a specified social context that produces anti-capitalist animus in (wordsmith) intellectuals. No doubt, the hypothesis requires further refining. But enough. It is time to turn the hypothesis over to the social scientists, to take it from armchair speculations in the study and give it to those who will immerse themselves in more particular facts and data. We can point, however, to some areas where our hypothesis might yield testable consequences and predictions. First, one might predict that the more meritocratic a country's school system,

the more likely its intellectuals are to be on the left. (Consider France.) Second, those intellectuals who were “late bloomers” in school would not have developed the same sense of entitlement to the very highest rewards; therefore, a lower percentage of the late-bloomer intellectuals will be anti-capitalist than of the early bloomers. Third, we limited our hypothesis to those societies (unlike Indian caste society) where the successful student plausibly could expect further comparable success in the wider society. In Western society, women have not heretofore plausibly held such expectations, so we would not expect the female students who constituted part of the academic upper class yet later underwent downward mobility to show the same anti-capitalist animus as male intellectuals. We might predict, then, that the more a society is known to move toward equality in occupational opportunity between women and men, the more its female intellectuals will exhibit the same disproportionate anti-capitalism its male intellectuals show.

Some readers may doubt this explanation of the anti-capitalism of intellectuals. Be this as it may, I think that an important phenomenon has been identified. The sociological generalization we have stated is intuitively compelling; something like it must be true. Some important effect therefore must be produced in that portion of the school's upper class that experiences downward social mobility, some antagonism to the wider society must get generated. If that effect is not the disproportionate opposition of the intellectuals, then what is it? We started with a puzzling phenomenon in need of an explanation. We have found, I think, an explanatory factor that (once stated) is so obvious that we must believe it explains some real phenomenon. ■

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Costs, risks of NATO expansion underestimated

Concealed-Carry Gun Laws Reduce Crime

In 1987 Florida passed a law allowing citizens to carry concealed firearms in public. Since that time, 22 other states have enacted similar statutes. In "Fighting Back: Crime, Self-Defense, and the Right to Carry a Handgun" (Policy Analysis no. 284), Jeffrey Snyder, a New York-based attorney, demonstrates that such laws have not produced an increase in violent crime, as many people predicted, but rather a decrease. "Concealed-carry reform," writes Snyder, "reaffirms the basic idea that citizens have the right to defend themselves against criminal attack. And since criminals can strike almost anywhere at any time, the last thing government ought to be doing is stripping citizens of the most effective means of defending themselves."

◆FDA v. Consumer Choice

No manufacturer can market a medical device, alter manufacturing processes for a device, or propose a new use for an existing device without the prior approval of the Food and Drug Administration. Delays caused by the lengthy and burdensome approval process have resulted in thousands of deaths, reports Noel D. Campbell, an economist at Gordon College in Georgia, in "Replace FDA Regulation of Medical Devices with Third-Party Certification" (Policy Analysis no. 288). To counter the FDA's monopoly, Campbell proposes that the certification of medical devices be turned over to private organizations, in much the same way electrical products are now approved by the privately funded Underwriters Laboratories. Certifying organizations are not only likely to be more efficient than the FDA; they also would be more exacting in their safety requirements.

◆No Crisis in Child Care

Recently, the Clinton administration hosted the White House Conference on Child Care, at which many participants urged the federal government to increase subsidies for day care and to more tightly regulate the industry. In "The Advancing Nanny State: Why the Government Should Stay Out of Child Care" (Policy Analysis no. 285), Darcy Olsen, entitlements policy analyst at the Cato Institute, shows that such actions are unneces-

sary. She writes that "96 percent of parents are satisfied with their child care arrangements; child care fees have not changed in real terms since the late 1970s; and the number of child care providers has kept pace with the swelling demand for child care." Given the facts, she concludes, "Congress should resist any attempt to increase funding for child care and to impose federal standards on providers and parents."

