

The Idea That Is Changing the World

by David Boaz

Jimmy Carter. Tip O'Neill. Energy czars. Gas lines. Raging inflation. ABC-NBC-CBS. Mao Tse-tung. The Soviet Union. Apartheid.

It was a different era.

What wasn't so obvious at the time was that it was the end of an era.

In 1977 the Soviet Union seemed a permanent fixture. So did communism in China. Here at home, the Democrats had retaken the White House after Nixon's usurpation. The permanent majority was back in control in Washington. Ninety-one percent of television viewers watched the big three networks. Despite the turmoil of the 1960s and early 1970s, baby boomers thought that communist domination of half the world and Democratic control of Washington were just the natural order of the universe.

Sen. Daniel Patrick Moynihan wrote in 1976, at the time of the American bicentennial:

Liberal democracy on the American model increasingly tends to the condition of monarchy in the 19th century; a holdover form of government, one which persists in isolated or particular places here and there, and may even serve well enough for special circumstances, but which has simply no relevance to the future. It is where the world was, not where it is going. Increasingly democracy is seen as an arrangement peculiar to a handful of North Atlantic countries.

*David Boaz is executive vice president of the Cato Institute. This is excerpted from his introduction to *Toward Liberty: The Idea That Is Changing the World*, published by the Cato Institute as part of its 25th anniversary celebration.*



Columnist Tony Blankley, ACLU president Nadine Strossen, and talk-show host Larry Elder were the dinner speakers at Cato's 14th Annual Benefactor Summit at the Royal Palms Hotel in Phoenix.

How wrong he was. Under the surface things were changing. Some of the very weaknesses that led to Moynihan's pessimism—such as the federal government's disastrous triple play of Vietnam, Watergate, and stagflation—had eroded the confidence in government built up by the New Deal, World War II, and the prosperous 1950s. The ideas that Ayn Rand, Milton Friedman, F. A. Hayek, and others had been propounding were taking root. Politicians such as Margaret Thatcher and Ronald Reagan, who had read some of those dissident authors, were planning their challenges to the failing welfare-state consensus.

Even less obvious, Soviet leaders had lost confidence in the Marxist ideology that justified their rule, a fact that would have profound consequences in the coming decade. And in China, Mao had just died, and his old comrade Deng Xiao-ping was maneuvering for power. His victory would have consequences that no one could foresee in 1977.

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news and photos from Cato's 25th anniversary celebration on May 9

“The changes that began with Deng’s rise to power in 1977–78 and the first stirrings of Solidarity in Poland in 1980 would transform the world in little more than a decade.”

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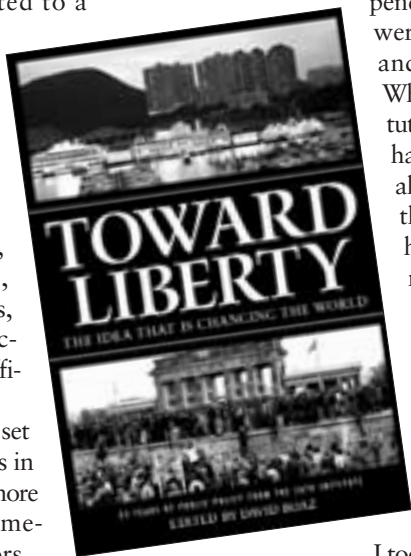
Politics isn’t everything, of course. In 1976 Steve Jobs and Steve Wozniak incorporated the Apple Computer Company. Two other young men, Bill Gates and Paul Allen, had created a company to develop software for the new personal computers, and in 1978 Microsoft Corporation’s sales topped \$1 million. Ted Turner launched the Cable News Network on June 1, 1980.

And the Cato Institute opened its doors in January 1977.

