

James Madison's Vision of Liberty

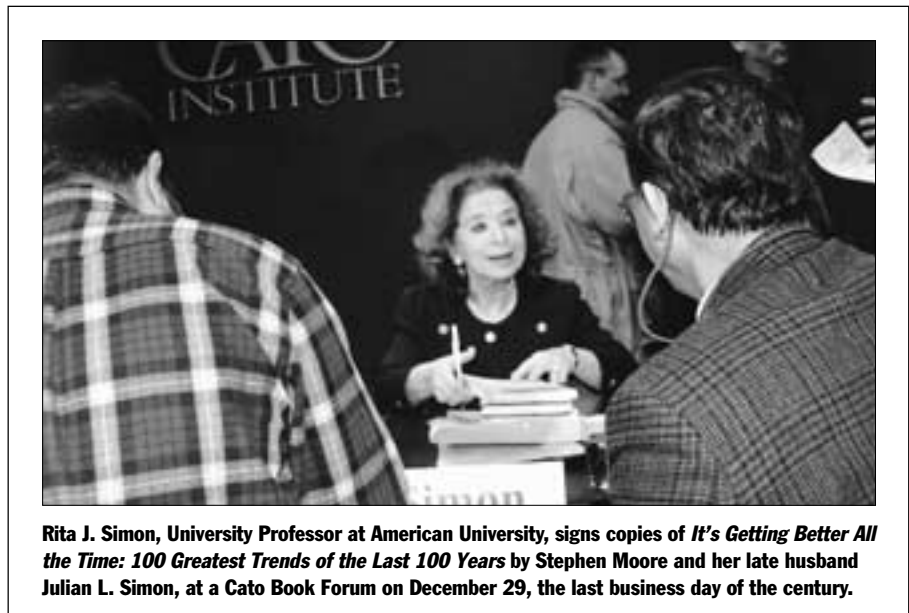
by John Samples

James Madison once remarked that the Constitution of the United States was the work of many minds and many hands. He was being too modest. Madison, more than anyone else at the Constitutional Convention that hot summer of 1787, developed the ideas embodied in our fundamental law and crafted the actual wording of the document. Moreover, James Madison was a persistent and powerful friend of liberty. All friends of freedom have good reason to celebrate the 250th anniversary of his birth on March 16, 1751.

We are familiar today with intellectuals and politicians. Intellectuals we know frequently as pure theorists, if not irrelevant utopians, cosseted by tenure and politically irresponsible. Politicians are often demagogues with an eye on the polls and a talent for short-term thinking. In contrast, Madison and many of the other Framers of the Constitution were engaged intellectuals, men whose political experience both constrained and ennobled their constitutional thinking. By 1787 Madison was no innocent. He understood that, as we say today, politics is hardball. However, that fact was not an excuse for cynicism but rather a sound foundation upon which to build a constitution that would perdure.

Madison's life before the Constitutional Convention prepared him well for his great task. At Princeton he was a devoted student who completed his degree in two years and stayed on to study Hebrew and philosophy with the president of the university. (Time did not make him less of a "grind": an ungenerous critic called the 30-year-old Madison "the most unsociable creature in existence.") He remained proficient in Latin and Greek throughout his

John Samples is director of the Cato Institute's Center for Representative Government.



Rita J. Simon, University Professor at American University, signs copies of *It's Getting Better All the Time: 100 Greatest Trends of the Last 100 Years* by Stephen Moore and her late husband Julian L. Simon, at a Cato Book Forum on December 29, the last business day of the century.

life and returned again and again to ancient authors.

Four years out of Princeton, he began his political career as a delegate to the Virginia Constitutional Convention of 1776. Thereafter, he twice served as a member of the Virginia House of Delegates and a member of the Continental Congress. During his second stint in the Virginia body, he blocked a proposed tax to support the teaching of Christianity and brought about the passage of a bill that both decriminalized heresy and abolished the religious test for public office.

As flaws in the Articles of Confederation became more evident, Madison believed constitutional reform was inevitable. Two years before the Constitutional Convention of 1787, he repaired to the family estate, Montpelier, and prepared to play a major role in the second founding of the United States. He devoured histories of republics, ancient and modern, and read the most advanced theorists of his day. He impor-

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Pair Tax Cuts with Social Security Reform



During his campaign for the presidency, George W. Bush proposed a general reduction of federal income tax rates and a partial privatization of Social Security. As president, Bush should continue to promote those two measures as a package rather than delay the necessary first steps toward replacing Social Security with a system of private retirement accounts.

The prospect of a large unified budget surplus over the next 10 years presents a rare opportunity to address several major

long-term problems of the federal budget. The most severe of those problems is the Social Security system: Current payroll tax rates will not be sufficient to pay the promised benefits once the baby-boom generation retires, and the rate of return on the payroll taxes of young workers is already far less than on alternative investments. Another major problem is the federal income tax code: The current structure of marginal tax rates, in combination with the numerous phase-out provisions and the payroll tax, substantially reduces economic growth, and the increasing complexity of the tax code is a national scandal.

There are two reasons for addressing those problems as a package—one substantive, one marketing. For any taxpayer, the effective marginal tax rate on earnings is the sum of the income tax rate and the payroll tax rate; for this reason, changes in the income tax rates should take into account the structure of the payroll taxes. Second, addressing income tax rate cuts and private retirement accounts as a package should reduce concern about the distribution of the benefits of those measures. Any reduction in income tax rates would most benefit those in the upper half of the income distribution, because they now pay more than 95 percent of federal income taxes. In contrast, allowing workers to set aside a part of their payroll tax in a private retirement account would most benefit lower-wage workers, who pay a substantial payroll tax and little or no income tax. Combining these two measures, thus, would lead to a

“Allowing workers to set aside a part of their payroll tax in a private retirement account would most benefit lower-wage workers, who pay a substantial payroll tax and little or no income tax.”

broader distribution of benefits and should increase support for both proposals.

This is not the place to describe the details of a package of Social Security and tax reforms. My preferences, however, lead me to recommend that this package include the following major provisions:

1. Allow any worker to set aside 6.2 percentage points of the payroll tax in a private retirement account in exchange for forgoing all future Social Security pension benefits. (A minimum retirement income would be guaranteed through a public or private arrangement as part of the plan.) This offer would be especially attractive to younger, mostly lower-wage, workers.
2. Increase the upper limit on the 15 percent income tax bracket to include all earnings subject to the Social Security tax. This would benefit primarily middle-income families, especially those with two workers, and would effectively end the marriage penalty. For workers in this earnings range, the combined marginal tax rate (including the 15.3 percent payroll tax) would be 30.3 percent.
3. Reduce the top income tax rate to 28 percent. The direct benefits of this provision, of course, would accrue to higher-income taxpayers, but this provision would also have the largest positive effect on general economic growth. For workers in this earnings range, the combined marginal tax rate (including the 2.9 percent Medicare tax) would be 30.9 percent.
4. Finally, do not worry about tapping into the so-called Social Security surplus. There is no economic difference between the economic effects of the on-budget surplus and the Social Security surplus, and there is no reason to worry about reducing the Social Security surplus if the above measures lead to a larger reduction in the huge implicit debt to provide promised Social Security benefits.

Approval of this package would be the critical major step toward both a sustainable pension system and a flat-rate tax system. Good economics. Good politics. Seize the day!

—William A. Niskanen

Washington Post: "2.5 pounds and nearly 700 pages of policy information and prescriptions"

Cato Releases Fourth Handbook for Congress

Abolish seven major federal agencies. Eliminate numerous agencies and departments. Shut down or reform costly programs. That's part of the advice the Cato Institute gives the new Congress in the *Cato Handbook for Congress*.

Released on January 12, the *Handbook* gives lawmakers a 680-page, 64-chapter detailed blueprint for cutting spending, reforming and abolishing government programs, and ensuring the constitutionality of proposed laws to restore the federal government to the limited role the Founders meant for it to have. The policy suggestions from Cato's fourth *Handbook* would result in a savings of at least \$256 billion for taxpayers.

