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There's No Time Like the Present

by Michael Hanlon

The world is, we are told day after day, week after week, going to hell in a handcart. After the most brutal, catastrophic, and inhuman century in history, the new millennium has kicked off in the way it clearly intends to go on. War, famine, and pestilence stalk the savannahs and forests of Africa. The Middle East is turning into a charnel house. And the planet itself is under a human onslaught the likes of which we have never seen before.

Every day, it seems, there is new and evermore persuasive evidence that the age of doom, if not quite upon us, must surely be very near. Just recently we learned that the North Atlantic's population of seabirds was under grave threat: global warming was heating the sea and killing off their fish prey. *The Day after Tomorrow,* a profoundly silly disaster movie, managed to get itself splattered over the august pages of *Nature, Science,* and *New Scientist*—thanks entirely to the fact that it dealt with global warming, enemy not only of seabirds but of clear thinking. Common wisdom says the 20th century was the worst in history. Think of Hitler, Stalin, Pol Pot—the "Great Bastards of History" as Clive James once memorably called them—the African famines, Hiroshima, Chernobyl. And, most people seem to think, the 21st is likely to be more unpleasant still, getting off to a spectacular start just eight months and ten days after it began.

The doom extends across the political spectrum. The Right points to our inexorable moral decay, promiscuity, the ravages of AIDS and drug addiction, the decline in manners and standards. The Green Left berates us for our profligacy with resources, our rape of the environment, our failure to right the inequalities of wealth that are leading us to meltdown.

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Reps. Pat Toomey, Sam Johnson, and Jeff Flake, lead sponsors of the Individual Social Security Investment Program Act of 2004, listen as Cato Institute president Edward H. Crane discusses the bill at a Capitol Hill news conference on July 22. The bill, based on a Cato study, would give individuals born since 1950 the option of diverting their share of the payroll tax (6.2 percent of covered wages) into a personal retirement account that they would own and control.

Well, both sides are utterly wrong. A moment's thought is enough to see that, far from being the worst, the 20th century was by far the best in history. And furthermore, things are likely to get better still. To see why, imagine, for a start, being a woman in any period in human history other than Very Recently Indeed.

Thinking Back to 1900

At the end of the 19th century only a handful of places—including Pitcairn Island, New Zealand, and some bits of the United States—had female suffrage. Across the civilized and rich West, the legal status of women was everywhere far lower than that of men. Elsewhere it was even lower. Well into the 1960s, it was not only legal but also mandatory for women working for the British Civil Service to be paid less than their male counterparts.

At the close of the 20th century, female equality, although by no means a reality for a majority of the planet's females, was

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Major Issues the Candidates Won't Address

All too many important policy issues are unlikely to be addressed by the major party candidates in this year's presidential campaign. As of the Democratic convention, Senator Kerry had chosen to differ with President Bush on only a few important issues: Who should be president? How much to spend on health care? And what should be the top marginal income tax rates? But there are a number of important policy issues about which there seems to be little prospect of an informed debate during this year's campaign.

President Bush's budget for fiscal year 2005 projects that the deficit will decline by about half by FY09, but this budget is very misleading. It includes no funds for the military and reconstruction activities in Afghanistan and Iraq, no funds for the recent broadening of Medicare to cover obesity therapies, and no increase in nominal nondefense discretionary spending over the next five years. Although those projected budget outcomes may be desirable, they are not credible. President Bush had previously supported large increases in spending for agriculture, defense, education, energy, Medicare, and transportation, and he has yet to veto a single bill. In short, Bush has no plan to reduce the deficit.

Senator Kerry has made no comprehensive budget proposal. An analysis by the National Taxpayers Union Foundation, however, estimates that Kerry's spending proposals would increase total federal spending by about $226 billion a year, far more than the increased revenues from his proposal to restore the pre-Bush income tax rates on the highest incomes. In short, Kerry also has no plan to reduce the deficit.

President Bush had promised to propose some Social Security choice option during a second term; he has not mentioned this issue during the campaign, however, so he is not likely to have a mandate for whatever he may propose. In one of his strongest statements, Senator Kerry said that he would never consider any form of Social Security choice. So we are unlikely to have a debate on this important issue during the campaign.

Neither Bush nor Kerry has addressed the much larger and more complex problem of Medicare. But, of course, both candidates supported the large unfunded coverage of prescription drugs as a Medicare benefit, and the Bush administration has recently added an unfunded coverage for obesity therapies as a Medicare benefit without any specific legislative authority.

The huge fiscal imbalance of Social Security and Medicare grows larger by several hundred billion dollars each year that a major reform of those programs is not addressed. Unfortunately, that seems to be the prospect for the near future.

President Bush has considered a major reform of our laws affecting immigration and undocumented residents, but neither Bush nor Kerry has addressed this issue during the campaign. In the meantime, we still have a net inflow of about 350,000 illegal immigrants a year and maybe eight to nine million undocumented residents who have an ambiguous legal status. America is a land of immigrants, most of whom have proved to be responsible individuals and good citizens. We owe the same welcome and legal clarity to current and recent immigrants in search of the American dream.

The most divisive measures initiated by the Bush administration have been the Iraq war and the Patriot Act. There is likely to be very little discussion of these issues in the campaign, because Senator Kerry voted for both the Iraq war resolution and the Patriot Act. For either Bush or Kerry to make a major issue of these measures, he would have to admit that his prior judgment was a mistake—most unlikely. So there will be no debate between the major party presidential candidates on whether the war in Iraq was necessary to protect America's vital interests or whether the Patriot Act was a necessary restriction on our civil liberties. We will be dependent on Ralph Nader or the Libertarian Party candidate Michael Badnarik to raise these issues, but a vote for either one may contribute to the election of one's less preferred major-party candidate. Senator Kerry's only significant criticism of U.S. policy on Iraq is that Bush did not seek more international support; Kerry does not acknowledge that more such support was neither likely nor very effective and that Bush himself had sought more international support.

"The huge fiscal imbalance of Social Security and Medicare grows larger by several hundred billion dollars each year that a major reform of those programs is not addressed."

We need a major national debate about the orientation of U.S. foreign policy after the Cold War, the conditions for the use of U.S. military forces, and the most effective means consistent with our shared values to counter the continued threat of terrorism. One might hope that this would be a central focus of the 2004 presidential campaign, but that does not now seem to be in prospect. This debate may have to develop first outside of the political process in order to encourage the next generation of political leaders to recognize the dangers of the establishment consensus on these issues.

—William A. Niskanen

Book soundly rebuts Krugman, Moore, and Gerhard Schroeder

European Myths about the American Economy

Filmmaker Michael Moore's books have sold well in the United States, but their popularity here has been dwarfed by their success in Germany. His *Stupid White Men* spent months at the top of the bestseller lists there, selling 1.4 million copies. It was eventually dislodged from its top position by *Dude, Where's My Country?*—also by him.

Why was the German translation of those books more successful than the English-language original? In *Cowboy Capitalism: European Myths, American Reality,* Olaf Gersemann argues that Moore's books play to common European stereotypes of American capitalism. The American economy, many Europeans believe, has achieved modest increases in wealth by ruthlessly exploiting American workers, who are forced to work long hours in poor conditions with no job security. American workers, Moore and many Europeans believe, live in constant fear of losing their jobs and health insurance. Moreover, many Europeans believe that most income goes to the wealthiest Americans, leaving only crumbs for the average worker.

Gersemann, the Washington reporter for a German business weekly, patiently and systematically corrects this cartoon vision of American society, pointing out that most criticisms are overstated, one-sided, or just plain wrong. He details the considerable advantages of American society, most notably its higher standard of living, greater income mobility, and much lower unemployment rate.

Economic theory predicts that, all things being equal, poor countries will catch up with rich countries over time. Yet as Gersemann documents, the American economy has widened its lead over the economies of Western Europe in the last quarter century. America's unemployment rate peaked at 6 percent during the last recession. That's lower than the unemployment rate in France, Germany, and Italy at any time in the last quarter century. The United States created 18.9 million new jobs from 1991 to 2003, while those three European countries created only 2.2 million jobs.

Gersemann debunks several common myths about the American economy. It's true that wages have stagnated, for example, but other factors—more generous employee benefits, more income from investments, and greater workforce participation—have ensured that standards of living have continued to go up. Household debt is on the rise, but so is household income—America's level of indebtedness is still quite manageable. And contrary to stereotypes, the new service-sector jobs being created by the millions are predominantly high-paying, high-skilled jobs, not positions as Wal-Mart greeters.

The European critique of the American economy, Gersemann concludes, rings hollow. As Nobel laureate Joseph Stiglitz puts it: "You Europeans have a funny way of complaining. This is like saying 'You Americans *did* create a lot of jobs, but they are lousy jobs. We Europeans didn't create any jobs, but if we had, they would have been good jobs.'" For all of its flaws, the American economy exhibits unparalleled dynamism and innovation, resulting in more and better jobs and a rising standard of living. European policymakers would do well to give the American economic model a closer look.