25 Years of Change

Twenty-five years later, the world has changed so much that we may hardly remember what 1977 was like. Reagan and Thatcher moved public policy in the direction of lower taxes, less regulation, and privatization. They did little to challenge the welfare state. But by strengthening the economy and helping more people appreciate the benefits of entrepreneurship and investment, they contributed to a growing demand for reform:

- Economic deregulation (begun under President Carter) made the airline, trucking, railroad, oil, natural gas, telecommunications, and financial-services industries more efficient.
- Tax-rate reductions set off economic booms in both countries, and more people became homeowners and investors.
- Americans came to believe that welfare was trapping millions of people in dependency. What Jonathan Rauch called a “demosclerotic” political system did not change easily, but in 1996 a welfare reform bill was finally passed.
- The Social Security system proved even more impervious to challenge, but by 2001 some 70 percent of Americans told pollsters they approved of privatization.



Abroad, the changes that began with Deng’s rise to power in 1977–78 and the first stirrings of Solidarity in Poland in 1980 would transform the world in little more than a decade. The end of communism did not usher in nirvana, of course. Russia remains mired in poverty and corruption, with its commitment to political and economic liberalism still uncertain. But we should remember that our own progress toward freedom took time—more than 500 years from Magna Carta to the U.S. Constitution, 8 years from victory at Yorktown to the inauguration of an elected president, 90 years from the stirring phrases of the Declaration of Independence to the abolition of chattel slavery.

Even so, in some quarters, the pace of development has been astounding. In China, for example, since Deng Xiao-ping allowed farmers to benefit from incentives and to assume more responsibility, agricultural production has soared. State-owned enterprises were given more independence, and Chinese citizens were allowed to set up village and even private enterprises. When I attended the Cato Institute’s first conference in Shanghai in 1988, the huge city had almost no tall buildings. From the 16th floor of the Shanghai Hilton, you looked across miles of hovels to the Sheraton in the distance. There were few stores and restaurants in 1988, and they had little to sell. In 1997, when I arrived at 10 o’clock at night for Cato’s second conference in China, again at the Shanghai Hilton,

I took a stroll around the neighborhood. Even at that late hour, I encountered an enterprising people—there were stores, restaurants, fruit stands, bars, nightclubs, farmers selling produce from their trucks. And the city’s skyline, if not yet Manhattan, had certainly blossomed to the scale of Houston. The differences were obvious and dramatic.

Despite economic liberalization, China is far from a free country. The Communist Party still restricts speech and

brutally suppresses dissidents. But the history of authoritarian capitalist countries suggests that the status quo can’t last; increasing affluence and the habit of making their own decisions will lead people to demand more political rights.

A Resurgence of Liberalism

Yes, things have indeed changed. Today, just 25 years after Moynihan’s lament, the conventional wisdom is that the Anglo-American model of democratic capitalism is the only viable model left in the world. We are seeing a revival of true liberalism. In the 18th and 19th centuries, liberalism—the philosophy of individualism, free markets, limited and representative government, peace, and religious toleration—swept through England, the United States, and most of Europe and made inroads in other parts of the world. Liberalism

- abolished the age-old institution of slavery;
- established religious toleration;
- launched the progressive liberation of women, racial and religious minorities, and gays;
- replaced superstition with science;
- toppled monarchs or subordinated them to elected parliaments;
- overturned economic privilege;
- protected property rights for everyone;
- replaced mercantilism with markets; and
- replaced arbitrary power with limited, constitutional government.

The result was an unprecedented and unimaginable increase in living standards. The *Nation* magazine, which was then a truly liberal journal, wrote in 1900, “Freed from the vexatious meddling of governments, men devoted themselves to their natural task, the bettering of their condition, with the wonderful results which surround us.” In the preliberal era, economic growth was virtually nonexistent. The economic historian Angus Maddison estimates that there was no growth at all in per capita income in the first millennium and growth of some 0.17 percent in the developed countries in the period 1500–1820.

But from 1820 to 1900 gross domestic product per capita almost tripled in West-

“Intellectuals and activists railed against globalization, but people opted for it almost every chance they got.”

ern Europe and more than tripled in the United States. Life expectancy rose in the developed world (it rose even more in the 20th century). Millennia of backbreaking labor and often-lifelong isolation gave way to the steam engine, the railroad, the telegraph, the telephone, electricity, the internal combustion engine.