The *Cato Handbook for Congress* recognizes that the biggest problem facing America is a federal government that has slipped its constitutional bounds to become a threat to our lives, liberties, and pursuit of happiness.

"Washington now controls a \$2 trillion budget, most of which it redistributes to buy votes, 'reform' problems it created, and keep the incumbents of both political parties in power," says Edward H. Crane, Cato's president and CEO. "That is not what the Founders wanted, it is not what the Constitution prescribes, but it is what the *Handbook* can help fix."

The *Handbook*, coedited by Crane and Cato's executive vice president David Boaz, is being distributed to every member of the House and Senate and to President Bush's White House staff.

The 64 chapters include new essays on lessons to be learned from the presidential election controversy, campaign finance regulation, the president's war powers, gun control, monetary policy, child care, and education, as well as updated advice on issues ranging from Social Security and the federal budget to term limits, defense spending, and education.

Among the *Handbook's* recommendations are that Congress

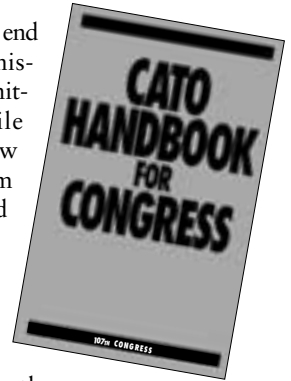
- accept its responsibility under the Constitution to make decisions about war and refuse to cede that authority to regulatory agencies or the president;
- allow young workers to redirect their Social Security payroll taxes to private retirement accounts;
- enact a five-year tax cut of \$2 trillion, abolish capital gains and estate taxes, replace the income tax with a national sales tax, and close the Internal Revenue Service;
- end all corporate welfare, which costs taxpayers \$65 billion a year;
- cut the defense budget from \$300 bil-

lion to \$185 billion, end "peacekeeping" missions, deploy a limited national missile defense, withdraw U.S. forces from Europe by 2005, and reassess NATO;

- close the departments of Education, Energy, Commerce, Agriculture, and Interior; the NEA; the Legal Services Corporation; the Tennessee Valley Authority; and other entities, saving taxpayers \$256 billion;

- open medical savings accounts to all Americans, free of federal meddling;
- reject attempts to make state crimes federal crimes, stop blanket Federal Bureau of Investigation computer surveillance, and defend property rights under the Fifth Amendment;
- declare an end to the "war" on drugs; and
- lift trade barriers and support the World Trade Organization.

The *Cato Handbook for Congress* can be ordered at 1-800-767-1241 or online at www.cato.org for \$18.95.



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Does globalization stifle local culture?

Forums Look at Terrorism, Weapons Systems

◆**November 20:** Companies and nations with a strong commitment to diversity and openness will rise to the top, while those that seek to insulate themselves from outside people and influences will languish, said author G. Pascal Zachary at a Cato Book Forum, *Mighty Is the Mongrel? Winning in the Global Economy*. Zachary, senior writer for the *Wall Street Journal* and author of *The Global Me*, rejected the notion of a global “monoculture,” in which local customs and practices fall victim to colorless commercialism. He argued instead that mixing trumps isolation, that it “spawns creativity, nourishes the human spirit, spurs economic growth, and empowers nations.” Peter Skerry, senior fellow at the Brookings

Institution, and Tyler Cowen, author of *In Praise of Commercial Culture* and professor of economics at George Mason University, commented.

◆**November 27:** The United States needs to adopt a more restrained military policy to reduce America’s attractiveness as a target for terrorists, said Ivan Eland at a Cato Policy Forum, “How Should the United States Respond to Terrorism?” Eland, director of defense policy studies at Cato, said that Washington should intervene abroad only when U.S. interests are at stake. John Para-

Television crews film Cato’s Brink Lindsey and authors G. Pascal Zachary and Tyler Cowen at a Policy Forum on globalization.

chini of the Monterey Institute of International Studies said that Washington must focus on prevention as well as response preparation. Anthony Cordesman of the Center for Strategic and International Studies doubted that reducing American foreign policy engagements would make America less of a target for terrorists. Bruce Hoffman of the RAND Corporation said that it is vital that Washington evenly apply anti-terrorism measures to include even the Irish Republican Army.

◆**December 8:** A panel of health benefits analysts examined the future of employer-sponsored health insurance at a Cato Policy Forum, “The Future of Employer-Sponsored Health Care: Defined Contributions vs. Defined Benefits.” Gerry Smedinghoff of UniversalCIO advised U.S. employers to get out of the health care business. He said that employers will be unable to overcome the flawed structure of the health care industry. Gary Alquist of Booz-Allen & Hamilton predicted a large-scale conversion of employee-sponsored health plans to defined-contribution formats. Bill Custer of Georgia State University defended employment-based health insurance, arguing that it is the private sector’s response to market failures in the insurance market.



At a Policy Forum on terrorism, Anthony Cordesman says the Clinton administration’s punitive strikes against terrorists aren’t the answer.



version of employee-sponsored health plans to defined-contribution formats. Bill Custer of Georgia State University defended employment-based health insurance, arguing that it is the private sector’s response to market failures in the insurance market.

Col. Douglas MacGregor listens as defense analyst David McGinnis argues that the United States should rely more heavily on the National Guard in rare cases that require a U.S. military intervention.



◆**December 18:** The top general in the Army has decided that the Army is too heavy and should “lighten up.” The Army’s proposal to transform six brigades into a medium-weight force by buying 2,000 lighter vehicles was the subject of a Cato Policy Forum, “Should the U.S. Army ‘Lighten Up’?” Col. Douglas A. Macgregor of the U.S. Army National Defense University said that it is critical to integrate ground and air forces in new ways within the framework of the inevitable transformation.

Leading terrorism expert Bruce Hoffman criticizes the politicization of the State Department's "terrorism list."



Cato's Ivan Eland and Ted Galen Carpenter listen as military historian Williamson Murray outlines which Air Force projects the Bush administration should eliminate.

Thomas McNaugher of RAND Corporation and David McGinnis, an independent defense analyst, addressed critics who are resistant to change. McNaugher said the general is attempting to create a middle ground to avoid alienating advocates of heavy armor as well as supporters of transformation. Reporters Sean Naylor of the *Army Times* and Kim Burger of *Inside the Army* examined the military's need for a transformation. Naylor said that he hasn't seen evidence that the military is lightening up.

◆**December 29:** The gloom-and-doom industry has got it all wrong, said Stephen Moore, senior fellow at the Cato Institute, at a Cato Book Forum, *It's Getting Better All the Time: 100 Greatest Trends of the Last 100 Years*. Moore, who coauthored the book with the late Julian Simon, said, "There's been more material progress in the last century than in all of the previous centuries combined." Moore highlighted some of the leading trends of the last century. Rita J. Simon, the widow of Julian Simon and professor of public affairs at American Uni-

versity, said that we are now living in the "good new days." Jared Bernstein of the Economic Policy Institute argued that government has played a key role in improving living standards.

◆**January 18:** The alleged shortfall in military spending should be seen as overprogramming, said Ivan Eland at a Cato Policy Forum, "Which Weapons Systems Should the Bush Administration Skip?" Eland, director of defense policy studies at Cato, said the Bush administration should cut the Virginia-class submarine and the B-22. Williamson Murray of the Institute for Defense Analyses advised the secretary of defense to cut the Joint Strike Fighter. Chris Hellman of the Center for Defense Information said the Comanche helicopter program, which has had numerous delays and cost overruns, may be a program the Bush administration will cut.

Most Cato Forums can be viewed live or later on the Web with RealPlayer. Visit www.cato.org and select "Audio-Visual Archives." ■

Cato Calendar

Policy Perspectives 2001

New York • Waldorf-Astoria
April 27, 2001

Speakers include Bradley A. Smith and David Horowitz.

