Should Policymakers Be Encouraging Homeownership?

Since 1997, the erratic behavior of real estate prices has led many to reexamine the nature, size, and role of housing policy in the United States. In **"Questioning Homeownership as a Public Policy Goal,"** Morris A. Davis of the University of Wisconsin argues that we should rethink whether encouraging homeownership is a desirable objective for policymakers to pursue. Morris begins his study by challenging the effectiveness of housing policy. While federal attempts to reduce the burden of mortgage interest have done little to boost homeownership over the last four decades, "the cost of these policies is astounding," he writes—calculating that their net present value is on the order of $2.5 trillion. As such, Morris then turns to the motives behind these interventions: Should homeownership be encouraged as an explicit policy goal? He argues that it should not. "Housing is a risky asset," he explains, with several peculiar liabilities that come along with it. Given the questionable benefits associated with those policies that further homeownership, Morris concludes that government institutions designed to promote them are deeply flawed. "We need to unwind the current set of public policies," he writes—and "rethink whether homeownership is a desirable public policy goal" to begin with.

Making Roads More Responsive

For more than 50 years, the funds to build, operate, and maintain federal and state highways have come primarily from the gasoline tax. But in **"Ending Congestion by Refinancing Highways"** (Policy Analysis no. 695), Cato senior fellow Randal O'Toole proposes an entirely new system to pay for the country's network of roads. According to O'Toole, the current scheme is fatally flawed for several reasons. To begin with, gas taxes fail to price congested roads properly—creating well over $100 billion worth of annual delays. In addition, they fail to cover the costs of all roads—leaving local government dependent on approximately $30 billion of general funds. Finally, gas taxes fail to keep up with increasingly fuel-efficient cars. "When combined with inflation," O'Toole writes, "this means the tax paid by car owners per mile of driving is less than a third of what their grandparents paid in 1956." The solution, O'Toole suggests, is to switch to an affordable vehicle-mile fee system—one that preserves privacy, eliminates congestion, and adequately funds roads in a revenue-neutral manner. This, ultimately, would "make road providers more responsive to users because the providers would depend on them, rather than politicians, for revenues."

The Tilt of Public Broadcasting

Since its creation in 1967, public broadcasting in the United States has been in the

CATO POLICY REPORT is a bimonthly review published by the Cato Institute and sent to all contributors. It is indexed in PAIS Bulletin. Single issues are $2.00 a copy. ISSN: 0743-605X. ©2010 by the Cato Institute. • Correspondence should be addressed to *Cato Policy Report*, 1000 Massachusetts Ave., N.W., Washington, D.C. 20001. • Website: www.cato.org, call 202-842-0200, or fax 202-842-3490.

crosshairs of critics. In **"If You Love Something, Set It Free: A Case for Defunding Public Broadcasting"** (Policy Analysis No. 697), Cato legal associate Trevor Burrus assesses the industry with a critical eye, examining the necessity, prudence, and constitutionality of PBS, NPR, and similar media organizations. "Public broadcasting," Burrus says, "fails all three tests." His analysis illustrates the role of political influence in public media operations, evidenced in debacles such as the removal of Juan Williams from NPR. Public broadcasting has a reputation for being biased, or "tilted," as Burrus prefers to call it. The "exclusion of groups from coverage seems to be driven more by the group's ability to create a political fuss sufficient to bend the ears of public broadcasters than by good journalistic standards," he writes. As such, Burrus argues that the only solution is to defund it. "Public broadcasting not only can survive on its own, it can thrive"—and ultimately be free.

Competing Currencies

The Federal Reserve has a monopoly on currency in the United States. In **"Competition in Currency: The Potential for Private Money"** (Policy Analysis no. 698), West Texas A&M economist Thomas L. Hogan makes a strong case for monetary reform by applying firmly established free-market concepts to the dollar itself. "Privately issued money can benefit consumers in many ways, particularly in the areas of value stability and product variety," he says. "Unlike a central bank, competing private banks must attract customers by providing innovative products, restricting the quantity of notes issued, and limiting the riskiness of their investing activities." Hogan points to Hong Kong, Scotland, and Northern Ireland, where "private banks issue banknotes redeemable for the national currency. Despite the availability of central banknotes in these locales, consumers transact almost exclusively in private currency." The analysis covers the complexities that the Fed faces, saying it has "neither the incentive nor the information to optimize the size of the money supply." To make things worse, these "monetary policies intentionally deceive dollar holders in order to influence spending and economic activity." Lastly, Hogan discusses the challenges American private banks would have in issuing currency, and for some, recommends commodity-backed notes as a potential remedy.

The Poverty of Welfare

On January 8, 1964, President Lyndon B. Johnson delivered a State of the Union address to Congress in which he declared an "unconditional war on poverty in America." Yet, despite nearly $15 trillion in total welfare spending since then, the poverty rate is perilously close to where we began more than 40 years ago. As Michael Tanner, director of health and welfare studies at the Cato Institute, points out in **"The American Welfare State: How We Spend Nearly $1 Trillion a Year Fighting Poverty—and Fail"** (Policy Analysis no. 694), the poverty rate is now at 15.1 percent—its highest level in nearly a decade. "When most Americans think of welfare, they think of the cash benefit program known as Temporary Assistance to Needy Families," Tanner writes. In reality, however, this represents just one of 126 separate federal government programs designed to fight poverty. In 2011 the federal government spent approximately $668.2 billion—which represents an increase of more than $193 billion since Barack Obama became president. Federal welfare spending, in other words, has increased by 41 percent since 2008, "roughly two and a half times greater than any increase over a similar time frame in U.S history." Yet, for all of the money thrown at the problem, the United States has made remarkably little progress in reducing poverty. As such, Tanner calls for a new approach. "All of this suggests that the answer to poverty lies not in the expansion of the welfare state, but in building the habits and creating the conditions that lead to prosperity." ■

Continued from page 15

ther contribute to the world's peace, prosperity, and harmony.

I remain optimistic that China's government will hear her people's desire to make this vision a reality. If one examines our country objectively, they will see that there is great reason to be hopeful given China's tremendous progress already. Edmund Burke, the great British parliamentarian, once warned that "a state without the means of some change is without the means of its conservation." China has been changing and progressing—a process which does not require disruptive instant transformation.

Our country has successfully raised more than 300 million people from poverty—a huge number, even in China. Knowingly or not, accomplishments like this have been achieved by the balanced implementation of Cato values in the context of the Chinese society. China's successful evolution over her long history has been rooted in the balance between rights and responsibilities—a balance that is in focus now as we approach a transition in leadership at the end of this year.

Those of us in China know that the rights of the individual do not come from the generosity of the state. In fact, we have very limited expectations from government. We ask only that the system lives up to our constitution, abides by our laws, and complies with the international covenants of the world community. The people of China know that the fruits of society are not the sole prerogative of the powerful and privileged few. As the next generation steps forward to battle against tyranny, poverty, disease, and war itself, I believe that our journey into the future will be long, but successful.

All big rivers come from small streams. Our efforts in China are but one small stream.

Tonight's constituencies—from the people of China to the other tributaries inspired by the timeless wisdom of the Cato Institute—will join together as a mother river to nourish the human spirit and wash away the hardships of our imperfect world.

Thank you once again for this great honor. ■