◆Transportation Subsidies Promote Congestion

Randal O'Toole, executive director of the Thoreau Institute and an adjunct scholar of the Cato Institute, argues in "ISTEA: A Poisonous Brew for American Cities" (Policy Analysis no. 287) that the Intermodal Surface Transportation Efficiency Act has promoted traffic congestion and thus increased air pollution. The act, originally passed in 1991 and scheduled to be reauthorized in 1998, allocates billions of dollars from the federal gasoline tax to mass transit programs such as light rail and subways. While those systems make great pork-barrel projects for urban politicians and planners, they are very inefficient. They carry only a tiny fraction of commuters and cost from 10 to 100 times more per mile to build than do roads. Increasing congestion on the roads—which, O'Toole claims, is the goal of many supporters of ISTEA—will not result in significant shifts by commuters to mass transit. It will only result in millions of lost hours and environmental damage as commuters sit in gridlocked traffic. "The only way out of the current dilemma," concludes O'Toole, "is for the federal government to take itself out of the transportation planning and funding process. That is to say, it is time to repeal ISTEA"

◆Fast Track Would Liberalize Trade

Since 1974 every U.S. president has been granted authority to negotiate trade treaties for an up-or-down, no-amendments vote in Congress. In "The Fast Track to Freer Trade" (Cato Briefing Paper no. 34), Daniel Griswold, director of trade and immigration studies at the Cato Institute, argues that Congress should once again grant the president such "fast-track" authority. "The case for

passing fast-track trade legislation is simple," writes Griswold. "The most promising approach for advancing free trade in today's global economy is through negotiated trade agreements, and those agreements will be difficult if not impossible to reach if the president of the United States is denied fast-track authority." Griswold maintains that Congress should resist the temptation to pass anything other than a "clean" fast-track bill. "Language that would allow the president to hold free trade hostage to labor and environmental demands should be rejected" because such demands could provide "yet another pretext for protectionism."

◆Costs of NATO Expansion Greatly Underestimated

As the U.S. Senate prepares to debate admitting the Czech Republic, Hungary, and Poland to NATO, it should consider just how costly expansion will be, says Ivan Eland, director of defense policy studies at the Cato Institute. In "The High Cost of NATO Expansion: Clearing the Administration's Smoke Screen" (Policy Analysis no. 286), Eland maintains that even if one accepts two dubious assumptions made by the Department of Defense—that the current benign threat environment will continue and that no NATO forces will be permanently stationed in new member countries—the administration's estimate of the total cost of expansion is wildly inaccurate. Instead of \$27 billion to \$35 billion, real total costs are likely to be about \$70 billion, and they could reach \$167 billion.

◆Privatize Internet Domain Names

Milton Mueller, associate professor at the Syracuse University School of Information Studies, reports in "Internet Domain Names: Privatization, Competition, and Freedom of Expression" (Cato Briefing Paper no. 33) that the registration of Internet domain names mushroomed from 400 per month in 1993 to as many as 70,000 per month in 1996. To ensure that such dynamic growth is not stifled and that efficient registration takes place in the future, he proposes that the government remove itself from the matter entirely. Currently, a private company, InterNIC, working under contract to the National Sci-

First annual Cato conference in Silicon Valley

Cato Cosponsors Bionomics Conference

Don't run to Washington for help in your fight with Microsoft," Peter Huber told Silicon Valley representatives at the 5th Annual Bionomics Conference, titled "Now What? Living with Perpetual Evolution." "As much as you dislike Bill Gates writing your operating system, you'll like Janet Reno writing it a lot less."

Huber, author of *Law and Disorder in Cyberspace*, estimated that Herbert Hoover's mistake—nationalizing the frequency spectrum rather than letting common law work out ownership rules—might have cost the American economy some \$2 trillion in the past seven decades.

The 5th Annual Bionomics Conference, held at the Mark Hopkins Hotel in San Francisco, was the first one cosponsored by the Cato Institute and *Forbes ASAP*, along with the founding sponsor, the Bionomics Institute. It's projected to be the first of a series of annual Cato conferences in the Silicon Valley area. The conference was organized by Tom W. Bell, Cato's director of telecommunications and technology studies.

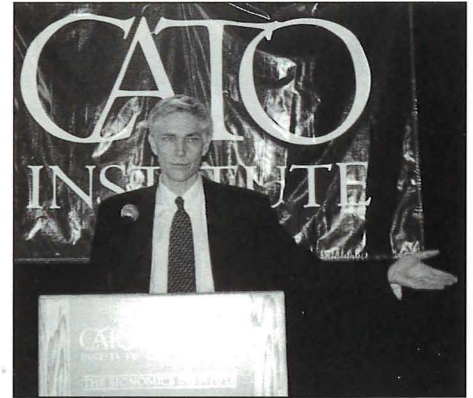
Bionomic insights were provided by Michael Rothschild, author of *Bionomics: The Economy as Ecosystem*, in his opening remarks, and by other speakers such as Andrew Leonard, author of *Bots: The Origin of a New Species*, and George Dyson, author of

Darwin among the Machines: The Evolution of Global Intelligence. Lila Kari of the University of Western Ontario discussed evolutionary computation.