The 20th century seemed to reverse the gains of liberalism. The world was beset by tyrants and mass murderers, and even the democratic countries succumbed to the hubris of central planning. Even during that period, though, the massive capitalist engine set in motion by liberalism kept working, and living standards continued to rise in most of the world. By the end of the century, the last dictators were falling and people were becoming disillusioned with the welfare-and-regulation state. There was no longer any serious argument in favor of socialism, protectionism, or capital controls. From Sweden to Hungary to New Zealand to Uruguay, people decided they wanted to join in the new global prosperity. Intellectuals and activists railed against globalization, but people opted for it almost every chance they got.

Continuing Challenges

It would be wrong to proclaim victory for liberalism. In many ways government has continued to get bigger and more intrusive over the past 25 years. Government spending in real terms continues to rise (though not as a percentage of GDP over the past few years). Despite the deregulation of the 1980s, government continues to interfere in many aspects of our lives more intimately than even the preliberal governments of Europe. Governments now regulate everything from where our children will attend school and how we must save for retirement to what size our oranges may be and what we can say to our coworkers. The rise of identity-group politics has revived a primitive form of collectivism, which liberalism always challenged, and led to new government discrimination on the basis of race and gender and to new attempts to regulate speech.

The notion that the sovereign is responsible for our religious lives is largely gone, but anti-liberal elements on both the right

and the left still want government to take responsibility for our moral decisions. Pre-Enlightenment thinkers from Plato to Filmer would recognize the impulse to regulate pornography, hate speech, smoking, and drug use. The drug war in particular has led to manifold violations of our civil liberties as politicians and law enforcement officials try to enforce ever more futile prohibitions. It's no surprise that the leading opponents of prohibition have always been liberals (or what we now call libertarians)—H. L. Mencken, Milton Friedman, Gov. Gary Johnson, the editors of *The Economist*.

In the latter part of the 20th century in the North Atlantic welfare states, there was increasing concern about the high cost and unsustainability of a massive system of intergenerational transfers. Americans—beginning with those at the Cato Institute—pointed out that privatization would give people more freedom, more control over their own assets, and more retirement income. Today, some 90 countries from Mexico to China are studying social security privatization, and more than half of them have sent government representatives to the Cato Institute for research. Privatizing Social Security remains a great challenge for liberals.

Another challenge is defending the principle of open markets from incipient hos-

tility to “globalization.” In an earlier era, the left championed internationalism over nationalism and complained that the capitalist countries excluded most of the world from their prosperous club. Today, the same anti-capitalist ideologues deplore the extension of markets to the non-Western world. If “globalization” means the ongoing trend toward a freer flow of trade and investment across borders and the resulting integration of the international economy, how can that be a bad thing?

Some opponents of globalization display an ill-informed nostalgia for the quaint villages in which happy peasants in their traditional costumes make their traditional arts and crafts. How much more fulfilling that must be than working for Nike or Kathie Lee Gifford! And yet, to the horror of the anti-globalization activists in Oxford and Ann Arbor, the actual peasants flock to the Nike factories. And no wonder: multinational companies pay about twice the average wage offered by domestic manufacturers in low-income countries. Global incomes are rising because of the increased efficiencies of a greater international division of labor—and rising most clearly in the poor countries that were previously outside the world trading system.

Anti-globalizers complain that foreign investment exploits the poor and makes

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Participants in Cato's Benefactor Summit question speaker Larry Elder (right) after his dinner address.

“The triumph of liberalism is by no means inevitable. There never was a golden age of liberty, and there never will be.”

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them poorer. But 81 percent of U.S. foreign investment goes to other high-income countries. Another 18 percent goes to middle-income countries such as Brazil, Mexico, Indonesia, and Thailand, leaving only 1 percent for the poorest countries. Clearly, the poorest countries are the ones least engaged with the international economy. They typically lack property rights, the rule of law, and other institutions necessary for economic enterprise. Liberalism has made few inroads in those countries, but we can hope that the 21st century will see the blessings of liberty penetrate to the last corners of the earth.