Making a Federal Case Out of Health Care: Five Years of HIPAA

Washington • Cato Institute
July 31, 2001

Speakers include Richard Epstein, Mark Hall, Fred Cate, and Mark Pauly.

Policy Perspectives 2001

Austin • Four Seasons Hotel
October 16, 2001

Policy Perspectives 2001

Dallas • Four Seasons Las Colinas
October 17, 2001

Money and Markets in the Americas

19th Annual Monetary Conference
Mexico City • Four Seasons Hotel
October 24, 2001

Speakers include Francisco Gil-Diaz, Steve H. Hanke, Judy Shelton, Robert McTeer Jr., Robert Mundell, and Ricardo Salinas Pliego.

Cato University

Montreal • Omni Mont-Royal
October 25-28, 2001

Policy Perspectives 2001

Chicago • Ritz-Carlton
November 1, 2001

Policy Perspectives 2001

New York • Waldorf-Astoria
November 16, 2001

Updated information on Cato events, including Policy Forums and Book Forums not shown here, can be found at www.cato.org/events/calendar.html.

The Future of Employer-Sponsored Health Care

On December 8, 2000, the Cato Institute sponsored a Policy Forum on the future of employer-sponsored health care. The speakers included Gary Ahlquist, senior vice president and managing partner of Booz-Allen & Hamilton's Health and Insurance Group, and Gerry Smedinghoff, director of market awareness for UniversalCIO. Excerpts from their remarks follow.

Gary Ahlquist: Here we are predicting the future. And those of you who follow baseball, as I do, remember Yogi Berra's once saying, "Never make predictions, especially about the future." That's certainly true of health care.

The managed-care system is a \$600 million industry in the United States. Few of the system's users are particularly happy with it. Consumers are unhappy with the restrictiveness of the system and the process they have to go through to get health care. They have no market signals to use to tell the system what they actually want.

Suppliers of health care also are very unhappy with the current system. They feel that their practices have been interfered with time and again. Employers are not particularly happy. They are now in the third year of double-digit price increases. And the health plans themselves feel like everybody's scapegoat. They are getting it from all sides.

So we have a system of managed care that has had some benefit and delivered some one-time cost savings but has not been particularly easy to live within, and people are asking, "What's next? Is there a next?" A consumer-driven market for employer-based individually selected insurance is a probable answer.

A consumer-driven, or defined-contribution, market would have several key features. First, there would be an annual allowance of, or voucher for, an amount of money for each employee to use to enter the market and purchase health insurance with pretax dollars.

Second, that amount of money would be risk adjusted to take into account the medical risk of the individual.

Third, multiyear contracts are a possibility. Why buy health insurance for just a year? We don't buy life insurance for just a year. Why don't we have three-year, four-year, or five-year contracts, which might assume some inflation but would protect against medical risks in some predetermined way?

And fourth, if a catastrophic event occurred at any point in time, there would be some stop-loss coverage to protect us, much the way commercial insurance or auto insurance protects against the big event, but we don't insure against it on a regular out-of-pocket, or premium, basis.

There are clearly some forces, especially consumer interest, that are pushing in that direction. Employers are beginning to look for alternatives, and innovation has come with that: segmentation of the market, defining products and solutions so indi-



Gary Ahlquist: "What's next? A consumer-driven market for employer-based individually selected insurance is a probable answer."

viduals can meet their needs, as opposed to the one-size-fits-all insurance proposition we have today—you take the policy that is offered or you don't, and there is no way of really tailoring coverage to your individual needs.

And then, finally, on the driving side, is the supply-side stimulus. There is a fair amount of innovation going on now in the market. Something on the order of \$300 million to \$400 million of venture capital has found its way into this niche, even after the market decline last spring. And so we expect to see some success, at least some real experimentation, on the supply side, and we

will see just how this works and how it needs to be adjusted to make it work better.

Booz-Allen & Hamilton has done a survey of the Fortune 100 best employers to work for. Seventy-four percent of the benefits executives in those companies would be interested, likely, or very likely to look at a shift to defined-contribution health benefits in the next three to five years. KPMG surveyed employees of Fortune 1000 companies. They reported that 73 percent were interested in having defined-contribution health benefits.

There are several new entrants, largely Internet-enabled, who are making runs at this space. The first are what I would call defined-contribution health plans. There are about 10 to 12 companies that are looking to be risk-bearing insurance plans, Internet-based, with individually tailored choices for consumers.

There are what we might call aggregators, who will offer other people's products through their pipeline but pool the risk and the funds at the front end. And so they will be risk bearers but not necessarily product manufacturers in this space.

And there are a number of e-health players who are looking at vertical slices in the value chain, either making a market in information, making a market in provider services and then offering those to insurers, or making a market as a utility for processing transactions and outsourcing.

We have said that within the next two years we will see Fortune 500 companies entering this new world and trying it out. We actually believe that is too long an estimate. While they haven't gone public with it yet, we expect that in the spring or summer of 2001 we will start to hear more about it. And we will see if it works.

Gerry Smedinghoff: U.S. employers should get out of the health care business. The reason is simple: there is absolutely nothing employers can do about the failing health care sector. The health care economy violates the laws of economics, and employers trying to provide health care in the cur-

“Your health and health care are way too important to be left to your employer.”

rent system are like pilots ignoring the laws of gravity.

The defined-contribution model is not a solution to the problem. That model brings to mind something Tom Peters said about the American quality movement of the 1980s. The bad news, he said, was that in 1980 Americans were making lousy products that customers didn't want. And by 1990, he said, we were making great products that customers don't want. The defined-contribution model offers the same thing. Instead of having no choice with a lousy health maintenance organization that you don't want, defined contribution gives you a limited choice among several lousy HMOs that you still don't want.

This is the primary reason for our current crisis in health care. The main mechanism for delivery of health care, the managed-care-HMO model, does not exist anywhere else in our economy. The HMO says that we are going to provide all products to all people at all places at all times at the highest quality and at the best price. The HMO model has been tried only twice in the last 20 years by major U.S. companies. It was a disastrous failure both times.

The first time was in the early 1980s, when United Airlines tried to do this with travel. You might call it a TMO, or a travel maintenance organization. They were going to cover the traveler's every need from door to door: the flight, the hotel, the rental car, the cruise, all the way on down. Does anybody remember the name of the company that United Airlines formed for its TMO? It was Allegis. Not many people recall it because it lasted for only about 18 months. The other trial of the HMO concept was Sears' ill-fated foray into offering comprehensive financial services in the early 1980s under the heading of the Sears Financial Network.

The only place today where you will still see a remote resemblance to any HMO model is the new car dealership. When we buy a new car, the salesperson tries to convince us to bring the car back to that dealer for all service. But since there is no tax code coercing us and there are no real incentives for the car owner to return to the dealership for all maintenance and service, what do we do? We get our oil changed



Gerry Smedinghoff: “Employers are giving their employees the company credit card, with no spending limit, to buy items that have no price tag on them.”

at Jiffy Lube; we get our mufflers from Midas, our batteries from Sears, and our tires at Goodyear. The good news is we don't need to get a referral from Mr. Goodwrench, our primary care mechanic, to go there.

Here's what the HMO-type system does to our economy. Let's say you are a small business owner with 10 employees, and you are paying them each about \$50,000 a year. If you have a good year and you want to reward your employees for their efforts, you could give them an additional \$5,000 in wages. But what happens to that money, before the employee gets any of it?

The first \$750 of that \$5,000 is going to pay Social Security taxes. The next \$1,400, or 28 percent, is going to pay federal income tax. And the next \$350, or 7 percent, is going to pay state and local taxes. So your employees are going to be left with about half of the \$5,000 that you originally intended to give them.