Virginia Postrel, editor of *Reason*, discussed the two views of society that are challenging the old left-right distinction. She asserted that the real dividing line in politics is between the advocates of dynamism and the advocates of stasis. Resistance to change unites such seeming adversaries as Pat Buchanan and Richard Gephardt. Rich Karlgaard, editor of *Forbes ASAP*, discussed the meaning of competition in the new economy; and Cato's David Boaz, author of *Libertarianism: A Primer*, and writer Paulina Borsook, author of the forthcoming *Cyberselfish*, debated competition, cooperation, and individualism.

Daniel Klein, editor of *Reputation: Studies in the Voluntary Elicitation of Good Conduct*, and John Hagel III, author of *Net Gain: Expanding Markets through Virtual Communities*, both examined how trust can be established among people who don't know each other—an essential prerequisite for doing business over wide areas and extended times.

During a panel on education, Martin Haerberli of Netscape discussed the use of technology in the classroom. Michael Moe of NationsBank Montgomery Securities examined the low return Americans are getting on



Peter Huber warns attendees at Cato's conference in Silicon Valley not to turn to the Justice Department for help in their competition with Microsoft.

an investment of \$600 billion in education and the ways that for-profit companies are beginning to enter the education business. Former New York State Teacher of the Year John Taylor Gatto, author of *Dumbing Us Down*, brought down the house with a stem-winding excoriation of compulsory bureaucratic schooling.

José Piñera discussed the worldwide movement toward privatization of government-run pension systems, and Cato president Edward H. Crane closed the conference with a warning to Silicon Valley to avoid getting involved with Washington policymakers. ■

ence Foundation, is responsible for the assignment of domain names. Mueller concludes, "Resolution of the domain names issues will determine whether the people who control the Internet of the future will be in the state sector or the private sector, whether national governments can control Internet content, and whether the Internet will be controlled by state monopolies or market forces."

◆Anti-Dumping Laws Are Anti-Competitive

In "Anti-Dumping Laws Trash Supercomputer Competition" (Cato Briefing Paper no. 32), Christopher M. Dumler, an international economist based in Washington, D.C., argues that "by imposing punitive tariffs of up to 454 percent, the U.S. Department of Commerce has effectively killed import competition in the domestic supercomputer market."

Dumler reports that in the past 17 years the International Trade Administration has found foreign companies guilty of dumping in 96 percent of cases filed. "Given that consumers have benefited from constantly falling computer prices," Dumler concludes, "the worst policy prescription is to reduce competition and keep prices paid by consumers and taxpayers alike artificially high. We must dump the whole U.S. anti-dumping code."

◆Hungary-Serbia Relations: A Potential Tripwire

Article 5 of the North Atlantic Treaty obligates signatories to assist a fellow member that falls victim to aggression from any source. Thus, as a result of admitting Hungary—which has long-standing problems with three of its neighbors—alliance members, includ-

ing the United States, could potentially find themselves embroiled in dangerous conflicts in Eastern Europe, warn Ted Galen Carpenter and Pavel Kisilitsyn in "NATO Expansion Flashpoint No. 2: The Border between Hungary and Serbia" (Foreign Policy Briefing no. 45). Carpenter, vice president for defense and foreign policy studies at the Cato Institute, and Kisilitsyn, a former research assistant at Cato, show that the danger of armed conflict between Hungary and Serbia is particularly serious, because of Belgrade's continuing mistreatment of Hungarian citizens in the Serbian province of Vojvodina. "The prospect of U.S. forces slipping into a Bosnia-style morass on the Hungarian-Serbian border," argue Carpenter and Kisilitsyn, "is one reason among many that the U.S. Senate should refuse to ratify the proposal to expand NATO." ■

"The welfare state blocks moral excellence"

The Virtue of Generosity

Many contemporary political theorists argue that classical liberals are necessarily opposed to generosity because they oppose the welfare state—which, in the eyes of those theorists, is the source of generosity (and many other virtues) in modern society. In the new Cato book *Generosity: Virtue in the Civil Society*, Tibor R. Machan, author of *Human Rights and Human Liberties*, *Individuals and Their Rights*, and other books, argues just the opposite. He maintains that the welfare state makes true generosity difficult to practice and that virtue flourishes most in a free society based on individual rights.