That hope goes hand in hand with the free world's newest challenge—the threat posed by weapons of mass destruction in the hands of terrorists. Some of us may note ruefully that our warnings about the dangers of an interventionist foreign policy were well-founded. However, the United States and the West clearly must respond to the attacks of September 11 and other instances of terrorism. The war against terrorists will require improvements in U.S. intelligence, further military operations, and a determination to be persistent but not rash. It may require a rethinking of immigration policies to ensure that we weed out those who would make war on us without closing our borders to people who want to work, trade, and lead lives of liberty and dignity. And since the defense of freedom is always a war of ideas as well as sometimes a military conflict, it clearly requires a renewal of our commitment to the first principles of the American republic, principles that the Cato Institute has advanced for the past 25 years.

Conclusion

The past 25 years have seen great changes. Those changes have reflected mostly demographic, economic, and geopolitical realities. However, those changes have also come about because people have advocated them. Liberalism arose first because people struggled for liberty—thinkers such as John Locke, David Hume, Adam Smith, and Mary Wollstonecraft described an alternative to the old paradigm of command

from above. Journalists and pamphleteers such as Thomas Paine and the authors of *Cato's Letters* applied those ideas to contemporary challenges. Statesmen and activists such as the Levellers, the American revolutionaries, and the abolitionists struggled for liberty and limited government.

Today's advocates of liberty build on that foundation. The ideas of liberty have been further developed in our time by myriad thinkers—George Orwell, Karl Popper, Isaiah Berlin, Alexander Solzhenitsyn, Hannah Arendt, Jorge Luis Borges, F. A. Hayek, Ludwig von Mises, Ayn Rand, Milton Friedman, Václav Havel, Robert Nozick, Thomas Sowell, and others. Millions of people around the world have been inspired by their vision. Millions more have recognized the failures of statism in the 20th century and supported candidates, movements, and policy proposals that would constrain the state and expand liberty.

Both the reality of the world—the failure of communism, the impending bankruptcy of social security systems, the prosperity brought about by markets—and the efforts of liberal and libertarian campaigners have brought about the changes that we see today. The Cato Institute has played its own small part in that transition. We pioneered the idea of Social Security privatization (even while, unbeknownst to us, José Piñera was implementing a similar plan in Chile). We provided support for F. A. Hayek in his later years, during which he wrote *The Fatal Conceit* and lectured around the world. We challenged the Soviet empire by smuggling books into Russia and Poland. We held conferences on free markets and political liberty in Shanghai in 1988 and Moscow in 1990, quite possibly the first public events to address such ideas in either country's history. We demonstrated in scholarly articles that the Constitution grants only limited and defined powers to the federal government and distributed more than 2 million copies of the Constitution to Americans. We challenged the war on drugs in books and studies for more than a decade. We pointed out the costs and risks of America's interventionist foreign policy and made the case for an alternative policy better suited to a

peaceful republic. We produced what Milton Friedman called “a steady stream of thought-provoking reports challenging big government and all of its works.” And if we've become “Washington's hottest think tank,” to quote the *Boston Globe*, perhaps it's simply because libertarian ideas are, as even anti-liberal scholars Stephen Holmes and Cass Sunstein admit, “astonishingly widespread in American culture.”

Often it's the opponents of political and economic liberalism who make the most noise. The street protests and violence of the anti-globalization activists from Seattle to Genoa may give the impression of a mass uprising against liberal capitalism. But that would be an error. The anti-globalizers are violent because they're frustrated, and they're frustrated because they're losing. Everywhere governments will allow it, people are choosing open markets and open societies—the free flow of information, commerce, trade, and investment and responsibility for their own lives.

But the triumph of liberalism is by no means inevitable. There never was a golden age of liberty, and there never will be. Although we do seem to have left behind some of the worst forms of government, we can't help but remember that during the past century we have endured communism, fascism, and national socialism. Armed with modern technology, those regimes proved to be the most brutal in history. And they arose at another time when liberal thinkers thought that prosperity and international trade would ensure peace and harmony.

Still, every generation should learn from those that have gone before. By now we should have learned that people can run their own lives better than distant bureaucrats can, that competition works better than monopoly and markets better than central planning, that the freedom to choose is about more than economics, that taxing enterprise makes no more sense than subsidizing irresponsibility, that war is sometimes necessary but always enormously destructive, that limited government is one of the greatest achievements of humanity because it makes possible so much else. If the world is learning those lessons, then the 21st century looks bright indeed. ■