

We Know What Works

by John Stossel

It's nice to be among friends. I'm not usually among friends. I live in New York. I work for a network news organization.

Some of you have read the bestseller, *Bias*. I think it's telling that this is a book that is about us in the networks, that was conspicuously held by the president to show that he is reading it, that is the number one bestseller and has been on the bestseller list for about 20 weeks, and yet there is not even any buzz about it in my business. It's just forbidden. We don't talk about it, even in the hallways.

But it's good to be here among people who do talk about these things. Ed Crane and David Boaz told me to be upbeat. They know me as a sort of doom-and-gloom, black cloud over his head kind of person. Not tonight. This is a celebration. And they pointed out all the great things that I could talk about, all the progress liberty has made. And that's true. They pointed out that we



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ABC News correspondent John Stossel, best known for such specials as “Are We Scaring Ourselves to Death?” and “Greed,” delivers the keynote address to some 1,800 guests at the Cato Institute’s 25th Anniversary celebration on May 9.



WHITE HOUSE PHOTO BY TINA HAGER

Hosting a visit to the White House by Milton Friedman (center), who was in Washington for the presentation of the Milton Friedman Prize for Advancing Liberty, President George W. Bush honors the economist for lifetime achievements during a ceremony in the Eisenhower Executive Office Building on May 9.

don't have slavery anymore. Fewer theocracies and monarchies are in charge. That is good. But I keep asking how freedom is doing lately. And I'm having trouble obeying Ed. I look at what Congress is doing. Collective entitlement seems to be winning.

How Is Freedom Doing Lately?

I look at the farm bill that the Senate just voted on. Those subsidies failed before. Congress watched all the distortions they produced. The farmers got poor; they had to be given more money. And Congress said, “We’re going to fix this; we’re going to pass the Freedom to Farm Act, which would phase subsidies out.” How great.

A few years later they phased out the phaseout, and they’re increasing the subsidies. What happens here? Why doesn’t liberty win? Why don’t they get it? The new

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farm bill just passed the Senate by a two-to-one vote.

Some time ago I did a “Give Me a Break” on the plan to federalize airport security. And I did what I thought was a brilliant story. I pointed out how NASDAQ counts billions of trades a day and they get it all



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John Stossel: “The people of Israel demanded a king. God warned them, ‘He will take a tenth of your seed and your vineyards. . . . He will take your asses and put them to work.’”

right. At the end of the day they have the numbers right. Visa processes a billion transactions a day, and, by and large, the bills come in correct. The government can’t even count the votes in Florida. Now we’re going to federalize airport security. The feds are going to do it better? Why do we assume they’re going to do it better?

And everybody with whom I work laughed. They said, “That was a great piece, but, of course, we’ve got to federalize, we’ve got to have the government do it.” Why don’t they get it?

Some years ago I reported on José Piñera’s brilliant job of privatizing social security in Chile. He presumably saved the country. Cato was working on a similar plan independently at about the same time. But José made it work in his country. And I went there. Then, 16 years later, when everybody was vastly richer and they had their

own money, I interviewed people on the street, thinking they would talk about how wonderful it was. Most people just complained. You know: “The other guy made a little more than I did.” “Couldn’t it be better?” “It’s not making that much.”

People take freedom for granted. In a speech Lord Bauer made 20 years ago, he said the West had never had it so good and had never felt so bad about it. So what’s this about? The Soviet Union fell. That was good. You’d think we would have learned from that. And President Clinton did make a speech before Congress, in which he said, “The era of big government is over.” Remember that? It was met with thunderous applause from Democrats and Republicans. What’s happened since then? Government’s gotten bigger. And it only gets bigger under both parties. Four hundred thousand new pages have been added to the *Federal Register* since Clinton’s speech. Another spider web of little rules for you to obey.

Jefferson said it’s the natural progress of things for government to gain at the expense of freedom. I think he was right. Look at the Bible. If you look at the First Book of Samuel, it says the people of

Israel demanded a king. God warned them, you don’t want a king. “This will be the manner of the king that shall reign over you. He will take your sons for his chariots, your daughters to be cooks, and he will take a tenth of your seed and your vineyards to give to his officers.”

A *tenth*? Wouldn’t it be great if they took just a tenth? And this is what God was worrying about! He went on to say: “And he will take your asses and put them to work. Ye shall be his servants.”

So how big should government be? If not a tenth, what’s the right percentage? We don’t normally talk in these terms—certainly not in the press. But America grew fastest during our first 150 years, when government was never more than 5 percent of GDP. Is 5 percent too low? Is 10 percent better? 20 percent? What should it be? We don’t have this discussion. But

the ugly fact is that it’s now approaching 40 percent. P. J. O’Rourke once asked, “Is it time to stick a fork in it and say it’s done?”

Good Things Can Happen

As I look at these battles, it seems impossible to me. I’m such a pessimist. But Ed Crane and David Boaz are right, because good things can happen—and it’s always stunning to me when they do.

Welfare reform—who would have thought that was possible at the time? Nobody around me ever thought it would be anything but a disaster. The *New Republic* wrote, “Families will fracture.” Richard Gephardt was widely quoted as saying, “A million children will be forced into poverty.” Everyone I worked with certainly believed that. Pat Moynihan said, “Trauma we haven’t known since the cholera epidemics will come.”

What happened? Welfare reform passed. Somehow it passed. Ideas have power. And the result of course is that not only have welfare caseloads fallen by half but 5 million people have been lifted out of poverty. Freedom works.