David Schmidtz of the University of Arizona praises *Generosity*, saying, "Too many critics simply postulate that individualism is 'atomistic.' Machan responds with a sensitive and circumspect but appropriately opti-

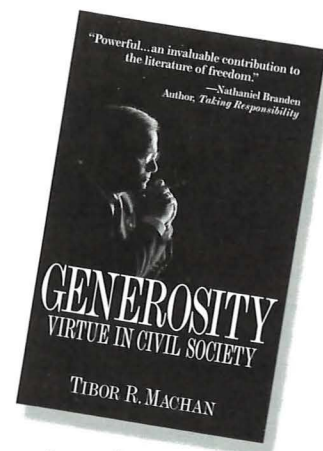
mistic analysis of the virtue of generosity and why it thrives in free societies. This is the best book available on the topic." And Nathaniel Branden, author of *The Psychology of Self-Esteem*, calls the book "an invaluable contribution to the literature of freedom."

Machan says that "individuals have rights to life, liberty, and property—which is to say that in society no one may murder, kidnap, assault, steal from, or extort from another person." Those rights are fundamentally negative—they outline a person's potential sphere of action and, if respected, allow an individual to do whatever he wishes so long as he doesn't violate the equal rights of others.

Negative rights require individuals to let others alone; they do not require a person to act on another's behalf or obligate one to be generous to others. However, if one has positive rights to things—for example, gen-

erosity—then others are obligated to provide them. Machan maintains that in a society that recognizes positive rights and makes generosity obligatory, generosity can no longer be considered a virtue. To be virtuous, an act must be freely chosen. The welfare state, Machan contends, "fosters resentment, bureaucratic inefficiency, and frustration—but most of all, it blocks the only way moral excellence can flourish, by way of free choice."

Copies of *Generosity* can be purchased for \$16.95 (cloth) or \$8.95 (paper) by calling 1-800-767-1241. ■



A tribute to Peter Bauer

How Development Economics Has Changed

For decades, development economists believed that central planning, not economic freedom, was the key to economic growth in developing countries. In 1956 Gunnar Myrdal, winner of the Nobel Prize in economics in 1974, wrote, "The special advisers to underdeveloped countries who have taken the time and trouble to acquaint themselves with the problem all recommend central planning as the first condition of progress." While the argument that socialism is the key to growth in the developing world appears obviously unreasonable today—given the collapse of command-and-control economies around the globe—it was, when Myrdal wrote, the academic consensus. Only a few economists doubted such arguments and proposed alternatives. Foremost among them was Peter Bauer, author of such classics as *The Economics of Under-Developed Countries* and *Dissent on Development*, to whom the new Cato Institute book *The Revolution in Development Economics* is dedicated.

The book—edited by James A. Dorn of

the Cato Institute, Steve H. Hanke of Johns Hopkins University, and Sir Alan A. Walters of the AIG Trading Group—has drawn widespread praise. Nobel laureate James M. Buchanan says, "This book properly celebrates the achievement of Peter Bauer, whose ideas have been vindicated by a half century of history." And Nicholas Eberstadt of Harvard University adds, "This welcome volume not only acquaints the reader with some of Peter Bauer's most penetrating essays, but also draws together a wealth of insight from the almost three generations of scholars and policy analysts who have been influenced by his thinking."

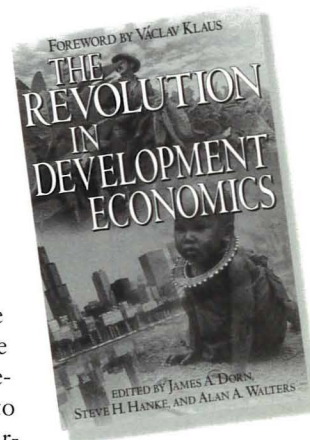
The book contains 20 essays, many of which were originally published in the *Cato Journal*, and a foreword by Václav Klaus, former prime minister of the Czech Republic.

In his essay "Institutions, Ideology, and Economic Performance," Nobel laureate Douglass C. North introduces the idea of "adaptive efficiency," which judges markets on how well they adapt to change. Crucial

to the adaptive process are strictly enforced property rights and the rule of law, which "encourage trials and eliminate errors." "For the Third World and socialist economies," writes North, "the consequences of the institutional framework have been to realize only very partially the productive potential of new technology."

Other contributors to the volume include Julian L. Simon of the University of Maryland, Deepak Lal of the University of California at Los Angeles, and Alvin Rabushka of the Hoover Institution.