Cowboy Capitalism is available in hardcover for $22.95. It can be purchased in bookstores, at www.catostore.org, or by calling 800-767-1241. ■

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Four ambassadors endorse CAFTA at Cato Forum

Authors Discuss Iraq, Zimbabwe, Conservatism

◆**June 2:** The American conservative movement is a uniquely powerful political juggernaut, argue two Britons whose work as Washington correspondents for *The Economist* gives them a unique perspective on American politics in ***The Right Nation: Conservative Power in America.*** At a Cato Book Forum, Adrian Wooldridge and John Micklethwait said that the rise of American conservatism is a recent phenomenon, beginning with Barry Goldwater's 1964 presidential campaign. However, Wooldridge said, the movement shows no sign of being a flash in the pan—America's culture, history, and geography all provide fertile soil for conservative ideas. Micklethwait predicted that, even if John Kerry is elected in November, his policies are likely to be relatively conservative by world and historical standards. *Newsday* columnist James Pinkerton emphasized that the "right nation" predicted that internecine disputes between different factions of the conservative movement—libertarians, neoconservatives, and traditionalists—would intensify.

◆**June 7:** Obesity is a serious health problem, and over the last decade obesity in America has skyrocketed. That has prompted some activists to call for restrictions on advertising unhealthy food to children. At a Cato Policy Forum, **"Kids, Cartoons, and Cookies: Should We Restrict the Marketing of Food to Children?"** Dale Kunkel of the University of California, Santa Barbara, argued that industry efforts to pitch fatty foods to young children are unfair because they take advantage of children's inability to distinguish objective information from advertising. The federal government, Kunkel said, should require that health advocates be given equal time to pitch messages to children bombarded with snack food ads. Todd Zywicki of the Federal Trade Commission disputed the notion that advertising was a cause of child obesity, noting that the last decade's dramatic increase in obesity occurred while TV watching declined slightly. Moreover, he claimed, Kunkel ignores the role of parents in ensuring that their children have nutritious diets. Daniel Jaffe of the Association of National Advertisers stressed that there is nothing wrong with sweets and fatty foods as long as they are consumed in moderation.

Columnist Robert Novak comments on *America Alone: The Neo-Conservatives and the Global Order,* at a Book Forum on June 29.

Ian Vásquez, director of Cato's Project on Global Economic Liberty, makes a point to Treasury undersecretary John B. Taylor before a news conference to release the 2005 edition of *Economic Freedom of the World* on July 15. Study coauthor James Gwartney listens.

◆**June 8:** Agricultural subsidies have become a major stumbling block to trade liberalization. As Cato's Dan Griswold argued at a Cato Policy Forum, **"Down on the Farm? Assessing the Prospects for Global Agricultural Trade Liberalization,"** rich countries' generous farm subsidies depress the world price of most agricultural commodities. That causes resentment among farmers in the developing world and creates friction during trade negotiations. Oxfam's Jennifer Brant agreed and asserted that developed countries need to take the lead in reducing their own price supports. Thomas Lambie, president of Federated Farmers of New Zealand, described his own country's experience with farm liberalization. Farmers can survive and prosper without government handouts, he said.

◆**June 10:** The Food and Drug Administration routinely allows terminally ill patients to die without access to experimental drugs that have not yet cleared the agency's approval process. In 2001 relatives of patients who lost their lives waiting for government permission to try such drugs formed the Abigail Alliance to publicize this cruel policy and promote compassionate, commonsense alternatives. At a Cato Policy Forum, **"Why FDA Regulation Is a Death Sentence for the Terminally Ill,"** alliance president Frank Burroughs told the story of his daughter's fight against cancer, and against an FDA that refused to allow her access to experimental drugs. David Price of the Washington Legal Foundation argued that since the Supreme Court has ruled that there is a constitutionally protected right to die, there must also be a constitutionally protected right to life, and to get access to drugs that could prolong life. Steve Walker, who lost his wife to terminal illness and who serves as the alliance's regulatory adviser, charged that the FDA's approval process needlessly delays access to life-saving drugs.

◆**June 10:** A New York City Seminar featured Cato's H. L. Mencken Research Fel-

low P. J. O'Rourke, Adrian Wooldridge and John Micklethwait of *The Economist,* and Cato scholars Brink Lindsey and Alan Reynolds. Wooldridge and Micklethwait discussed their new book, *The Right Nation: Conservative Power in America,* and O'Rourke talked about his book, *Peace Kills: America's Fun New Imperialism*.

Stefan Halper and Cato research fellow Jonathan Clarke confer at a June 29 Book Forum for their book, *America Alone: The Neo-Conservatives and the Global Order*.

◆**June 16:** P. J. O'Rourke appeared at a **Boston City Seminar,** where he discussed his new book, *Peace Kills: America's Fun New Imperialism*.

◆**June 17:** At a Cato half-day conference, **"The Law and Economics of File Sharing and P2P Networks,"** Rep. Rick Boucher (D-VA) promoted the Digital Media Consumers' Rights Act, which, he said, is designed to correct the excesses of the 1998 Digital Millennium Copyright Act and preserve the fair use rights of consumers. Other conference participants debated the practical effects of file-sharing networks. Stan Liebowitz of the University of Texas, Dallas, argued that while the evidence is not yet conclusive, it appears that file-sharing networks have depressed music sales. Koleman Strumpf of the University of North Carolina disagreed, emphasizing that correlation does not imply causation and that there are numerous factors that could explain the drop in sales. Jack Valenti, outgoing chairman of the Motion Picture Association of America, said that more effort needs to be made to educate young people about the evils of stealing music.

Cato vice president for research Brink Lindsey (right) welcomes ambassadors Hugo Guiliani of the Dominican Republic, Mario Canahuati of Honduras, Guillermo Castillo of Guatemala (next to Cato's Dan Griswold), and René Léon of El Salvador to a July 20 Policy Forum, "The Case for CAFTA."

Dale Kunkel of the University of California, Santa Barbara, calls for restrictions on the advertising of snacks at a June 7 Policy Forum.

◆**June 21:** More and more foreign policy experts are becoming convinced that the United States must withdraw militarily from Iraq, but that realization hasn't reached the top levels of the foreign policy community, argued Chris Preble at a Cato Hill Briefing for a new Cato book, ***Exiting Iraq: Why the U.S. Must End the Military Occupation and Renew the War against Al Qaeda***. Not only is the occupation expensive in both lives and treasure, Preble said, it is also counterproductive to the broader war on terrorism, since the occupation is an excellent recruiting tool for Osama bin Laden. He argued that a steady drawdown of forces should commence immediately, and that all troops should leave the country before the Iraqi elections in January 2005. Michael O'Hanlon of the Brookings Institution contended that it would be irresponsible to commit to withdrawing the troops as rapidly as Preble proposes but agreed with Preble that failure in Iraq is conceivable and policymakers should set realistic goals.

◆**June 23:** At a reception for his book ***Peace Kills: America's Fun New Imperialism,*** Cato H. L. Mencken research fellow P. J. O'Rourke offered humorous reflections on the war on terrorism and America's role in the world. O'Rourke recounted his travels around the world, including visits to Germany during the fall of the Berlin wall and

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to Bosnia and Iraq during wars in those nations.

◆**June 29:** The neoconservative movement has damaged America's position in the world by urging the president into a foolish, unilateral war, argue Stefan Halper and Jonathan Clarke in ***America Alone: The Neo-Conservatives and the Global Order***. At a Cato Book Forum, Halper said that the administration's bungling was encouraged by the "echo chamber effect" of the media and the Bush administration repeating each other's loose speculation about weapons of mass destruction in Iraq. Clarke emphasized that, contrary to some on the left, the neoconservative movement is not a secretive conspiracy. Rather, he said, it is a well-publicized ideology that has led the Bush administration to pursue foolish policies. Nationally syndicated columnist Robert Novak asserted that neoconservatives are in fact not conservatives at all and predicted that there will be a fierce battles between different factions of the Republican Party if President Bush loses the election.

◆**June 30:** The present situation in Zimbabwe is tragic, but the world needs to prepare for the end of President Mugabe's dictatorial rule, said Geoff Hill, author of ***Battle for Zimbabwe: The Final Countdown,*** at a Cato Book Forum. Plans are needed for delivering humanitarian aid, restoring the rule of law, and ensuring a smooth restoration of Zimbabwe's democratic institutions upon the death of Mugabe, who turned 80 this year, Hill said. Hill faulted the world for its silence as Mugabe began restricting civil liberties and undermining democracy in the 1990s. Walter Kansteiner, former U.S. assistant secretary of state for Africa, proposed that a database of Zimbabwean expatriates be created to assist in recruiting them for rebuilding the country after Mugabe's death.

◆**July 9:** Outrageous judgments against deep-pocketed defendants in tort cases are a serious problem. But, senior fellow Robert Levy argued at a Cato Hill Briefing, **"We the People in the Courtroom: Recommendations for Tort and Class Action Reform,"** any tort reform must respect the principle of federalism. Most kinds of tort reform are the proper domain of the states, he said, and should not be usurped by federal legislation. Senior fellow Mark Moller criticized the class action mechanism, which, he said, can violate the due process rights of defendants and often benefits the lawyers prosecuting the cases more than the plaintiffs they nominally represent. Moller proposed several reforms that would raise the bar for class certification and reduce the likelihood of frivolous class action lawsuits.

◆**July 9:** Cass Sunstein, professor of law at the University of Chicago, discussed his new book, ***The Second Bill of Rights: FDR's Unfinished Revolution and Why We Need It More Than Ever,*** at a roundtable luncheon with Cato scholars, academics, and journalists. Sunstein argued that the "economic rights" proposed by President Franklin Roosevelt ought to have constitutional status in the American system. Cato senior fellow Tom G. Palmer countered that such rights are economically and logically implausible and that in any case the Constitution must be amended through a specified process, not through legislative or judicial fiat.

