President’s Message

Thinking Outside the Box

T
wo years ago in this space, just prior to the 2000 elections, I wrote, “I can safely predict the percentage of incumbents seeking reelection who will win: 98 or 99.” The actual percentage was 99.4. I say that, not to flaunt my perspicacity, but to make a point about what I’ll call the political pathologies that grow out of such an uncompetitive electoral environment. When incumbency becomes an end in itself—much more important than ideology—good government and sound public policy are the victims. Instead of the fresh breeze of an open debate over policy, we end up with the dank stillness of a faux debate.

With that happy thought in mind, I hereby offer some common-sense ideas to improve the American polity.

Understand Corporate Malfeasance. The herdlike instinct that led Congress to almost unanimously vote for the ill-conceived Sarbanes-Oxley bill threw hundreds of millions of dollars at the Securities and Exchange Commission and created an oversight board for the accounting profession. Corporate CEOs and CFOs face jail time if some smart trial lawyer convinces a lay jury that their financial statements were intentionally misleading. As if accounting were some kind of science. Actually, less oversight would improve the situation. The Financial Accounting Standards Board holds an SEC-granted monopoly on accounting standards in the United States. All public companies must comply with FASB standards. Problem is, because the FASB is a monopoly, there is no competition in accounting standards. Such competition would reward more transparency and conservative standards. As it is now, every company in the nation lobbies the FASB to tweak this rule or include that regulation. The result? No fewer than 803 pages of the FASB standards are devoted to the treatment of derivatives alone. Simplify the tax code and end the FASB monopoly and we will have gone a long way toward cleaning up corporate scandals.

Get Our Troops Out of Saudi Arabia. National Security Advisor Condoleezza Rice likes to say that U.S. foreign policy should reflect our values. It should. That’s why it is insane for us to have some 6,000 Air Force personnel stationed in Saudi Arabia, which is ruled by one of the world’s most despicable regimes. The barbaric treatment of women and the general thuggery of the “royal” family are bad enough. In addition, the House of Saud is the principal funder of the radical Islamist movement, including hundreds of schools around the world—some right here in the United States—that teach hatred for our way of life. The world looks at our cozy relationship with this miserable regime and thinks ill of us. If the troops are there to guarantee access to cheap oil, then the feds need some economic lessons. What is any regime in Saudi Arabia going to do with its oil, drink it? They will sell it, and since it is a fungible commodity it doesn’t matter to whom it is sold. Eventually our gas-guzzling SUVs will be sated.

Support Education Tax Credits. In Ohio’s Zelman case the Supreme Court approved school voucher programs. More important, they approved school choice. Vouchers are a huge improvement over the failed monopoly public education system we have today. But they do represent a threat of increased government regulation of private schools that accept vouchers. Clint Bolick and others argue persuasively that this threat is overblown, and they may be right. But it seems clear to me that tax credit scholarship funds offer choice with much less risk of regulation. The credits have to be large and should include both individuals and corporations. The choice of giving money to a bloated state government or providing a decent education for kids is an easy one. The net result will also save the state money.

Support Social Security Choice. The Cato Institute caught some flak from friends and foes alike when we changed the name of our Project on Social Security Privatization to the Project on Social Security Choice. Were we selling out? Cato? No way. Of course we support Social Security privatization. Always have, always will. Republicans don’t want to use the word “privatization” because they’re not very good at defending the concept, to the extent they even understand it. We changed the name because private ownership and choice are the key elements of the proposal. It is those two elements that allowed Jose Piberia to convince Chileans in 1980 to opt for their incredibly successful privatization of social security. We felt that the “choice” part of the proposal wasn’t getting enough attention.

That said, why in the world are Republicans running away from this issue? A Zogby International Poll commissioned by Cato this summer showed 68 percent support for the concept! Under the current system you have no ownership of the funds you earn and pay to the federal government. What you get is entirely up to 535 politicians. Under a privatization plan you would own the assets the money you earned purchased. How does one lose that debate?

So, those are my thinking-out-side-the-box ideas for this issue of Cato Policy Report. Common-sense suggestions to make America a better place in which to live. Sadly, common sense doesn’t pack much punch on Capitol Hill.

—Edward H. Crane