To order copies of *The Revolution in Development Economics* for \$22.95 (cloth) or \$14.95 (paper), call 1-800-767-1241. ■



Learn philosophy from Locke and Smith

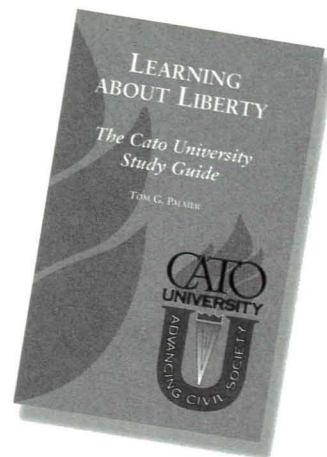
Cato Launches Cato University

The Cato Institute has launched Cato University, a program designed to give Cato Sponsors a concise but comprehensive introduction to libertarian political thought. Enrollees in the home-study program receive 12 audiotape sets over the period of a year, six books, and a study guide. Cato University students also participate in an on-line seminar that will be updated daily. There are 12 different discussion areas—where students can post essays, letters, and comments on the audiotapes and the readings—as well as a current events section. In addition, Cato University will sponsor weekend-long seminars on “Economics and History” and “Philosophy and Law” and an annual essay contest, with awards in various categories.

Donald Boudreaux, president of the Foun-

dation for Economic Education, says, “Cato University is really a great innovation in learning and a boon to busy people with a thirst for knowledge. The curriculum offers a valuable opportunity for every friend of liberty to boost his or her ability to articulate the case for limiting government power over the individual.”

Cato University is available exclusively to Cato Institute Sponsors. For those who are already Sponsors, the program costs \$240. For those who are not yet Cato Sponsors, the program costs \$290, which enrolls you not only in Cato University but also in the Cato Institute’s Sponsors program at a 50 percent discount. Sponsors receive six issues of *Cato Policy Report*, bimonthly memos from Cato Institute president Ed Crane, and more than a dozen papers and studies.



Tom G. Palmer, director of special projects at the Cato Institute and architect of the Cato University curriculum, says that through enrolling in Cato University, “we hope that Sponsors will come to see the work of the Cato Institute as a lifetime project. And we hope that the program will enable them to communicate their knowledge of individual liberty more effectively to others.”

To find out more about Cato University or to enroll, visit the Cato Institute’s Web site at www.cato.org or call (202) 842-0200. ■

Book Authors Offer A Dissent on NATO Expansion

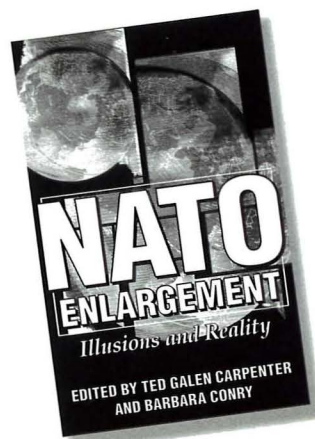
Although NATO enlargement has received considerable media attention and has been a subject of discussion in foreign policy circles, the debate has not yet progressed beyond the preliminary stages. Key issues—including the strategic rationale for NATO enlargement, whether security guarantees to new member states can be made credible, and who will pay for enlargement—remain unsolved,” write Ted Galen Carpenter and Barbara Conry in the introduction to the new Cato book *NATO Enlargement: Illusions and Reality*.

Former senator Gordon J. Humphrey says, “The painstaking analysis in this book shows NATO expansion to be counterproductive for a number of reasons, not the least of which is that it would waste a once-in-a-lifetime opportunity to help transform Russia into a peaceful, civilized power and instead force her into the role of troublemaker.” And Michael Mandelbaum of Johns Hopkins University calls *NATO Enlargement* “the clearest and most comprehensive discussion avail-

able of the most fateful foreign policy issue that the United States will confront in the late 1990s.”

Carpenter, vice president for defense and foreign policy studies at the Cato Institute, and Conry, associate policy analyst at Cato, have collected 19 papers originally prepared for a June 1997 Cato Institute conference on NATO expansion. The book is divided into four sections: “Problems of Cost and Credibility,” “NATO Enlargement and Russia’s Relations with the West,” “Ins and Outs: Creating a New Division of Europe,” and “Alternatives to an Enlarged NATO.”