Television cameras record Ted Galen Carpenter's July 16 Hill Briefing on looming problems between China and Taiwan and the risk of U.S. involvement.

◆**July 12:** Is greed bad for society? In a provocative ABC News special titled **"Greed,"** John Stossel explores that question and concludes that although some kinds of greed can be harmful, greed can also be a powerful spur to hard work and entrepreneurship. Cato showed "Greed" on Capitol Hill as part of its summer film series for interns, sparking a lively debate among participants about the role of self-interest and altruism in society.

◆**July 15:** Samuel Fleischacker, associate professor of philosophy at the University of Illinois–Chicago, discussed his book ***On Adam Smith's Wealth of Nations: A Philosophical Companion,*** which draws out the consequences of Smith's thought for contemporary debates, at a roundtable luncheon for Cato scholars and other economists. He argued that Smith should be viewed as an important philosopher, not just as an economist, and that Smith's libertarian fans sometimes exaggerate his agreement with their own views.

◆**July 15:** Coauthors James Gwartney, economics professor at Florida State University and Cato adjunct scholar, and Robert Lawson, economics professor at Capital University, presented the ***Economic Freedom of the World: 2004 Annual Report*** at a press conference. They argued that economic freedom is strongly correlated with growth, prosperity, investment, and improvements in a range of human development indicators. Undersecretary of the Treasury for International Affairs John Taylor reviewed the major findings of the study and explained how the annual report has had a direct impact on public policy.

◆**July 16:** America's ambiguous military commitment to defend Taiwan against Chinese aggression is a serious threat to American national security, cautioned Ted Galen Carpenter, Cato's vice president for defense

Cato Mencken Research Fellow P. J. O'Rourke discusses his latest book, *Peace Kills,* at a June 23 reception.

and foreign policy studies, at a Capitol Hill Briefing, **"Collision Course? Taiwan and the Danger of a U.S.-China War."** He warned that China is becoming more powerful and its patience about the Taiwan issue is wearing thin. A war between the United States and China would be catastrophic, he said, and Washington's implicit promise to Taipei makes such a war a real possibility. Instead, Carpenter advocated that Washington stake out clear positions with both Beijing and Taipei, making it explicit that the United States is not committed to defending Taiwan from Chinese aggression.

◆**July 19:** Big government has a poor track record for solving social problems, as John Stossel shows in **"John Stossel Goes to Washington,"** the second part of Cato's film series for interns on Capitol Hill. In a provocative ABC News special, Stossel exposes government waste and incompetence and shows how private solutions can often succeed where government programs have failed.

◆**July 20:** Four ambassadors from Central America made the case for free trade between their region and the United States at a Cato Policy Forum, **"The Case for CAFTA: Four Ambassadors Speak Out for Free Trade."** Amb. René León of El Salvador argued that the recently completed CAFTA agreement will not only boost the economies of the countries that signed it but will serve as a bulwark for liberty and democracy in those countries as well. In El Salvador, he said, CAFTA is seen as a referendum on freedom. Amb. Hugo Guiliani of the Dominican Republic stressed that his country needs rapid economic growth to lift the poor out of poverty. Amb. Guillermo Castillo of Guatemala argued that CAFTA will help to cement Central American countries' commitments to economic and political liberalization, as NAFTA did in Mexico. Honduran ambassador Mario Canahuati stressed that Central America is an important trading partner of the United States, especially through ports on the Gulf of Mexico such as Miami and Houston.

◆**July 23:** Associate director of trade policy studies Dan Griswold and Honduran ambassador Mario Canahuati made the case for the CAFTA agreement at a Capitol Hill Briefing, **"The Case for CAFTA: Promoting Freedom in Our Neighborhood."** Canahuati touted his country's economic and political reforms and stressed that the continued success of those reforms depended on robust economic growth. Access to U.S. markets, he said, would provide a large boost to the Honduran economy. Griswold agreed with Canahuati that CAFTA would provide an economic boost, but he stressed the foreign policy benefits of free trade. He noted that trade strengthens ties between countries and buoys market-friendly regimes in other countries.

Michael O'Hanlon of the Brookings Institution addresses a Hill Briefing on Cato's study, *Exiting Iraq*. Study director Chris Preble and director of government affairs Susan Chamberlin (back to camera) listen.

◆**July 24–30:** The 2004 **Cato University** summer seminar was held at the Rancho Bernardo Inn in San Diego. Participants learned about the ideas of liberty from noted scholars and intellectuals including psychologist Nathaniel Branden, Stanford law professor Marcus Cole, columnist Deroy Murdock, and philosopher David Schmidtz of the University of Arizona.

◆**July 26:** **"Is America #1?"** In a provocative ABC News special—the final installment of Cato's film series for interns—John Stossel compares the United States with other nations. He finds that America owes its success primarily to its freedom. He notes that democratic but economically regimented India has steadily fallen behind undemocratic Hong Kong, which is consistently rated as one of the freest economies in the world. Perhaps the best measure of a nation's greatness, Stossel argues, is whether people choose to live there. By that standard, he says, America is clearly number 1, attracting far more immigrants than any other nation on earth. ■

Reforming Farm Subsidies and Trade Barriers

On June 8 the Cato Institute hosted a Policy Forum, "Down on the Farm? Assessing the Prospects for Global Agricultural Trade Liberalization." Participants included Thomas Lambie, president of the Federated Farmers of New Zealand; Jennifer Brant, trade policy adviser to Oxfam America; and Dan Griswold, associate director of Cato's Center for Trade Policy Studies. Excerpts from their remarks follow.

Thomas Lambie: I'm happy to tell you about our experiences in New Zealand as farmers have moved from an environment in which we were subsidized and the government dictated the type of agriculture we performed to today when we farm without subsidies.

Let me take you back to the 1950s when there were worldwide food shortages after World War II. New Zealand was an agricultural nation feeding the United Kingdom and had the second-highest per capita income in the world. We were incredibly rich. Farmers dominated the government. We had it made.

What did we do? We were our own worst enemy. We went to the government and we said: "Prices fluctuate. The climate affects us. We think you should step in and help regulate what we earn, to take away fluctuations in our income." And the government, being full of farmers, said: "Yep, that's good. We'll help you." So the government set up a whole lot of structures that put constraints on the farming community and tightly controlled production and prices.

Worse, the government did not believe the future of New Zealand was in agriculture. So it started imposing import tariffs and quotas on manufactured goods. The aim was to increase the prices of imports and make manufacturing in New Zealand competitive. We locked out everybody, we created lots of jobs, and we had virtually no unemployment in New Zealand right up to the 1970s. We were rich enough, because of the agricultural income that was coming in, to sustain the manufacturing jobs. But our trade barriers started to build a whole lot of costs into the New Zealand economy.

Then we experienced two major economic shocks. The first was in 1973 when Britain entered the European Union. Suddenly, the market that used to take 90 percent of everything we produced was no longer going to do so. The second was the oil shocks. Inflation started to get out of control.

Unfortunately, the government's response was "Agriculture, you must be our savior. Since the balance of payments is getting pretty bad, we need you to produce more than you did before." The agricultural community got assistance, and we were compensated for the costs we faced in our own domestic market. It took us 10 years to go broke. In 1984 New Zealand had no more money, huge government deficits, and huge government borrowing overseas.

Federated Farmers realized that going to the government and always looking for more handouts wasn't working. We were becoming increasingly uncompetitive in world markets. We said to the government, "Strip out our subsidies, but we want you to reform the rest of the New Zealand economy as well."

Thomas Lambie: "Before 1984 the New Zealand farm sector had a productivity increase of less than 1 percent a year. Since the reform it's been more than 4 percent a year."

Thankfully, the government had little choice. After enduring the pain of a six-year transition, we now live in one of the most deregulated economies in the world. Other than a few tariffs on shoes and on some clothing, our borders are completely open to everything. Responsibility for farming has come back to the farmer.

One positive result of the reform process was that farmers began to better fit their agricultural production to the type of land that they farmed. If you don't get a really good fit, then you can't get your costs low enough to be competitive or you use your resources inefficiently. New Zealand has reduced the number of sheep from 80 million to 40 million, but we produce the same amount of sheep meat. We increased our dairy herd from 2.5 million cows to more than 5 million in response to the market demand for protein products. We've seen a huge diversification of land use in the last 20 years.

Before 1984 the New Zealand farm sector had a productivity increase of less than 1 percent a year. Since the reform it's been more than 4 percent per year. We're performing better than any other part of the New Zealand economy. The agricultural sector in New Zealand has actually grown as a percentage of our GDP. That is almost unheard of in any other developed country. So we're actually doing our part and more for New Zealand.

Another positive outcome of liberalization is that it allows us to focus on the consumer. We want liberalization in trade so we can talk directly to consumers in individual countries. It's not about world trade; it's about reaching out to each country's individual consumers and supplying them with what they want. I've been at the World Farmers Congress of the International Federation of Agricultural Producers for the past week. A theme I heard often was that exports are good while imports are bad, and that when you liberalize world trade it's a race to the bottom.