However, if you decide to buy health care for your employees, none of those taxes have to be paid. So, given a choice of \$2,500 in after-tax income or \$5,000 in health care, most people feel the latter is an offer they can't refuse. Employers think they can double employees' money by buying health care instead of giving them cash. Well, what is the effect of doubling our spending on health care? I will give you a

hint, with another question. What do health care, single-family homes, and higher education have in common?

The answer is that single-family homes, higher education, and health care are all subsidized by some form of tax exemption. They have all experienced inflation far in excess of the consumer price index since World War II, and they are all examples of what I call Gold's law of economics. (named after an actuary turned economist, Jeremy Gold.)

Essentially, what Gold's law says is that 95 percent of a legally mandated cost advantage will end up as waste. What that means is that doubling the amount of money we spend on health care doesn't double the amount of resources. Resources available do not change because we segregate our money through the tax code. All we do by doubling the amount of money is double the cost of the goods. Since resources don't change when you move to a segregated economy, all you do is double the prices.

Another issue is choice. Economists broadly divide goods and services into two categories, public goods and private goods. A public good, like a public road, is one that provides everybody the same thing in the same way. A private good is one that provides us each what we want, individually tailored products and services. What differentiates the public good from the private good is the answer to this question: Can different people satisfy their personal preferences simultaneously without any negative consequences?

Obviously, with food and clothing, the answer is yes. We all wore different clothing here today, we ate different things for breakfast, and nobody suffered from somebody else's decision. With public roads and traffic laws, the answer is obviously no. I can't decide I am just going to ignore all the red lights on my drive back to the airport this afternoon.

The logic of public choice theory holds that people engage in “rational ignorance” when everyone gets the same goods and services despite his desires. Take something very simple, motor oil. If you drive into a Jiffy Lube to get your oil changed, the first question the person that works there is going to ask you is something like “do you

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Clinton's "Nixonian view of executive power"

Six Lessons from Election 2000

The television networks were roundly criticized for prematurely calling the presidential race on election night, but congressional hearings on media mistakes are a bad idea that could suppress free expression, according to a new Cato study, "Lessons of Election 2000" (Cato Briefing Paper no. 59). "Supporters of a free society should worry that congressional hearings would have a chilling effect on the news media," according to John Samples and Patrick Basham of Cato's Center for Representative Government and Tom G. Palmer, senior fellow at Cato. "Any government regulation of when and how the media report the results of exit polls would contravene the prohibitions explicitly stated in the First Amendment," they say. The authors draw six main lessons from the election, including (1) Congress should set up a commission to recommend changes in the electoral system. (2) The Electoral College should be preserved to limit arbitrary power. (3) Campaign spending enhanced turnout and participation in Election 2000.

◆ Clinton's Legacy: The Imperial Presidency

In his classic 1973 book *The Imperial Presidency*, historian Arthur Schlesinger Jr. warned that the American political system was threatened by "a conception of presidential power so spacious and peremptory as to imply a radical transformation of the traditional polity." Almost three decades later, a Cato Institute study examines U.S. foreign policy and finds that the "imperial presidency" is stronger and more menacing than at any time since the Vietnam War. In "Arrogance of Power Reborn: The Imperial Presidency and Foreign Policy in the Clinton Years" (Policy Analysis no. 389), attorney Gene Healy argues that President Clinton "adopted a view of his executive power that is positively Nixonian in its breadth and audacity." As a result, Clinton routinely abused the treaty power and usurped the congressional war power, Healy argues. In Bosnia, Kosovo, and elsewhere, Healy concludes, Clinton "repeatedly and brazenly violated the original understanding of the war power, asserting an unchecked, unilateral presidential authority to wage war." Congress has failed

to stop the usurpation of its power and balks at reclaiming it, Healy notes. "Congressional courage of the kind needed to reclaim the war power will not be forthcoming unless Americans demand it. Unless Americans rediscover their reverence for constitutional limits, and vote accordingly, the slide toward empire will continue," he says.

◆ Universal Education Credits Increase Parental Choice

Voucher initiatives in California and Michigan suffered defeats at the polls in November, but vouchers aren't the only way to give parents more choice about where their children go to school. In "Reclaiming Our Schools: Increasing Parental Control of Education through the Universal Education Credit" (Policy Analysis no. 388), Darcy Ann Olsen and Matthew J. Brouillette argue that universal education tax credits, which would allow taxpayers to subtract from their state tax bills money spent on education, are the best way to create a more decentralized and competitive education marketplace. Olsen, director of education and child policy at the Cato Institute, and Brouillette, director of education policy at the Michigan-based Mackinac Center for Public Policy, propose a universal education credit that would allow any taxpayer—including parents, other individual taxpayers, and businesses—to receive a dollar-for-dollar reduction in tax liability for money spent on any child's education. The credit would be capped at one-half of the per pupil expenditure in the local public school system, and taxpayers could take credit for more than one student as long as the combined credits didn't exceed their state tax liability. Universal tax credits are also the best way to create a truly competitive education market, the authors say. Under the current education system, parents seeking independent education have to pay twice: once for the state-run schools they aren't using and a second time for tuition at an independent school. Credits would "reduce the financial penalty borne by parents who select and pay for their children's schools," creating a more level playing field between public and private options in education.

◆ No Link between Campaign Spending and Mistrust of Government

Sen. John McCain (R-Ariz.) has reintroduced his campaign finance legislation, claiming public support for fixing a system that breeds mistrust of government. But according to a new Cato Institute study, "Public Opinion and Campaign Finance: A Skeptical Look at Senator McCain's Claims" (Cato Briefing Paper no. 60), McCain is wrong on both counts: campaign spending does not cause cynicism toward politics, and the American people care little about campaign finance reform. "Yes, citizens' trust in government is low, and, yes, campaign spending has been increasing at a rapid pace," writes David M. Primo of Stanford University. But time-series data indicate no cause-and-effect relationship between the two. The major drop in public trust occurred before the run-up in campaign spending. Nor is the public clamoring for campaign-finance legislation, Primo says. "In poll after poll, campaign finance is near the bottom of the list of important issues alongside world peace and homelessness," he says, calling the public's response to the issue a "collective yawn."

◆ Social Security a Worse Deal

Social Security will become an increasingly bad deal for each successive generation of retirees, according to a new Cato Institute study. Thomas F. Siems, a senior economist at the Federal Reserve Bank of Dallas, explains in "Reengineering Social Security for the New Economy" (Social Security Paper no. 22) that as it's now structured—taxes from current workers go to pay the benefits of current retirees, with nothing saved for the future—Social Security will become an increasingly bad deal for each successive generation of retirees. "As an unfunded program," Siems writes, "Social Security gives windfall returns to the first generation of participants, since they paid in little relative to the benefits they receive, and gives below-market returns to later generations." This problem is compounded, he says, by the fact that the number of workers relative to retirees continues to decline, from 16 to 1 in 1950 to 3.4

Continued on page 9

Palmer, Basham, Moore named senior fellows

Pollock Heads Revamped Cato Communications

Richard Pollock has been named vice president for communications at the Cato Institute, where he will oversee media relations, government affairs, and marketing efforts. **Valerie Walston** has been named manager of media relations, responsible for helping to promote Cato's people and policy research to the news media.

Pollock comes to Cato from Shandwick Public Affairs, where he spent three years, most recently as executive vice president. Before that he was a senior producer for *Fox News Sunday*. He has also been a Washington producer for ABC's *Good Morning America* and president of his own public relations firm, Richard Pollock Associates Inc.



Richard Pollock

Before his exodus from left-wing politics, Pollock was director of the Health Charities Reform Project with the Center for Science in the Public Interest and director of the Critical Mass Energy Project, a consumer organization founded by Ralph Nader. He has also been a fellow at the Indochina Resource Center, where he coauthored *Vietnam: What Kind of Peace?* and director of international relations for the U.S. National Student Association. Pollock is a graduate of American University in Washington, D.C., with a degree in political science.