Christopher Layne, visiting associate professor at the Naval Postgraduate School, argues that admitting the Czech Republic, Hungary, and Poland to NATO would be a foolhardy move for the United States. In the absence of a hegemonic threat to Europe there is no reason for the United States to intervene in European affairs and to provide for the defense of European countries. “The time has come,” concludes Layne, “to com-



plete America’s historic postwar project by finally and fully devolving to a prosperous and democratic Europe the task of managing its own affairs. The task of ensuring Europe’s peace, stability, prosperity, and freedom is one for the Europeans themselves, not for the United States.”

Other contributors to the book include James Chace, editor of *World Policy Journal*; William G. Hyland, former editor of *Foreign Affairs*; and Ronald Steel of the University of Southern California.

Copies of *NATO Enlargement: Illusions and Reality* are available for \$18.95 (cloth) or \$9.95 (paper) by calling Cato Institute Books at 1-800-767-1241. ■

"To Be Governed..."

◆Race, religion, gender, and father's crop

The cigarette companies have become national pariahs. . . . But [tobacco] farmers have succeeded in portraying themselves as innocent victims deserving to be made whole by the settlement. . . .

"I was born to a tobacco farmer," Rod Kuegel of Owensboro, Ky., told the Senate Agriculture Committee. "I do not like being condemned because I was not born to a rice farmer or a wheat grower."

—*Slate*, Oct. 3, 1997

◆Fear and trembling at 60 Minutes

Even "60 Minutes," it turns out, is not immune to fear of the IRS. The [IRS abuse] report's editors and camera operators, worried about possible audits, asked not to be listed in the credits.

—*Washington Post*, Nov. 2, 1997

◆Recruiting government dependents

New York state [has launched] an ambitious initiative that has rescued 160,000 children from the ranks of the [medically] uninsured. . . .

As lawmakers have added money each year, an opposite problem has emerged: The program can't find enough children to use up the money.

From the beginning, the state had hired outside workers to ferret out children—an effort that the new federal program also encourages. But many believe those workers did not look hard enough. . . .

State health officials now are working on a new way to guide families into the program.

—*Washington Post*, Sept. 28, 1997

◆Let's just give the degree for green stamps

CUNY schools must have more stringent admissions policies in order to turn out better-equipped students and return the system to its glory days, Baruch College President Matthew Goldstein said yesterday. . . .

Edith Everett, a CUNY board trustee, challenged Goldstein's proposal, noting that students now need to go to college to land many good jobs.

"And we say, 'Sorry, guys. We got standards so we're not going to take you,'" she said.

—*New York Post*, Oct. 10, 1997

◆You can, however, surround his house with tanks and burn it down

"Sheriff" Janet Reno to Republican lynch mob chasing President Clinton: "Look, I know you fellows are in a hanging mood, but you just can't string up a prisoner before his trial."

—Cartoonist Tom Toles in the *Washington Post*, Oct. 25, 1997

◆And another lose-lose proposition for taxpayers

More than a year ago, the Internal Revenue Service planned widespread job cuts. Yesterday, the IRS said there will be no layoffs. . . .

"The way this has turned out, it works to the agency's advantage, the employees' advantage and the union's advantage. I think this is sort of a win-win for all of us," said David A. Mader, IRS chief management officer.

—*Washington Post*, Oct. 15, 1997

◆Laissez faire never an option

The Sami, an Arctic people formerly known as Lapps, endured [Norwegian] government efforts to eradicate their culture for more than 200 years. In recent decades, that policy has been replaced by a program to nurture the Sami culture.

—*Washington Post*, Oct. 8, 1997

◆Next thing you know, even the public schools might not be accountable

"Establishing a private school voucher system in the nation's capital would set a dangerous precedent for using federal taxpayer funds for schools that are not accountable to the public," the White House Office of Management and Budget said.

—Associated Press, Oct. 10, 1997

◆Back to divine right?

Because two former legislators who lost elections had a "right to hold office," their attorney argues, a state business group injured them by running ads criticizing their voting records before last November's elections.

Radio and TV ads run by Wisconsin Manufacturers & Commerce hurt the "property rights" of ex-Reps. David Plombon (D-Stanley) and Michael Wilder (D-Chippewa Falls) to those offices, according to their lawyer, Paul Gordon.

Gordon said Tuesday the two legal terms he used in his new legal brief—"right to hold office" and "property rights"—were taken from court cases nationally that involved campaign-finance and election-law cases.

—*Milwaukee Journal-Sentinel*, Oct. 22, 1997

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