Well, in New Zealand we are in a race to the top. But every time we reach the top, a bureaucrat somewhere else in the world tries to squash us. The classic example was in Europe, to which we tried to export spreadable butter. The demand from the consumer was astronomical, but because our product didn't meet the regulators' specifications for butter, they stopped its importation. We were providing what the consumer wanted, but a bureaucrat said, "Ah, but it's not butter, because it is too soft." That is the type of issue we want to deal with in global negotiations.

During the transition period, when a lot

"During the transition, New Zealand probably lost 100,000 jobs. Since then, the move toward a completely open economy has created up to 700,000 jobs."

of people in our noncompetitive protected industries were put out of work, New Zealand probably lost 100,000 jobs. Since then, the move toward a completely open economy has created up to 700,000 jobs. For a small country of four million people, that's a lot of jobs, and we're still creating more. There are many myths about trade being bad for jobs, but we've found the exact opposite to be true.

Jennifer Brant: I am going to talk about the impact of subsidies on developing countries. We at Oxfam think trade can be very positive for economic development. However, trade is not living up to its potential, in part because of unfair trade rules that favor the interests of developed countries over those of developing countries.

A major reason is the problem of dumping—the export of agricultural products at below the cost of production. Small farmers in developing countries depend for their livelihood on the income they earn on their crops. Anything that decreases prices decreases their earnings. And where people are already facing extreme poverty, dumping is extremely detrimental to their standard of living.

Dumping is made possible by subsidies in rich countries that generate overproduction of crops. It is also made possible by liberalization in the importing country. Developing countries have been pressured by international organizations to liberalize their markets. In many cases they have opened their markets to floods of cheap subsidized goods. That has had a devastating impact on small farmers. We have documented the wiping out of the dairy sector in Jamaica by cheap subsidized milk imports from the United States. The same occurred with rice in Haiti.

The average cotton farmer in West Africa earns about $400 a year. And he is part of a better-off group in West Africa who get to farm what they call white gold. It was a very lucrative crop until prices started declining. When you compare a West African cotton farmer's annual income of $400 with the $250 in subsidies that U.S. cotton farmers get *per acre,* you can see that we are talking about completely different worlds.

The International Cotton Advisory Council has estimated that, because of U.S. subsidies, prices were depressed by about 25 percent. And yet, while prices fell in the late 1990s and early 2000s, U.S. cotton production and its share of export markets continued to increase. That is because cotton farmers in the United States are isolated from many international price signals.

In West Africa about 10 million to 11 million people depend either directly or indirectly on cotton for their income. We estimate that about a quarter of a million people in Benin were pushed below the poverty line as a result of price depressions caused by U.S. subsidies. In 2001 Benin lost $33 million in export revenue because of lower prices. That is twice the U.S. aid Benin gets.

Jennifer Brant: "Trade is not living up to its potential, in part because of unfair trade rules that favor the interests of developed countries over those of developing countries."

It's just not fair when poor farmers in developing and less-developed countries are asked to compete with the U.S. Treasury. They cannot compete. Even worse, producers in West Africa are much more cost-effective cotton producers than American producers. They produce cotton at about 21 cents a pound, versus 73 cents, which is the average production cost per pound for an American farmer. They are more cost efficient, yet they cannot compete because U.S. producers have access to huge subsidies.

A lot of people ask us: "How can you be against subsidies? They are helping the small family farmer in the U.S. stay alive." Our research reveals that this is not really the case, that subsidies overwhelmingly go to big agribusiness corporations and corporate farms. In 2001 the poorest 50 percent of U.S. farms received only 5 percent of U.S. subsidies. It is clearly a very unequal system.

Although we are often very critical, we do believe in the multilateral trading system. We think it is the best place for developing countries to get a good deal. We were supportive of the Doha Round. We thought Cancun was a terrible missed opportunity.

We do, however, think a number of things are essential to getting a good outcome from this round. First, the United States and the European Union have to make serious commitments to reduce export subsidies and trade-distorting domestic supports. Second, we think special and differential treatment will be an essential component of a pro-development outcome of the round. The poorest WTO members should get duty-free and tariff-free access to rich-country markets. And they should be exempt from reduction commitments—and frankly any commitments—in this round. Finally, we urge the United States and the EU to comply with the panel decisions that are coming out on cotton and sugar. That will send an important signal that they are still committed to true reform and that they are committed to the multilateral trading system and the rules that govern it.

Dan Griswold: I would like to start by taking exception to the whole way we talk about trade in the context of the World Trade Organization. Trade reforms like those in New Zealand, like those that we have been advocating here at Cato, are not "concessions" that one country makes at its own expense for the benefit of others. Trade liberalization, as New Zealand has seen, is its own reward. When a country liberalizes, it is the first and biggest beneficiary. Its consumers enjoy lower prices and more choice. Its taxpayers get relief from ongoing subsidies. And yes, farmers themselves can produce and promote commodities for real customers.

Of course, other nations do benefit when

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"Trade reforms are not 'concessions' that one country makes at its own expense for the benefit of others. Trade liberalization, as New Zealand has seen, is its own reward."

POLICY FORUM *Continued from page 9*

we liberalize. Farm subsidies and trade barriers in the United States and other rich countries stimulate overproduction. That drives down global prices. Consumers in poor countries do benefit from the lower prices, but because many poor countries have a comparative advantage in these commodities—sugar, corn, cotton—there are more producer interests who lose from lower prices than there are consumer interests who gain, and thus the actual income of those countries is depressed. I commend Oxfam for turning the spotlight on this very uncomfortable fact.

Let me offer three quick examples of the damage done by U.S. subsidies and trade barriers. First, rice. U.S. farm policies drive down global prices by subsidizing domestic production of rice, depressing domestic demand for imported rice to the point where the United States is a net exporter of rice. A study published by the National Bureau of Economic Research looked at child labor rates in Vietnam as a function of rice prices. The researchers found that as rice prices went up in Vietnam, child labor dropped significantly. So by driving down the global price of rice, our farm policies are taking boys and girls in Vietnam out of the classroom and sending them into the fields to try to make up for that lost income. The Vietnamese do not love their children any less than we do; it's simply a matter of survival for a lot of families.

Second, sugar. The U.S. sugar program keeps the domestic price of sugar at levels three times the global spot price, through a system of domestic price support loans and quotas. The sugar program extracts somewhere between $1.5 billion and $2 billion a year from the pockets of consumers who buy sugar directly and indirectly in sugar-containing products. It also hurts U.S. industry by driving up the cost of the main ingredient used by U.S. confectioners, forcing many of them to relocate to countries like Canada, where they can import sugar at the global price. Tens of thousands of workers in the Chicago area and elsewhere have lost their jobs because of our sugar policies. And our sugar subsidies are an embarrassment in international negotiations. They make the United States look hypocritical in our calls for liberalization abroad.

Third, cotton. Let me take a little different angle than Jennifer did on this. Our cotton policies are indeed an expensive domestic failure, but they are also a blight on U.S. foreign policy. Look at Mali in West Africa. Its farmers scratch out a living, earning the equivalent of $850 a year. Half of Mali's exports to the world are cotton, grown along the Niger River that flows through what is otherwise a desert country. Mali is one of only two Muslim-majority countries that are rated "free" by Freedom House. Mali has a functioning democracy with respect for human rights. Mali is already the kind of example for the Muslim Middle East that we all hope Iraq will one day become.

Dan Griswold: "Oxfam's critique is incomplete to the extent that it ignores or excuses barriers to trade in agriculture in poor countries. The highest trade barriers that exporters from poor countries face are the barriers put up by other poor countries."

And how has the U.S. government acted to encourage freedom and development in this Muslim country of 11 million people? Well, our cotton subsidies depress the world price of cotton, driving thousands of already impoverished Malian farmers off the land. According to the World Bank, U.S. cotton subsidies cost Mali and its desperately poor neighbors in sub-Saharan Africa $250 million a year. That is a lot of money in that part of the world. That can only add to the frustration, despair, and anger that are rife in Muslim nations today. And we wonder why we have such a hard time winning friends in that part of the world.

Now, Oxfam says that these policies benefit the rich countries at the expense of the poor. I disagree—it is a losing proposition all around. In fact, people in the rich countries are the chief victims of these farm policies. According to a study by the International Monetary Fund, if the rich countries eliminated all these programs, global welfare would rise by $100 billion, but 92 percent of that would go to the rich countries. Rich countries can do themselves a favor by getting rid of these terrible programs and following the example of New Zealand.

So Oxfam and other nongovernmental organizations do stand on solid economic and moral ground when they criticize rich-country trade barriers. But I think Oxfam's critique is incomplete to the extent that it ignores or excuses barriers to trade in agriculture in poor countries. Typically, the highest trade barriers that exporters from poor countries face are the barriers put up by other poor countries, not by rich countries.

The IMF study I mentioned a moment ago found that while poor countries would certainly benefit if we got rid of our trade subsidies and trade barriers, the poor countries would actually realize more than twice as much in benefits if they got rid of their own subsidies and trade barriers. If a WTO agreement exempts poor countries from liberalization under the special and differential provisions, we will be aiding and abetting dysfunctional trade policies that are keeping poor countries poor.