Now we have the Treasury secretary saying we’re going to simplify the tax code. Maybe it will happen. He came and sat down with me for a “Give Me a Break.” He dumped the tax code books on my lap and talked about how he’s going to eliminate the five definitions of “child” that are in the code.

It makes me wonder, can’t we do better than just that? The tax code, with its explanations, is now 45,000 pages.

Thank God for Cato

This is what I like about Cato: Cato helps focus your mind on what we really need, because they give out copies of the Declaration of Independence and the Constitution. This little booklet is what we need to make America work. It’s this thin. Can’t we keep it simple?

When I argue this with my bosses, they say: “Well, this won’t work. You need more rules; it’s a more complex world now.” But that isn’t true. We need simple rules for a complex world, rules everyone understands.

Thank God we have Cato to keep reminding us of that and to offer alternatives to

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reporters like me, who look for good sources of information. This was made clear to me recently when I was asked to do a “Give Me a Break” on Tom Ridge’s new plan to warn us with that color code. I was reading about it in the *New York Times* and the *Washington Post*, and they were all arguing about, well, how will the state governments coordinate with the local governments? And they were making fun of the colors. But they just seemed to be missing the point, and I just couldn’t quite get my hand around how I could do a “Give Me a Break” on that.

So I asked a producer to call Cato and see if they had anyone who could talk about this. We were referred to Cato’s defense analyst, Chuck Peña. I’ve never met him, but my producer talked to Peña, and he very clearly summed it up. He said: “This won’t help. Information flows through the private sector much more efficiently than through government. This is not going to make it better.”

Look at the Emergency Broadcast System. Remember that? All those annoying warnings when you were watching TV? “This is a test of the Emergency Broadcast System. Annnnnhhhh.” Your tax money has paid for that for 30 or 40 years now. Has it ever been used? No. It wasn’t used during the big hurricanes. It wasn’t used on September 11. When are they going to use it?

They don’t use it because, Peña was right, information flows better through the private sector. You have a million radio stations. So are they getting rid of the system? No. They never get rid of a government program. You’re still paying for it.

Peña went on to say that the new system wouldn’t work. It would either lull people into a false sense of security or whip them into a constant state of panic. Green would be a signal for the terrorists to attack. They might say, “The infidels think it’s safe now; let’s go!” Peña said we’d probably end up with a perpetual state of yellow. It’s the only way for the politicians to cover themselves—to say something might happen today. He was right; we’re still in a state of yellow. So thank goodness for Cato, for offering an alternative. Thank you for taking our minds to new places. ■

Brink Lindsey’s book taught me a lesson. He pointed out, and I think it’s a good reminder to libertarians, that “no government” isn’t the answer, that the poorest places in the world are the places that have no government, no rule of law. You can’t build a factory if there is no honest government to make sure you will still own it next year, to protect your private property. You need limited government to enforce contracts.

Thank God for Cato for being a jungle gym for your brain that helps preserve and develop the ideas that could create much better lives for the billions of people living in the mud of misery. Cato keeps their hope alive.

All this stuff we talk about in the press—what’s going on in America and my upset over the farm bill—you could call trivial. We’re talking about maybe the 900 million people who live in the West, who have good incomes. And by good incomes, I mean those 900 million might just be earning more than \$10,000 per capita per year. There are 6 billion people in the world. Most are living in misery, dire poverty. A billion people live on less than a dollar a day.

What is stunning is that we know what works. We know what it would take to make their lives better—economic freedom. Cato keeps that fire burning. I like the way Cato tries to find new ways to keep the fire burning.

Since I’m holding up small things here, I’ll pull out this credit card. I once heard David Boaz give a speech in which he talked about credit cards: “Isn’t it a miracle, you can go to another country and give them this piece of plastic and a total stranger who doesn’t even speak your language will give you a car? Or you can go to a wall someplace and stick it in and cash will come out. And they don’t even know you.”

Capitalism is a miracle. It does wonderful things for people. Nobody is pointing that out like Cato does. We know what works—freedom and limited government, one of the greatest achievements of humanity, because it makes so much else possible. And thank you for fighting for that, for defending it, and for the liberty that makes life great. ■

Cato Calendar

Cato University

*Chantilly, Va. • Westfields Marriott
July 27–August 2, 2002*

Speakers include Tom G. Palmer, Randy Barnett, Don Boudreaux, Edward H. Crane, and Walter Williams.

Portland City Seminar

*Portland • The Benson Hotel
October 30, 2002*

Seattle City Seminar

*Seattle • Four Seasons Olympic Hotel
October 31, 2002*

International Financial Crises: What Role for Government?

20th Annual Monetary Conference
*Cosponsored with The Economist
New York • Waldorf-Astoria
October 17, 2002*

Speakers include William McDonough, Anne Krueger, Jeffrey D. Sachs, Samuel Brittan, Charles Calomiris, and John Taylor.

Chicago City Seminar

*Chicago • The Drake Hotel
November 7, 2002*

Cato University

*San Diego • Rancho Bernardo Inn
November 7–10, 2002*

New York City Seminar

*New York • Waldorf-Astoria
November 15, 2002*

San Diego City Seminar

*San Diego
San Diego Marriott & Marina
December 11, 2002*

Los Angeles City Seminar

*Los Angeles • Westin Bonaventure
December 12, 2002*

14th Annual Benefactor Summit

*Naples, Florida
LaPlaya Beach Club & Resort
February 26–March 2, 2003*

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