Valerie Walston

"From my own perch at ABC and Fox, I know Cato has always been one of the country's most effective organization at communicating the ideas of limited government and individual liberty to journalists, thought leaders, and the public," Pollock said. "I hope to continue that tradition as the country enters a new century in which libertarian ideas will begin to take center stage in many public policy debates."

Valerie Walston joins Cato from the Republican National Committee, where she was assistant press secretary. Before that she served as press secretary to Lamar Alexander during his presidential campaign and as assistant press secretary to Gov. Pete Wilson of California. Walston is a graduate of Sweet Briar College in Sweet Briar, Virginia, with a degree in government.

"We're extremely pleased that Richard and Valerie have joined Cato," said president and CEO Ed Crane. "With the Cato Institute's 25th anniversary just around the corner, we now have in place the most talented communications department in Cato's history."

Stephen Moore has been named a senior fellow of the Cato Institute, a nonstaff position. He served as director of fiscal policy studies from 1990 through 2000 but was on leave for most of the past year. He has now joined the Club for Growth, a political action committee, full-time as president. He will continue to write occasionally for Cato.



Stephen Moore

Patrick Basham has joined the Cato Institute as a senior fellow in the Center for Representative Government. He comes to Cato after three years as director of the Social Affairs Center at the Fraser Institute in Vancouver. He holds degrees in political science from Carleton University and the University of Houston and will soon receive a D.Phil. from Cambridge University. At the center he will concentrate on such issues as term limits, the party system, and electoral reform.



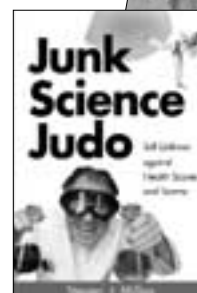
Patrick Basham

Tom G. Palmer has been named a senior fellow at Cato. He has been with Cato for more than five years and just received a D.Phil. in politics from Oxford University. He will continue to direct Cato University, serve as a senior editor, and write about issues of political philosophy and social thought. His lectures on the origins of property rights and constitutional government have become extremely popular at Cato University, the Benefactor Summit, and other events.



Tom G. Palmer

According to the Web site ranking service Top9.com, **Junkscience.com** was the sixth most popular site in the category "General Science" during January 2001, behind the sites of the *National Geographic* and *Scientific American*. Junkscience.com is operated by Steven Milloy, a Cato adjunct scholar and author of *Science without Sense* and the forthcoming *Junk Science Judo*. Top9.com also rates www.cato.org first or second among think-tank sites over the past few months. ■



STUDIES Continued from page 8

to 1 today. Siems favors proposals that would transform part of Social Security into a system of individual retirement accounts, which would give workers more control over their investments and shield their retirement income from legislative changes. But the time to act is now. "The longer reform is delayed, the costlier the fix will be," Siems says. ■

“The powers enumerated in the Constitution placed a limit on what government could do legitimately.”

MADISON *Continued from page 1*

tuned his closest friend, Thomas Jefferson, then serving as minister to France, to send him crates of works by European authors. In sum, no man ever came better prepared than Madison to the task of writing a constitution.

At the convention itself, he took notes of all that was said and of the votes taken; his account remains essential to understanding what happened in Philadelphia. During the ratification struggle, he wrote, along with Alexander Hamilton and John Jay, the famous *Federalist Papers* defending the new Constitution. His contributions tell us much about what he had learned from his formal and political education.

Madison once wrote: “It has been said that all Government is an evil. It would be more proper to say that the necessity of any Government is a misfortune.” Men are not angels and will not live together in peace and freedom without some government. Yet government is a double-edged sword. The power to deter and coerce criminals can be transformed into the power to restrict individual liberty, take property, and impose tyrannical government. How to control government? Elections, in the first instance. But Madison did not share the naïve faith so common today that the people can do no wrong. He knew that majority rule, like all unconstrained political power, posed its own dangers for individual freedom.

Madison on Majority Rule

Madison’s justly famous 10th *Federalist Paper* offers a brilliant practical solution to controlling government. He begins with a tough-minded analysis of the dangers of faction in a republic. People tend, he says, to divide themselves into groups or factions on the basis of wealth, occupation, or religious commitment and seek to dominate others. Protecting against factional domination thus became a central problem for a government founded on majority rule.

If a faction were a majority, it would pose a grave political danger to any republic. Moved by passion or greed or righteous visions, a majority would violate the

rights of a minority. The idle might plunder the industrious. Religious sectarians might seek legal privileges or bans on other faiths. Madison and his colleagues wrote the new American Constitution to prevent such abuses of power and to realize the goods of liberty and security.

Madison argued that the sheer size of the new American republic made such injustices less likely. In pure democracies, such as ancient Athens, individuals quickly discovered common interests, formed factions, and oppressed their fellow citizens. The great diversity of interests and groups in the new American republic worked against a mob acting in unison. A farmer in Massachusetts and another in Virginia might not agree that creditors were Satan’s henchmen. Even if they did share that thought, acting on their common hope of renouncing debts would be immensely complicated.

Madison worried about majorities abusing minorities; he did not fear that minorities could exploit “the greater number.” Here Madison erred. Every day in the United States small minorities—for example, those who benefit from owning or working for the sugar industry—extract millions of dollars from the mass of consumers by virtue of trade protection. Striving for such privileges is so common that scholars have given it a name, rent seeking. Madison did not see that minorities could exploit majorities when the benefits of government action to those minorities were huge and the costs to each individual in the majority were small.

Madison emphasized that the United States would have a representative government rather than a pure democracy. He had little sympathy for the “theoretic politicians” who supported the direct rule of the people. In pure democracies nothing would limit the majority’s abuse of a “weaker party, or the obnoxious individual.” Madison’s indictment is stark: “Such democracies have ever been spectacles of turbulence and contention; have ever been found incompatible with personal security, or the rights of property; and have in general been as short in their lives, as they have been violent in their deaths.”

The delegation of the people’s power to representatives, on the other hand, would “refine and enlarge the public views” and

dampen the vicious passions that had destroyed so many republics of the past. Giving the people an indirect voice in making the laws, Madison concluded, would more likely serve the public good than would direct democracy.

Madison also spoke of the need for “auxiliary precautions” in the Constitution to limit government and protect freedom. The most important one was the division and balancing of powers. Madison and the other Framers of the Constitution feared the gradual concentration of power in one branch of government. His solution to this danger was entirely pragmatic: the leaders of each branch must have “the necessary constitutional means, and personal motives, to resist encroachment of the...others. Ambition must be made to counteract ambition.” Madison’s invitation to struggle among the branches has worked imperfectly in recent years. Congress has partially restrained the “imperial presidency” of Kennedy and Nixon; the states have done less well at restraining an “imperial” Washington establishment. Congress has delegated too much of its authority to the executive branch where unaccountable bureaucrats make policy outside the rule of law.

Madison also insisted that the people retained all rights not expressly delegated to the new government of the United States. The powers enumerated in the Constitution thus placed a limit on what government could do legitimately. In Madison’s day, as in our own, some people contended that the federal government had implicit powers to attain the goals stated in the preamble to the Constitution, especially the goal of promoting the general welfare. Madison disagreed strongly. Such a theory would “convert the government from one limited as hitherto supposed, to the enumerated powers, into a government without any limits at all.” We may well wonder whether today we live under a government “without any limits at all.”

In Madison’s opinion, an essential right retained by the people was liberty of conscience in matters of religion. Some of his earliest letters denounce religious intolerance in Virginia. His Christian faith cannot be doubted, nor can his unyielding

“Madison did not see that minorities could exploit majorities when the benefits of government action to those minorities were huge and the costs to each individual in the majority were small.”

resistance to mixing politics and religion. For Madison, bringing religion into the public realm corrupted both faith and government.

We might close by recalling Thomas Jefferson's assessment of his friend: "I can say conscientiously that I do not know in the world a man of purer integrity, more dispassionate, disinterested, and devoted to genuine Republicanism; nor could I in the whole scope of America and Europe point out an abler head." The passage of time has amply confirmed Jefferson's judgment. Madison's ideas, his life, and his great accomplishment should now inspire us to reclaim the American legacy of liberty and limited government.