Some observers argue that we need to hold on to these subsidies and trade barriers as a bargaining chip with the rest of the world. But I think our subsidies and trade barriers tarnish our most valuable chip—American leadership. Look at New Zealand—a tiny country of three and a half million people on the edge of the world. They box far above their weight in international negotiations. Imagine the example the United States could set and the leadership it could exert if it got rid of all its trade restrictions. ■

The North Pole isn't melting

Global Warming Book Exposes Media Mistakes

If the human race is still alive in 50 years, no one will be more surprised than the fourth estate. At least, that's the impression one gets from the dire environmental predictions that have become a staple of news reporting. In the coming decades, the media tell us, we will see rising sea levels, more droughts, more hurricanes and tornadoes, more blizzards, massive species extinctions, melting ice caps, and perhaps a new ice age. Global warming is a reality, but as Cato senior fellow Pat Michaels demonstrates in *Meltdown: The Predictable Distortion of Global Warming by Scientists, Politicians, and the Media,* the claims of gloom and doom that get repeated by credulous media are mostly hot air.

The reality is more mundane than the pessimists would have us believe. Global temperatures have risen by about a degree Celsius over the last century, and Michaels predicts an additional warming of about 0.75°C over the next half century. He points out that news stories tend to focus on the highest estimates of the UN's Intergovernmental Panel on Climate Change, despite the facts that most IPCC models show much more modest warming and that the IPCC has made no effort to determine probabilities for the different scenarios. Moreover, he argues, the IPCC makes the unreasonably pessimistic prediction that per capita greenhouse emissions will continue to rise exponentially. In reality, he notes, per capita carbon dioxide emissions have been flat for close to three decades and are likely to decline in coming decades as energy-efficient technologies become more widespread.

The reality of modest warming, however, has not deterred the alarmists. Michaels recounts and debunks literally dozens of scare stories that have cropped up in the press or on television in recent years. The *New York Times,* for example, reported on a front page in the summer of 2000 that the North Pole was open water for the first time in 50 million years thanks to global warming. Yet, as Michaels points out—and as the *Times* admitted in a half-hearted retraction buried on page D3 a week later—today's polar temperatures are no higher than those of the 1930s and 1940s, long before greenhouse gas emissions could have been the culprit.

Another oft-repeated claim is that natural disasters are becoming more frequent and more severe. That is false, Michaels contends. If anything, natural disasters such as hurricanes, tornadoes, droughts, and forest fires have declined slightly over the last century. What *has* increased is the public attention paid to them. The advent of 24-hour cable news networks (and even a dedicated Weather Channel) has ensured that natural disasters receive copious coverage. Furthermore, in the case of tornadoes, improved technology has made it possible for meteorologists to detect more small tornadoes than was possible in the past, resulting in more tornado detections but no increase in *severe* tornado activity or tornado-related fatalities. Floods and hurricanes have received more attention because more and more people are building expensive beachfront homes. The net result has been greater hurricane-related property damage, even as earlier detection has dramatically reduced the number of hurricane-related fatalities.

Global warming alarmists, Michaels argues, display a willful naiveté about the adaptability of human beings and other living things to gradual climate change. Air conditioners and other technological advances allow human beings to live in comfort in hot areas of the United States, and there is no reason to think they couldn't adapt to gradually rising temperatures in the future. Moreover, Michaels notes, it's far from clear that global warming would, on net, be detrimental. Global warming is likely to increase crop yields by causing greater precipitation and a longer growing season. And because the warming trend is likely to be concentrated in the coldest parts of the globe during the winter, global warming is more likely to make cold areas more pleasant than to make hot areas more unpleasant. The net result may be a more hospitable planet overall.

An intelligent debate about important environmental issues like global warming requires a minimum level of scientific literacy. While it's probably unrealistic to expect the general public to acquire a sophisticated understanding, journalists ought to be held to a higher standard. As Michaels demonstrates again and again in *Meltdown,* routine fact checking is often all that is required for accuracy. With luck, journalists will take that lesson to heart.

Meltdown is available in hardcover for $24.95. It can be purchased in bookstores, at www.catostore.org, or by calling 800-767-1241. ■

"The 20th century was by far the best in history. And furthermore, things are likely to get better still."

NO TIME *Continued from page 1*

at least an overwhelmingly assumed absolute good. Today, not one state in Europe, east or west, affords men voting or property rights superior to those of women. The same is true in the United States, Canada, Australasia, Japan, and even much of the Third World. States where women cannot vote or where they have unequal status before the law—the case in many Muslim countries—are treated by the rest of the world with a degree of contempt. Men too had a rough time of it before 1900. Most of the world then was effectively under military, monarchial, or colonial dictatorship. No wonder women's rights were anathema in so many places when men's rights were also denied.

The conservatives argue that our society is the most ill-mannered in history. Really? Let's go back to the 1950s, shall we, the so-called golden age of politeness when gentlemen always took off their hats on entering a building, children minded their p's and q's, and women were unfamiliar with the ways of the door handle. Signs saying "No blacks, no Irish," seen on boarding houses and hotels after the first waves of postwar immigration, were affronts to decency and good manners unthinkable today. People used crude racial epithets without shame, and the wealthy showed their inbreeding by behaving with grotesque condescension toward the lower orders, a term used without irony well into the last century.

The 20th century saw some terrible excesses. We will be arguing for eternity about the balance sheet of horror, Hitler vs. Stalin vs. Pol Pot. But the point is that our horror was partly generated by the mechanized nature of the slaughter—slaughter that was performed against the backdrop of unprecedented individual and social liberation in so many nations.

The Safest Century in History

The paradoxical reality is that the 20th century—in which maybe 150–200 million people died in wars and death camps—was almost certainly the safest century in history to be alive, when all causes of death are taken into account. Even in the "peaceful" 19th century, perhaps 80 million people died an "unnatural" death (wars, slavery, etc.). Add to that figure the far higher incidence of infant mortality and disease and the inadequate responses to natural disasters, and it is clear that life has, generally, been getting safer and safer as time has progressed.

But what about the poor and the hungry? The tragedy in Darfur surely proves once again that while we in the rich West may be getting richer, the poor of Africa and elsewhere are just getting poorer. In fact that is not the case. As Bjørn Lomborg, the most eloquent (and informed) of the New Contrarians, has pointed out, hunger in the South is actually on the decline. "Basically we have far more food per person than we used to, even though the population has doubled since 1961," he says. The number of people starving—defined by the UN as having insufficient food to perform light physical activity—has fallen from 35 percent of the Third World population in 1970 to 18 percent today. And the fall has not just been proportional—actual numbers of hungry people have fallen too despite a doubling of the planet's population in the last 40 years. In our lifetimes, China, the largest country in the world, used to suffer frequent famines. Millions upon millions died. This is now simply unthinkable.

Being a woman in any other century must have been bad enough. Try being ill. In the 19th century great advances were made in medicine, most notably the development of asepsis and, especially, anesthesia. Yet there were no antibiotics until the 1930s, and a patient in a Victorian hospital was probably only marginally better off than if he had stayed at home. Surgery was a shrieking descent into hell. Anyone who doubts that today is the only day to be living in should read Fanny Burney's famous 1811 account of her mastectomy, performed without the benefit of ether or chloroform.

The 20th century was the century when large parts of the world finally rid themselves of the plagues that periodically wiped out single- and even double-figure percentages of entire populations. In the American Civil War more than half of the soldiers on both sides contracted malaria, which remained a common disease in Europe and North America until the 20th century. Cholera epidemics ravaged London and other European cities throughout the 19th century. A time traveler visiting the richest Western cities 150 years ago would feel he had traveled to the Third World. This is the point: then, everywhere was like Calcutta.

Global warming is perhaps the most serious part of what Lomborg calls "the Litany," the mindset that says that things are getting inexorably worse. Most scientists, though not all, agree that something is going on. Yet many remain unconvinced by the global warming forecasts, but even if they are wrong there is little evidence to support the most outlandish predictions of doom.

Live Long and Prosper

We live in the freest, happiest, least bigoted, healthiest, most peaceful, and longest-lived era in human history. Thanks to scientific advances, medical breakthroughs, and the unceasing march of technology, we are richer and have the power to alter and control our environment in ways that would have seemed like magic 200 years ago. This sounds Stalinist—"Progress through electrification!"—but it is true nonetheless. Thanks to technology, especially information technology, we are all more productive and richer. *The Economist* uses the Big Mac test to measure how economies shape up. I prefer the Gordon Ramsay test. In 1900 a meal at a top restaurant in London cost a couple of guineas for two—say £200, allowing for inflation. You will pay much the same today. The difference is that in 1900 only very few people could afford such a repast. Now, although still the preserve of the affluent, eating out is accessible to millions of Britons.

The Third World is still poor but, with the exception of parts of Africa and the rogue states, it is getting richer. I remember charitable appeals when I was a child for the hungry children of Thailand, now a country knocking on the door of the First World. In the aftermath of World War II, Japan starved. Now it is the world's second economy. The gap between the poor and rich has widened, but only because the rich have got richer than the poor have. Globalization, the bête noire of the Luddites, is large-

"At the close of the 20th century, female equality, although by no means a reality for a majority of the planet's females, was at least an overwhelmingly assumed absolute good."

ly to thank for all this. Where movement of people, capital, and goods has been made free, all have, generally, prospered. Where it has not—by the introduction of tariffs or, infernally, subsidies—people have not.

Disaster Ahead?

Of course our world has new horrors: drug addiction, global terrorism, and in particular the conflict between wildlife and people that will almost certainly lead to the extinction of several of what biologists call the "charismatic megafauna" by 2100. It will be sad to live in a world without pandas or tigers, but it is likely that we shall have to. Global warming may wreck the coral reefs and kill off seabirds, but as Lomborg has so monumentally pointed out, generally speaking, the environment, certainly in terms of pollution, is healthier today than at any time since the Middle Ages—and things are getting better.

There is a crisis of confidence among many people, especially the young, in the West. While our material needs have, for the most part, been accommodated, our psychological welfare has been given some severe knocks by the Brave New World we have wrought. In the new century, the seemingly global epidemics of anxiety, depression, and stress will need to be addressed with as much vigor as TB and malaria were in the last. And there is AIDS, of course, proving that the old specter of infectious disease is still very much with us. Even here, though, the figures give cause for optimism that the great African epidemic, at least, may have started to burn itself out.

It is, however, quite possible, as the Astronomer Royal Sir Martin Rees suggests in his entertaining book *Our Final Century,* that something may come out of left field and get us. It seems that nuclear war remains the most plausible short-term threat to our civilization, but we cannot discount the possibility of a terrifying GM-viral plague wiping us out in weeks or that of some particle physics experiment going terribly wrong. Clearly we need to be on our guard.

But why do we persist in believing that things are getting worse? The answer comes in the realization that it has always been thus, and we always forget the previous, failed merchants of doom. We have forgotten Paul Ehrlich's 1960s' prophecy that a population explosion would lead to starvation in America by the 1990s. We have forgotten Thomas Malthus's 1790s' predictions that European famine was a certainty. We have forgotten all those silly pundits claiming that the world would end on January 1, 2000, as the millennium bug struck. There seems to be a need to believe that we are living in the Last Days hardwired into our psyche. Perhaps our ancestors, battling against the harshness and dangers of the African plains, had good reason to be suspicious whenever the going appeared to be too good. Their response was to dream up angry gods to appease; ours is provided by the new religion of militant environmentalism.

Now is good; the future, barring some calamitous accident, will be better. The past is truly a different country, a disease-ravaged, hungry, violent, intolerant place in which no one in his right mind would want to live. They did things differently there. Good riddance to them. ■

News Notes

Social Security Plan Introduced in House

Cato's Social Security efforts reached another milestone in July when Rep. Sam Johnson (R-TX) introduced legislation based on the Cato Institute's **Social Security reform proposal**. The legislation had 14 cosponsors, including Jeff Flake (R-AZ) and Pat Toomey (R-PA). Social Security is expected to be a hot campaign issue, as President Bush makes it an important part of his reelection campaign and congressional candidates around the country stand up for the right of workers to control more of their earnings through personal accounts.

The Cato Institute communications staff has been hard at work developing new ways to spread Cato's message. In August they unveiled **"Cato on the Air,"** a series of audio interviews with Cato scholars that will be available as an audio stream on the Internet. The segments will preview upcoming work and include scholars' reactions to breaking news stories. The first interview featured Roger Pilon on his new study favoring drug reimportation. The Web staff is also planning to roll out a new database-driven "back end" that will make Web content more dynamic and user friendly.

Brink Lindsey has been named the Cato Institute's vice president for research, a new position. He has served since 1998 as the director of Cato's Center for Trade Policy Studies. In his new position, Lindsey is responsible for developing new research programs for Cato as well as helping to oversee the Institute's current research agenda. **Dan Griswold** has been chosen to replace Lindsey as the center's director. He has served since 1998 as associate director.

Ashley March

Ashley March has joined Cato as director of foundation relations. She brings with her a wealth of experience in nonprofit fundraising, most recently as vice president for development and communications for the Greyston Foundation in Manhattan.

Is the Education Department worst?

Cuts Urged to Counter Soaring Federal Budget

As the challenges of the war on terrorism and the retirement of the baby boomers place unprecedented strains on the federal budget, the last thing we need is hundreds of billions of dollars of wasteful discretionary spending, argues Chris Edwards in "Downsizing the Federal Government" (Policy Analysis no. 515). In a detailed and comprehensive analysis, Edwards itemizes sufficient cuts in federal discretionary spending to balance the budget by 2009 without tax increases. Major savings come from slashing corporate welfare, privatizing commercial activities, and scaling back federal aid to the states. Cutting federal aid to the states is a particularly easy call to make, Edwards notes, because the states can more efficiently tax their own citizens to raise the revenue they need without the federal government taking a cut. Edwards also proposes abolishing the Departments of Education and Energy, whose functions can be better served by the states or private industry. In all, Edwards details more than $300 billion in proposed annual spending reductions.

Chris Edwards

◆Steel Kicking

Thanks to a government-subsidized industry consolidation and surging demand from China, the steel industry is in its best financial position in years, says trade scholar Dan Ikenson in "Ready to Compete: Completing the Steel Industry's Rehabilitation" (Trade Briefing Paper no. 20). Despite the dire warnings of steel protectionists, last year's lifting of controversial section 201 steel tariffs has not crippled the steel industry. To the contrary, Ikenson argues, the steel industry is still protected by dozens of antidumping and countervailing duty orders that drive up the domestic price of steel and harm steel-consuming industries. The president should act while the steel industry is enjoying surging worldwide demand and eliminate more of those unfair trade barriers. Doing so would give a shot in the arm to steel-consuming industries, which, he notes, employ far more workers in the United States than does the steel industry itself. Steel-consuming industries are facing unprecedented financial pressures, as they have been forced to absorb skyrocketing steel costs while their ability to raise prices has been limited.

Dan Ikenson

◆Monroe Doctrine in Reverse

The gradual integration of European defense efforts will fundamentally reshape U.S.-European relations and the role of European nations in NATO, writes Leslie Lebl in "European Union Defense Policy: An American Perspective" (Policy Analysis no. 516). Lebl, a former U.S. Foreign Service officer whose 24 years of service included tours with peacekeeping forces in Bosnia-Herzegovina, contends that recent military operations, such as those in Kosovo and Iraq, have highlighted the yawning gap in military capabilities between the United States and Europe. European governments have responded by increasing their own military spending and cooperation between their forces. This process is likely to continue, Lebl predicts. Within a decade, she says, a newly assertive European defense establishment may begin to speak with a single voice within NATO, requiring a fundamental reconsideration of NATO's role in the world. If that happens, she argues, the United States and Europe should renegotiate their NATO relationship to give the European Union primary responsibility for defending Europe while NATO focuses on security issues outside the United States and Europe.

Leslie Lebl

◆Deficits Are Bad, but High Taxes Are Worse

Rising deficits have resurrected some canards about the negative effects of deficits that are as false today as they were in past decades, says Alan Reynolds in "Deficits, Interest Rates, and Taxes: Myths and Realities" (Policy Analysis no. 517). Deficits do matter—they generate debt that must be repaid by future generations—but their short-term effects are not as dire as deficit hawks claim. For example, he says, there is little evidence that deficits drive up interest rates, either in the short term or in the long run. Nor is there clear evidence that budget deficits reduce the national savings rate or increase trade deficits. In any event, Reynolds argues, raising taxes to reduce deficits is foolhardy, because higher tax rates discourage productivity and encourage tax evasion, leading to little change in total revenues. Indeed, he notes, federal revenues have rarely gone much above 20 percent of GDP regardless of whether the top marginal income tax rate was 28 percent or 94 percent.

◆Regulation Nation

The gargantuan $2.4 trillion federal budget in 2005 actually understates the impact of the federal government by hundreds of billions of dollars because of the added burden of federal regulations. That's the message of this year's edition of "Ten Thousand Commandments: An Annual Snapshot of the Federal Regulatory State" by Clyde Wayne Crews Jr. In 2003 the *Federal Register,* which is the "daily depository of all proposed and final federal rules and regulations," contained 71,269 pages, down slightly from last year's record-high 75,606 pages. Despite small decreases in the rate of new regulations, the total number of rules continues to rise rapidly. Crews estimates that the 2002 cost of federal regulations was as high as $869 billion. He recommends measures to rein in the regulatory state by forcing Congress to take more responsibility for the adoption of new regulations and to pay more attention to their costs. Those measures include an annual "report card" with easy-to-understand summaries of the costs and benefits of various regulations and requiring Congress to vote on all new regulations before they become binding.

◆No Federal Bureaucrat Left Behind

Federal involvement in education over the last four decades has been a disaster, charges Neal McCluskey in "A Lesson in Waste: Where Does All the Federal Education Money Go?" (Policy Analysis no. 518) While real education spending has more than

quadrupled, he notes, educational achievement has fallen and research has repeatedly shown federal education programs to be ineffective. McCluskey showcases some of the most egregious examples of wasteful spending on education, such as more than $8 million to support whaling museums in Massachusetts, Alaska, and Hawaii. He also stresses that the Constitution grants Congress limited powers and that education is not among them. Accordingly, he argues, Congress should eliminate federal spending on education and allow individual states to make educational funding decisions. Not only would this respect the strictures of the Constitution, he argues, but it would make our nation's educational system more flexible, responsive, and efficient.