Political Insights from Madison

Madison once said, "Knowledge will forever govern ignorance; and a people who mean to be their own Governors, must arm themselves with the power which knowledge gives." In that spirit, I offer the following insights from Madison's political thought.

Ambition

"Ambition is so vigilant, and where it has a model always in view as in the present case, is so prompt in seizing its advantages, that it can not be too closely watched, or too vigorously checked."

Letter to Thomas Jefferson,
December 25, 1797

Balance of Powers

"But what is government itself but the greatest of all reflections on human nature? If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary. In framing a government which is to be administered by men over men, the great difficulty lies in this: You must first enable the government to control the governed; and in the next place, oblige it to control itself. A dependence on the people is no doubt the primary control on the government; but experience has taught mankind the necessity of auxiliary precautions."

Federalist no. 51,
February 6, 1788

Civil Liberty and Property

"In a free government, the security for civil rights must be the same as that for religious rights. It consists in the one case in the multiplicity of interests, and in the other, in the multiplicity of sects."

Federalist no. 51,
February 6, 1788

"As a man is said to have a right to his property, he may be equally said to have a property in his rights. Where an excess of power prevails, property of no sort is duly respected. No man is safe in his opinions, his person, his faculties, or his possessions."

National Gazette essay,
March 27, 1792

Commerce

"I own myself the friend to a very free system of commerce, and hold it as a truth, that commercial shackles are generally unjust, oppressive and impolitic—it is also a truth, that if industry and labour are left to take their own course, they will generally be directed to those objects which are the most productive, and this in a more certain and direct manner than the wisdom of the most enlightened legislature could point out."

Speech in Congress, April 9, 1789

Civic Virtue

"Is there no virtue among us? If there be not, we are in a wretched situation. No theoretical checks—no form of government can render us secure. To suppose that any form of government will secure liberty or happiness without any virtue in the people, is a chimerical idea. If there be sufficient virtue and intelligence in the community, it will be exercised in the selection of these men. So that we do not depend on their virtue, or put confidence in our rulers, but in the people who are to choose them."

Speech in the Virginia Ratifying
Convention, June 20, 1788

Enumerated Powers

"This is not an indefinite government deriving its powers from the general terms prefixed to the specified powers—but, a

limited government tied down to the specified powers, which explain and define the general terms."

Speech in Congress,
February 6, 1792

War

"The constitution supposes, what the History of all Governments demonstrates, that the Executive is the branch of power most interested in war, and most prone to it."

Letter to Thomas Jefferson,
April 2, 1798

Faction

"The latent causes of faction are thus sown in the nature of man; and we see them everywhere brought into different degrees of activity, according to the different circumstances of civil society. A zeal for different opinions concerning religion, concerning government, and many other points, as well of speculation as of practice; an attachment to different leaders ambitiously contending for pre-eminence and power; or to persons of other descriptions whose fortunes have been interesting to the human passions, have in turn divided mankind into parties, inflamed them with mutual animosity, and rendered them much more disposed to vex and oppress each other, than to co-operate for their common good."

Federalist no. 10,
November 22, 1787

Government

"It has been said that all Government is an evil. It would be more proper to say that the necessity of any Government is a misfortune. This necessity however exists; and the problem to be solved is, not what form of government is perfect, but what of the forms is least imperfect."

Letter to an unidentified
correspondent, ca. 1833

Legislation

"It will be of little avail to the people that the laws are made by men of their own choice, if the laws be so voluminous that they cannot be read, or so incoherent that they cannot be understood; if they be repealed or revised before they are promulgated, or

Continued on page 12

“If industry and labour are left to take their own course, they will generally be directed to those objects which are the most productive.”

MADISON *Continued from page 11*

undergo such incessant chances that no man who knows what the law is today can guess what it will be tomorrow.”

Federalist no. 62,
February 27, 1788

Passion in Politics

“In all very numerous assemblies, of whatever characters composed, passion never fails to wrest the scepter from reason. Had every Athenian citizen been a Socrates, every Athenian assembly would still have been a mob.”

Federalist no. 55,
February 13, 1788

Majority Rule

“Wherever the real power in a Government lies, there is the danger of oppression. In our Governments the real power lies in the majority of the Community, and the invasion of private rights is chiefly to be apprehended, not from acts of Government contrary to the sense of its constituents, but from acts in which the Government is the mere instrument of the major number of the constituents.”

Letter to Thomas Jefferson,
October 17, 1788

Power

“All men having power ought to be trusted to a certain degree.”

Speech in the Constitutional
Convention, July 11, 1787

Property

“Government is instituted to protect property of every sort; as well that which lies in the various rights of individuals, as that which the term particularly expresses. This being the end of government, that alone is a just government, which impartially secures to every man, whatever is his own.”

National Gazette essay,
March 27, 1792

Public Servants

“If neither gratitude for the honor of the trust, nor responsibility for use of it, be sufficient to curb the unruly passions of public functionaries, add new bits to the

bridle rather than to take it off altogether. This is the precept of common sense illustrated and enforced by experience—uncontrolled power, ever has been, and ever will be administered by the passions more than by reason.”

“Political Reflections,”
February 23, 1799

Religious Freedom

“Religious bondage shackles and debilitates the mind and unfits it for every noble enterprise.”

Letter to William Bradford,
April 1, 1774

Republicanism

“When the people have formed a constitution, they retain those rights which they have not expressly delegated. It is a question whether what is thus retained can be legislated upon. Opinion are not the objects of legislation... If we advert to the nature of republican government, we shall find that the censorial power is in the people over the government, and not in the government over the people.”

Speech in Congress,
November 27, 1794

Slavery

“We have seen the mere distinction of colour made in the most enlightened period of time, a ground of the most oppressive dominion ever exercised by man over man.”

Speech at the Constitutional
Convention, June 6, 1787

Military Establishments

“A standing military force, with an overgrown Executive will not long be safe companions to liberty. The means of defence against foreign danger, have been always the instruments of tyranny at home.”

Speech at the Constitutional
Convention, June 29, 1787

Liberty at Home

“The fetters imposed on liberty at home have ever been forged out of the weapons provided for defence against real, pretended, or imaginary dangers from abroad.”

“Political Reflections,”
February 23, 1799 ■

FORUM *Continued from page 7*

want Pennzoil 10W30?” Well, most of us are rationally ignorant about motor oil. Despite that, we get a choice of motor oil.

Let’s take something that’s much more important than motor oil, the education of children. Unfortunately, education is a public good. You are stuck with the public schools in your neighborhood whether you like them or not. If you want to make a choice and go outside that system, the cost can be prohibitively high. So we remain rationally ignorant about choices that we can’t really exercise. Unfortunately, health care, like education, is primarily distributed as a public good in this country.

You will notice that we have our priorities upside down. About the things that are the least important in our lives, like our motor oil, we have the most choices. About the things that are the most important, like the education of our children and our health, we have limited choices, if any.

Our health care system serves best those who have the least interest in and place the least value on their health. Consider the business consequences of rationally ignorant health care. Essentially, employers are giving their employees the company credit card, with no spending limit, to buy items that have no price tags on them. How many businesses or households operate that way? Yet that is the way we are operating at least 90 percent of our health care economy.

So, what is the road to recovery? We need to repeal the Employee Retirement Income Security Act and put choices about health care back on the individual level where they belong. What is more personal and private than your health care?

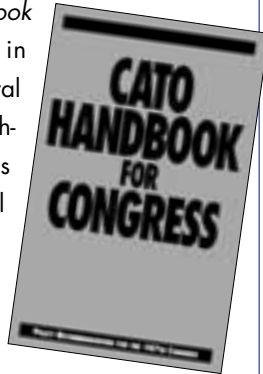
We also need to repeal the Internal Revenue Code. Not only are we segregating our money through the Internal Revenue Code; we are segregating it a second time by making our employers responsible for making health care decisions for us.