◆Does Deterrence Work against Rogue States?
The current Bush strategy of using preventive war to contain the spread of nuclear weapons is foolhardy, charges Jeffrey Record, a former Senate Armed Services Committee staff member, in "Nuclear Deterrence, Preventive War, and Counterproliferation" (Policy Analysis no. 519). American counterproliferation strategy changed dramatically in the aftermath of the September 11, 2001, attacks, as administration officials concluded that deterrence might be inadequate to prevent the future use of weapons of mass destruction. But, Record argues, the new Bush doctrine of preventive war isn't really new. Indeed, it has been condemned by international law for centuries, largely because there is no clear difference between preventive war and ordinary aggression. Record argues that rogue states have proven deterrable, and that rogue states are unlikely to share their nuclear arsenals with terrorists for the same reason they would not use them themselves—rogue states' first priority is self-preservation, and the United States has made it clear that complicity in a major terrorist attack will be met with a swift military response, aimed at regime change.

◆Dominican Monetary Reform
In 2003 a botched bank bailout sparked an economic crisis in the Dominican Republic, resulting in rampant inflation and exploding government debt. In "The Dominican Republic: Resolving the Banking Crisis and Restoring Growth" (Foreign Policy Briefing no. 83), senior fellow Steve Hanke contends that monetary stability is vital to restoring the health of the Dominican economy. He offers three alternative proposals to achieve the goal of stable money: a currency board, dollarization, and free banking. Under a currency board, the Dominican currency would be convertible into dollars or another reserve currency. Under dollarization, the peso would be entirely replaced with American dollars, ensuring that the Dominican Republic enjoys the same monetary stability as the United States. Under free banking, private banks would be permitted to issue their own currency, and competition among banks would ensure that sound money won out in the marketplace. Any of those alternatives, Hanke says, would prevent a return to the disastrous policies of past decades, in which rampant inflation destroyed the lives of millions of people in the Dominican Republic and across Latin America. ■

Hong Kong Is World's Freest Economy Again

Why do some countries grow wealthy while others remain poor? Economists have been trying to answer that question since Adam Smith penned *The Wealth of Nations* 228 years ago. In recent decades there has been a growing consensus that a crucial factor in wealth creation is economic liberty: freedom to exchange, low taxes, minimal regulations, stable money, secure private property, and a fair, predictable legal system. Economic liberty encourages hard work and innovation by reducing red tape and assuring people that they will reap more of the benefits of the wealth they create. Economic liberty is also empowering in its own right. Free societies give people more control over their chosen careers, the right to spend a greater share of the money they earn, and more choices of goods and services on which to spend that money.

To learn more about the beneficial effects of economic liberty and to promote those countries that have achieved it, the Cato Institute teams up with sister organizations in other countries to produce an annual report, *Economic Freedom of the World*. The 2004 edition, written by James Gwartney of Florida State University and Robert Lawson of Capital University, rates 123 countries on five facets of economic liberty, calculating an overall score for each country's economic freedom.

The top-ranked nations are little changed from the 2003 report; Hong Kong remains the freest nation, and Singapore is second. The United States, which was third last year, shares that distinction in 2004 with New Zealand, Switzerland, and the United Kingdom. Australia, Canada, Ireland, and Luxembourg round out the top ten.

Comparing economic freedom rankings with various measures of human well-being, the authors find that freer countries have greater incomes and economic growth, life expectancies, and adult literacy. Freer countries have lower rates of corruption, child labor, and infant mortality. Clearly, the authors conclude, all nations should strive to liberalize their economies.

Economic Freedom of the World: 2004 Annual Report is available for $22.95. It can be purchased in bookstores, at www.catostore.org, or by calling 800-767-1241. ■

MPAA, RIAA, and Morpheus representatives differ

Is "File Sharing" Theft of Intellectual Property?

More and more American consumers—especially college students—are discovering that they can find and download virtually any song ever recorded, for free, from the Internet. Music labels, led by the Recording Industry Association of America, charge that those so-called peer-to-peer file-sharing networks exist simply to promote the theft of intellectual property. But not everyone agrees; industry critics argue that file-sharing networks have the potential to be much more than piracy devices, as they dramatically lower the cost of distributing music to fans. On June 17 Cato devoted its annual technology and society conference to "The Law and Economics of File Sharing."

The subject has largely disappeared from the front pages of newspapers since Napster—the first high-profile peer-to-peer network—lost its court battle in 2001 and was forced to shut down its file-sharing service. But competing file-sharing services quickly sprang up to take Napster's place. In recent years, the music industry has reported a precipitous 30 percent drop in annual album sales—a decline it blames on file-sharing programs with names like Morpheus, KaZaa, and eDonkey. The RIAA has launched a vigorous litigation campaign against users of those programs in an effort to scare illicit downloaders straight.

Rep. Richard Boucher (D-VA) discusses his Digital Media Consumers' Rights Act at Cato's annual technology and society conference.

Several economists debated the economic impact of file sharing on recording industry profits. Stan Liebowitz of the University of Texas argued that the net effect of file sharing is decisively negative for the recording industry, as more people choose to download songs instead of purchasing albums. Koleman Strumpf of the University of North Carolina, a visiting fellow at Cato, warned that correlation does not prove causation. Other recent changes, such as the rise of a variety of competing entertainment options and the weakening economy, might account for the sales slump, he suggested.

Attorney Matthew Oppenheim scolded file-sharing companies for effectively blackmailing content industries with threats to continue unimpeded file swapping unless the industry agrees to adopt file-sharing technologies. Michael Weiss, who represents the software company that makes Morpheus, shot back that the RIAA's real agenda is the stifling of technological innovation to protect an outmoded business model. The 1998 Digital Millennium Copyright Act, for example, criminalizes a broad class of "circumvention" software, even though such software might be necessary for such purposes as assisted screen reading for the blind. In the keynote address, Rep. Rick Boucher (D-VA) discussed his Digital Media Consumers' Rights Act, which reinstates the right of consumers to use circumvention technologies in the pursuit of fair use rights.

Jack Valenti, the legendary head of the Motion Picture Association of America, gave the luncheon address. He argued that intellectual property is no different from other property and that young people needed to be more respectful of private property in all of its forms. Doing so is vital not just to the future of the content industries, he said, but to protecting the moral fiber of the republic.

Audio and video archives of past Cato events are available at www.cato.org/events. ■

Cato visiting fellow Koleman Strumpf debates adjunct scholar Stan Liebowitz on the economic impact of file sharing on recording industry sales.

Director of telecommunications studies Adam Thierer welcomes the legendary head of the Motion Picture Association of America, Jack Valenti, to the podium for the closing address on intellectual property rights.

Debates on the legal cartel and homeowners' associations

Will There Be an Internet Monopoly?

The growth of the broadband industry, which provides high-speed Internet access to residential customers, has given rise to increasing concern about the possibility of monopolization of Internet services. Many analysts fret that a few large companies like Comcast and Time Warner may achieve a large enough market share to control the future direction of the Internet itself. Critics fear that—like Ma Bell in the last century—such a broadband monopoly would stifle innovation and lead to the homogenization and stagnation of Internet content.

In the Summer issue of *Regulation,* Bruce Owen of Stanford University contends that there is little reason to worry. In most cities the local telephone company and the local cable company engage in fierce head-to-head competition for broadband customers. Moreover, broadband technology is only about five years old and serves fewer than a quarter of American households. It is far too soon, Owen argues, to judge whether broadband service is an "essential facility" in need of heavy-handed regulation. For the foreseeable future the feds should maintain a hands-off approach and let this young and innovative technology evolve without interference.

Law professors Lester Brickman of Yeshiva University and Michael Abramowicz of George Washington University square off over alleged market failures in a much older and mature industry, the market for tort lawyers. Brickman charges that the torts bar exhibits classic signs of being a cartel. Abramowicz counters that lawyers compete for clients on terms other than price and argues that the reforms proposed by Brickman are unlikely to improve matters.

Robert Nelson of the University of Maryland and William Fischel of Dartmouth debate the balance of power between private homeowners' associations and local government zoning officials.

Other articles examine the stifling potential of overly strict patent protection, the legal status of off-label prescription drug use, and improvements in the FDA approval process that could help patients get medicine faster.

Regulation ($5.95) can be purchased at newsstands, at www.catostore.org, or by calling 800-767-1241. One-year subscriptions are available for $20.00. ■

Cato Calendar

Cato City Seminar
Philadelphia • Marriott Downtown • September 22, 2004
Speakers include Andrew Napolitano and Ed Crane.

Creating a True Marketplace in Education
Washington • Cato Institute • September 28, 2004
Speakers include John Merrifield, Lisa Snell, John Wenders, Andrew Coulson, Richard Vedder, and Myron Lieberman.

Trade and the Future of American Workers
Washington • Cato Institute • October 7, 2004
Speakers include Sen. Chuck Hagel, Roger Ferguson, Gregory Mankiw, Clive Crook, Zanny Minton Beddoes, David Wessel, and Brink Lindsey.

International Monetary Reform and Capital Freedom
22nd Annual Monetary Conference
Cosponsored with The Economist
Washington • Cato Institute • October 14, 2004
Speakers include Ben S. Bernanke, Allan Meltzer, Raghuram Rajan, Nicholas Lardy, Anna J. Schwartz, Leszek Balcerowicz, Steve H. Hanke, David Malpass, and Kristin Forbes.

Lessons from the Iraq War: Reconciling Liberty and Security
Washington • Cato Institute • October 22, 2004
Speakers include Nick Gillespie, Robert Higgs, John Mueller, James S. Robbins, Brink Lindsey, and Ted Galen Carpenter.