Clemenceau noted that “war is too important to be left to the generals.” Likewise, the education of your children is too important to be left to the government, and your health and health care are way too important to be left to your employer. ■

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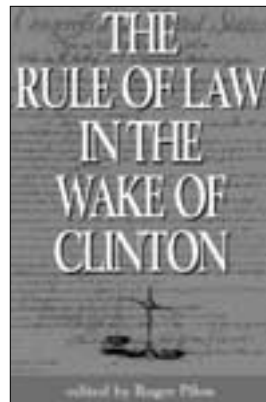


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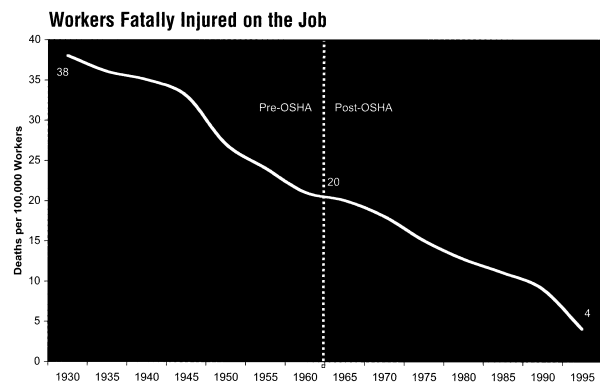
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SOURCES: National Safety Council, *Accident Safety Facts*, annual (Chicago); and Charles Murray, *What It Means to Be a Libertarian* (New York: Broadway Books, 1997).

This chart and 130 more like it can be found in *It's Getting Better All the Time: 100 Greatest Trends of the Last 100 Years* by Stephen Moore and Julian L. Simon. Read one every day and impress your colleagues.

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Tom Paine's name abused

Cato Fires Back on Corporate Welfare

On March 7, the sadly misnamed Web site TomPaine.com ran a \$34,000 ad on the op-ed page of the New York Times denouncing corporate welfare that harms the environment and derisively challenging the "limited-government, free-market crowd" to endorse the proposed cuts. But "we don't expect to hear a peep" from those groups, the ad proclaimed. TomPaine.com president John Moyers wrote to Cato president Ed Crane and other free-market leaders enclosing the ad, repeating the challenge, and promising to print any response. The Cato Institute, of course, was exposing corporate welfare long before John Moyers received his first foundation grant (see "Ending Corporate Welfare As We Know It," Policy Analysis no. 225, May 12, 1995, and the studies cited therein for some early examples). Cato's Jerry Taylor, director of natural resource studies, and Stephen Slivinski, fiscal policy analyst, fired back in a letter to Moyers. This is an excerpt of their letter.

Thank you for the complimentary copies of *Green Scissors 2001* and the invitation to Cato's president, Ed Crane, to comment on that report for your Web page. The polite tone of your letter, however, was quite a contrast to that of your "op-ad"



Jerry Taylor

in the *New York Times*. The only reason we can think of that you would write that "we don't expect to hear a peep" from groups like the Cato Institute about the cuts proposed in *Green Scissors 2001* is that you have not paid the slightest attention to our work.

For instance, while you're quite smug about offering up \$55 billion worth of taxpayer savings and insinuate that you've one-upped the "limited-government, free-market" crowd, you would have had only to pick up a copy of the *Cato Handbook for Congress* (full text available online at <http://www.cato.org/pubs/handbook/handbook107.html>) to see that your corpo-

rate welfare cuts are a drop in the bucket compared with what's possible. While we agree with the vast majority of the cuts proposed in *Green Scissors 2001* (most of which we called for in the *Handbook*), we've outlined an additional \$48 billion in annualized budget savings and another \$13 billion to \$19 billion in one-time budget savings—all from programs that could fairly be described as "corporate welfare" with negative environmental implications.

Unfortunately, the estimated budget savings in *Green Scissors 2001* are, to put it charitably, unreliable. According to the authors of the report, the proposed budget savings are not "exact" but "illustrative" and, most disingenuously, lump together multi-year and single-year estimates. So while it's impossible to know from that report exactly how large the proposed cuts really are, they are certainly far less than the implied \$55 billion annually.



Stephen Slivinski

It is indeed striking to consider all of the corporate welfare the report conveniently ignores. In the agricultural section, for instance, the report omits elimination of the milk program. Why? Are milk subsidies somehow less obnoxious than sugar, peanut, tobacco, or mohair subsidies? Or did the report pull its punches because those subsidies are delivered to voting groups that liberals seek to court?

Green Scissors 2001 also conveniently overlooked the biggest of all transfer payments to farmers: the fixed schedule payments under the Federal Agricultural Improvement and Reform Act and the loan deficiency payments of the Agricultural Market Transition Act. Both of those programs meet anyone's definition of corporate welfare, and they both have negative environmental impacts because they keep more farmland under plow and more farmers in business than market forces would otherwise allow. Moreover, those programs are far more costly than the programs you

assailed in your report: \$14 billion in fiscal year 2001. We've long called for elimination of those programs; why didn't the Green Scissors coalition?

Most inexplicably of all, the report somehow failed to find any fault with the notorious ethanol program, a corn subsidy operation decried by virtually every important environmental organization as a major contributor to summertime urban smog and a notorious pork barrel for such agri-giants as Archer Daniels Midland (for details, see the discussion in "Archer Daniels Midland: A Case Study in Corporate Welfare," Policy Analysis no. 241, September 26, 1995). Eliminating that program would save taxpayers \$600 million.

And why protect wind, solar, and geothermal subsidies? All those energy sources require massive amounts of development in sensitive ecosystems since those places tend to be the best locations for such facilities (see "Renewable Energy: Not Cheap, Not 'Green,'" Policy Analysis no. 280, August 27, 1997). Public expenditures for research on and development of those fuels amount to \$410 million annually. Then there is the 1.5-cent per kilowatt-hour production tax credit for those fuels in the Energy Policy Act of 1992—another \$80 million annually.

Similarly, Green Scissors' proposed cuts for the power marketing administrations (PMAs) are far too timid. The PMAs have only one mission: to deliver below-market-cost power to ratepayers in their service territories. That mission should be antithetical to any real environmentalist because it encourages excessive energy consumption and all the pollution attendant thereto. So why not privatize the PMAs and end the subsidies? That would return between \$13 billion and \$18 billion to the taxpayer.

The report's proposed international and military program cuts are likewise timid in the extreme. Why not go after U.S. payments to the World Bank, which serve only to subsidize infrastructure projects that can't stand on their own in the private marketplace? The same thing goes for the U.S. Agency for International Development, the Inter-American Development Bank, the African Development Fund, and the Euro-

pean Bank for Reconstruction and Development. Most of the projects funded have direct or indirect impacts (usually detrimental) on the environment, and all have failed to promote economic growth. Only a few years ago the bulk of the environmental community supported the elimination of the World Bank. What happened? Potential savings from defunding the above programs would amount to \$1.5 billion annually.

The proposed cuts in public lands programs are, unfortunately, a mixed bag. The call for increasing grazing fees is dubious since current holders of public-land grazing permits have already paid full market price for their permits. A better alternative is to maintain the current grazing fee formula while lowering the costs of the grazing program to the taxpayer. That can be done by shifting responsibility for rangeland management, improvement, monitoring, and mitigation from federal agencies to public-land ranchers.

Why did *Green Scissors 2001* forgo an assault on the more obnoxious and costly rancher subsidies, such as publicly funded rangeland reclamation, herbicidal and mechanical brush control, emergency feed subsidies, animal insect and damage control, range betterment funds, and experimental stewardship programs? Our study "Beyond the Grazing Fee: An Agenda for Rangeland Reform" (Policy Analysis no. 234, July 13, 1995) documents all the ecological harm done by those programs and proposes their elimination.

The same argument can be made about the alleged subsidies to the timber industry. While it's certainly true that the fees generated from timber cutting on Forest Service lands do not equal the taxpayer cost of managing those programs, that imbalance has less to do with the paucity of the fees levied than with the ridiculously excessive cost of Forest Service administration. A better way of remedying the imbalance from the taxpayer's perspective is to reform Forest Service management practices. Economist Randal O'Toole, an adjunct scholar at the Cato Institute and executive director of the Oregon-based Thoreau Institute, has laid out a set of reforms to do just that (<http://www.ti.org>), all of which would

increase taxpayer savings far beyond those proposed in your report.

The report's high-decibel assault on the 1872 Mining Law is likewise misguided. Only by misleading accounting can that law be termed a "subsidy" to the mining industry. Superficial analysis aside, the law certainly could use reform, but elimination would harm, not help, the taxpayer (see "Two Cheers for the 1872 Mining Law," Policy Analysis no. 300, April 9, 1998, for a more detailed discussion).

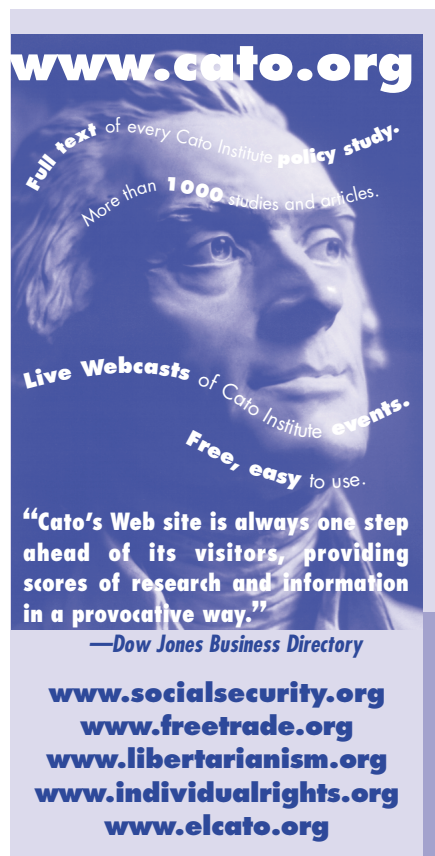
The proposed transportation program cuts selectively target some programs, mysteriously ignore the elimination of other similar programs, and miss the big picture by refusing to consider the elimination of all federal transportation spending. That spending is a bottomless barrel of pork, overbuilding and subsidizing infrastructure projects in the districts of politically important voters and shortchanging the rest of us to do so. Better to eliminate that spending altogether and let each state worry about how much it should spend on public transportation and on what projects, given competing budgetary needs. Such a plan would not only reduce federal spending, it would reduce federal taxes insofar as the federal gasoline tax would no longer be necessary. That's another \$26 billion the report missed.

Identical problems haunt the report's proposed water program cuts. Why suggest major cuts in the activities of the Army Corps of Engineers and the Bureau of Reclamation but resist the logical conclusion that both of those agencies should be eliminated? Their mission is to subsidize development projects that cannot attract sufficient private capital. Are any of their activities defensible from an environmental perspective? Even the corps' Everglades restoration project (which, as I'm sure you're aware, has its own environmental problems) would be unnecessary if the sugar program (the main cause of ecological damage in that ecosystem) were eliminated. Eliminating the corps and the Bureau of Reclamation would increase proposed taxpayer savings by \$5 billion each year.

And it is an utter mystery to us why *Green Scissors 2001* refused to address subsidies to the domestic fishing industry. Pay-

ments to fishermen authorized in the Magnuson-Stevens Fishery Conservation and Management Act are directly responsible for much of the overharvesting of dwindling commercial fish species. Eliminating those subsidies would save at least another \$160 million annually.

In conclusion, while we applaud the effort to find wasteful government spending and find only a few program cuts to quibble with, *Green Scissors 2001* managed to let more anti-Green corporate welfare to escape than not. The programs given a free pass in the report all have one thing in common: they are targeted at swing voters actively courted by the left or at voters in districts represented by liberal Democrats. Too bad the contributors to *Green Scissors 2001* lacked the intellectual courage of their newly minted "limited-government" convictions. Next time, spare us the lecture. And do your homework before accusing us of hypocrisy in the *New York Times*. ■



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“To Be Governed...”

◆ Give 'em a voucher and send 'em on their way

[State senator] Warren E. Barry [proposed that] Virginia should require students in every public school classroom to recite the pledge each morning.

“A lot of kids don’t stand for the Pledge of Allegiance, and as a former Marine, I find that unconscionable,” said Barry. . . . “These kids have no understanding of what the American flag symbolizes. If they refuse to salute the flag, I think they belong elsewhere.”

—*Washington Post*, Jan. 25, 2001

◆ James Madison need not apply

“I have no doubt that [Gale] Norton is a very decent and capable person,” said Senator Jeff Bingaman, the New Mexico Democrat acting as the committee’s chairman. “But . . . [f]or over 20 years, she has consistently championed the interests of the individual over the public [and] the states over the federal government.”

—*New York Times*, Jan. 19, 2001

◆ Tell it to Grant Snowden, the Branch Davidians, Bill Gates, and Elian

[Janet] Reno told a crowd of more than 1,000 in the [Justice] department’s Great Hall [that] she helped protect fundamental rights and liberties that are the cornerstone of a democracy.

—*Washington Post*, Jan. 12, 2001

◆ He’s already growing in office

Although [Sen. Spencer] Abraham proposed abolishing the Energy Department

as a means of reducing federal spending, the Bush transition team said he no longer holds that view because of the energy challenges facing the country.

—*Washington Post*, Jan. 3, 2001

◆ Paying for what you take equals anarchism

Interior Secretary Bruce Babbitt . . . declined to criticize [secretary-designate Gale] Norton, but did denounce an idea Norton and [Rep. Jim] Hansen have supported: compensating property owners when environmental regulations stop them from developing their land.

“The radical property rights crowd are anarchists at heart, and I don’t believe the American people will buy into that,” Babbitt said.

—Associated Press, Jan. 8, 2001

◆ Rule by decree

Interior Secretary Bruce Babbitt . . . said he is proud that the administration, through regulations, has accomplished many of the goals blocked by Congress. . . . “Here we are, having achieved 80 percent of what was sought in legislation, by administrative rule,” said Babbitt.

—Associated Press, Jan. 8, 2001

◆ Famous last words

I confess to being double-minded when it comes to President Bush’s plan to offer government funds to religious charities that provide social services. . . .

What concerns me is that religious organizations might be tempted, or forced,

to dilute their life-transforming message in order to get government subsidies. . . .

Government help to faith-based charities is worth a try but let’s keep a sharp eye on it.

—Cal Thomas in the *Washington Times*, Jan. 31, 2001

◆ Get the government out of our bedrooms

The Virginia Senate voted yesterday to let Fairfax County prohibit its residents from sleeping anywhere but their bedrooms.

—*Washington Post*, Jan. 27, 2001

◆ What did they say about Clinton’s 43 percent?

Another implication of the disputed election is that Bush’s opponents have a right to insist that decisions made during his term bind future administrations as little as possible. James K. Galbraith, a professor at the Lyndon B. Johnson School of Public Affairs at the University of Texas, says that a president who lost the popular vote and won a disputed victory should have—note the small “d”—the democratic humility not to press his advantage too hard. . . .

Galbraith, a former congressional staffer, also argues that, in the current political circumstances, Bush’s opponents have a right to demand that the new president not use tax cuts to tie the hands of his successors.

—E. J. Dionne Jr. in the *Washington Post*, Jan. 28, 2001

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ADDRESS CORRECTION REQUESTED

The logo for CATO, consisting of the word "CATO" in a stylized, blue, serif font. The letters are bold and have a slightly irregular, hand-drawn appearance.