Arguing for Liberty: How to Defend Individual Rights and Limited Government
Cato University
Quebec City • Chateau Frontenac • October 28–31, 2004
Speakers include Tom G. Palmer, Don Boudreaux, Karol Boudreaux, Monte Solberg, Gene Healy, and David Boaz.

Liberty, Technology, and Prosperity
Palo Alto, California • December 2, 2004

Cato City Seminar
New York • Waldorf-Astoria
December 10, 2004

17th Annual Benefactor Summit
Grand Cayman • Westin Casuarina
February 16–20, 2005

Get more details at www.cato.org/events.

The Trouble with Liberals and Conservatives

by David Boaz

The country is polarized, we're told. Bush-haters versus Clinton-haters. Mel Gibson versus Michael Moore. Red states versus blue states. Liberals and conservatives read different books, watch different networks, go to different churches.

But liberals and conservatives have more in common than you might think.

Both believe in government magic. And they want you to believe in it too. They want you to believe the president can be Superman, Santa Claus and Mother Teresa all rolled into one and that he can cure poverty and racism, keep kids off drugs and keep families together. Magical thinking is cute among children. But adults should know that the world is complicated and that legislative actions often fail, or backfire, or have unintended consequences or disappear into bureaucratic sinkholes.

Both ignore history. Liberals look at the 20th century's grand experiment of capitalism versus socialism—the United States versus the Soviet Union, Western Europe versus Eastern Europe, China versus Hong Kong—and somehow conclude that what the U.S. needs today is more socialism. National health insurance, a more centralized educational system, government regulation for our most dynamic industries—in every case ignoring the historical triumph of competition and freedom. Conservatives think government can restore the world of the 1950s, ignoring the most basic lesson of history: Things change.

Both respond to special interests. Look at the Bush administration: an energy bill designed by energy companies, a steel tariff on imports for the steel industry, a Medicare drug entitlement that will shift costs from big business to the taxpayers, the proposed Federal Marriage Amendment for religious-right supporters. Meanwhile, liberal administrations never forget the trial lawyers, the feminists, the civil rights lawyers and the other groups that help them gain power.

Both involve the nation in unnecessary wars. Conservatives think the U.S. should send troops anywhere our vital interests are threatened, and they have a very expansive definition of our "vital interests." Liberals take a different tack: They like to send troops anywhere our interests are not threatened—it seems less greedy and Republican. That's why liberals get excited about sending U.S. troops to Somalia, Liberia and Bosnia.

Both will forgive anything a member of their team does. Remember when conservatives thought President Clinton's alliance with Monica Lewinsky was a national scandal, and liberals thought conservatives were a bunch of prudes? Then Arnold Schwarzenegger was accused of groping women, and suddenly the liberals wanted to hang him and the conservatives said Democrats should lighten up.

Conservatives sued to make Hillary Rodham Clinton report who was on her healthcare task force; liberals sued to make Dick Cheney tell us who was on his energy task force.

The red team/blue team mentality applies even to trivia: Liberals are shocked that Cheney said a bad word to a senator, but uber-liberal Hillary Clinton said, "You go, girl!" when Teresa Heinz Kerry told a reporter to "shove it!" Conservatives, outraged about Heinz Kerry's rudeness, had defended Cheney's vulgarity on the Senate floor.

And the No. 1 way liberals and conservatives are alike: Both think they can run your life better than you can.

Liberals want to raise taxes because they can spend your money better than you can. They don't believe in school choice because you're not capable of choosing a school for your children. They think they can handle your healthcare, your retirement and your charitable contributions better than you can.

Conservatives want to censor cable television because you're too dumb to decide what your family should watch. They want to ban drugs, pornography, gambling and gay marriage because you just don't know what's good for you.

The reality is, Americans aren't as polarized as the pundits say. Most want government out of their pocketbooks and personal lives. They want civil liberties and lower taxes. And they feel free to reject both liberals and conservatives when their ideas don't make sense.

This article was published in the Los Angeles Times, *Aug. 3, 2004.* ■

David Boaz is executive vice president of the Cato Institute and author of Libertarianism: A Primer *(Free Press, 1997).*

FALL BOOKS FROM THE CATO INSTITUTE

Is European "comfy capitalism" better than American "cowboy capitalism"? Most pundits say Europeans have more economic justice and security. German economics reporter Olaf Gersemann examines the differences between the two economies, separating the myths from the reality.

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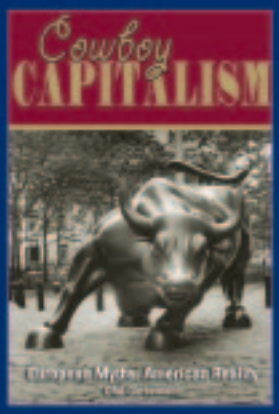

Climatologist Pat Michaels exposes hundreds of exaggerations, misstatements, and outright lies about global warming that have appeared in peer-reviewed journals and top media outlets. *Meltdown* explains that these distortions are inevitable in today's political climate.

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In this annual review, leading legal scholars analyze the most important cases of the 2003–2004 Supreme Court term. Now in its third year, the *Cato Supreme Court Review* is the first scholarly review to appear after the term's end and the only one to critique the Court from a Madisonian perspective.

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In this provocative book, David Bernstein explores how our civil liberties are threatened by extreme interpretations of antidiscrimination laws. UCLA law professor Eugene Volokh calls the book "a must-read for anyone—left, right, elsewhere—who seriously cares about liberty in America." *Now in paper!*

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Go Directly to Jail critiques the trends that led the United States to have the world's largest prison population: over-criminalization, federalization, and mandatory minimum sentences. This collection will appeal to anyone concerned about abuse of criminal law by politicians and prosecutors.

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Bob Levy takes aim at a judicial system run amok. Citing government claims against tobacco companies, gun makers, and Microsoft, he provides a sweeping indictment of the way lawsuits are pursued and litigated and offers his proposals to reconcile tort reform with federalism.

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"To Be Governed..."

◆Those who pay the most taxes benefit most from tax relief, study charges

The benefits of a property tax relief package approved by the D.C. government last winter will go mostly to homeowners in the city's two wealthiest wards, while homeowners in three wards that include some of the poorest neighborhoods will see far less savings, according to a new study. . . .

The study, released this week by the D.C. Fiscal Policy Institute, a private research group that studies the impact of District budget and tax measures, showed that a total of 49 percent of the tax relief will go to homeowners in Wards 2 and 3. A total of 16 percent, it said, will go to homeowners in Wards 5, 7 and 8. . . .

According to city records, homes in Wards 2 and 3 are worth a combined $14.9 billion, or 51 percent of the total value of residential properties in the city. The combined value of homes in Wards 5, 7 and 8 is $3.7 billion, or 12.7 percent.

—*Washington Post,* July 31, 2004

◆Did she say it with a straight face?

During presidential election years, conservative politicians have often attacked the media for their liberal bias. But during this year's campaign, liberals are fighting back with what they see as a powerful issue—the alleged conservative slant of the Fox News Channel, a unit of the media conglomerate News Corp. . . .

Yesterday, MoveOn.Org and political watchdog Common Cause filed a complaint with the Federal Trade Commission claiming that Fox News Channel's slogan "fair and balanced" violates the federal agency's prohibition against deceptive advertising. . . .

The campaign against Fox News Channel partly reflects the growing importance of cable news channels as the main arena in which these elections are played out. Four years ago, more Americans said they got their political news from the broadcast evening news than cable news, according to a study by Pew Research Center, an independent opinion research group based in Washington, D.C. But this year, the study shows that the cable channels have eclipsed the nightly network news. And among cable channels, Fox News Channel wins the highest ratings. . . .

Common Cause President Chellie Pingree adds that the campaign against Fox News is meant to highlight increasing media consolidation, which many feel threatens to limit diversity.

—*Washington Post,* July 20, 2004

◆Self-government in action

The proposal to boost the "sin tax" on cigarettes from 5 cents to 30 cents a pack in Fairfax County has commanded proud bipartisan support. . . .

"To my knowledge, no one is against a cigarette tax," [Supervisor Dana T.] Kauffman said. "Frankly, no one on the [county] board smokes."

—*Washington Post,* July 25, 2004

◆Free speech only for the left

The Montgomery County Board of Education voted Thursday night to ban religious clubs, the Boy Scouts and other community organizations from distributing fliers in student backpacks, a move those groups say will cripple their recruitment efforts. . . .

School board members said . . . the new policy . . . will allow PTAs, government agencies, student groups, day-care centers, nonprofit sports leagues and the school system to continue disseminating fliers.

—*Washington Post,* July 31, 2004

◆Those struggling UN lawyers

Since pollsters recently realized that never married, divorced, and widowed females make up the largest untapped voting bloc—some 22 million single women registered to vote skipped the 2000 election, and 16 million never signed up at all—both major parties have been engaged in a desperate and unseemly scuffle for their votes. . . .

There's no question the candidates want single women. But do single women want the candidates? "No, none of them," says Tracy Brown, a 43-year-old lawyer at a U.N.-affiliated agency. Delicately perched on a stool at Moe's bar in Fort Greene, Brown expressed her dismay with the president. . . . Still, Brown says she doesn't know how she'll vote in November. "I don't feel like Kerry's reaching out to people like me." Not that she expects him—or other politicians—to do much to win her over. "I'm an African American, single woman," says Brown. "We're used to struggling."

—*Village Voice,* June 16, 2004

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