The Center for Global Liberty and Prosperity in Kiev, Caracas

Protecting Freedom Where It's Threatened

It's now a decade since Ukraine's "Orange Revolution" brought hope that the country could be liberated from its post-Soviet legacy and join the ranks of the successful transitional countries of Central and Eastern Europe. Those hopes were sadly disappointed. But can the Ukrainians do better this time around? Besides the threat from Russia, Ukrainians face another large challenge: how to build durable institutions of democratic capitalism.

LEFT: Juan Carlos Hidalgo, a Cato policy analyst, visited a student protest camp in Caracas, Venezuela. **RIGHT:** Andrei Illarionov (fourth from left), senior fellow at the Institute, discussed the situation in Ukraine at an emergency economic summit in Kiev. He was joined by (from left) Pavlo Sheremeta, Ukraine's minister of the economy; Kakha Bendukidze, a Georgian statesman and businessman; Sven Otto Littorin, Sweden's former minister of labor; and Tomas Fiala, president of the European Business Association.

For nearly a decade now, the Cato Institute's Center for Global Liberty and Prosperity under the direction of Ian Vásquez has worked tirelessly to advance policies that protect human rights, extend the range of personal choice, and support the central role of economic freedom in ending world poverty. In March the Center cohosted a conference in Kiev with the Atlas Network and the Ukraine-based European Business Association—an event that brought together prominent speakers from post-communist countries who had had intimate experience with the challenges facing their Ukrainian counterparts.

Ivan Mikloš, former deputy prime minister of Slovakia and author of that country's flat tax reform, urged the Ukrainian government not to delay the inevitable fiscal consolidation. The quicker and more radical the fiscal adjustment, he said, the sooner Ukraine's economy will start to grow, generating opportunities for ordinary people, not just the oligarchs. While risky, such bold reforms often pay off politically. Mikloš's own party recorded historically high levels of support in the election in 2006, after eight years of far-reaching reforms in the area of tax policy, pensions, and healthcare, as well as privatization and restructuring of ailing banks and utilities.

Other speakers included Einars Repše, former prime minister and head of the central bank of Latvia; Kakha Bendukidze, former minister of the economy of Georgia; and Cato's own Andrei Illarionov, a veteran of economic reform efforts in Russia. The event attracted more than 500 attendees and significant media attention. As columnist Anne Applebaum wrote in the *New Republic*:

> One of the most positive events in Kiev last week took place not at the barricades, but in the gaudy conference room of the Intercontinental Hotel where hundreds of economists, bankers, and members of parliament gathered to hear advice from politicians who had been through equally dramatic revolutions. A former Georgian economy minister told the audience that the fight against corruption requires one crucial element: jail, for those who break the law. A Slovak told his Ukrainian colleagues to prepare fundamental reforms and to prepare to be really unpopular. The suited Ukrainians in the room, none of whom looked remotely revolutionary, all asked the same kinds of questions: What laws do we need? What rules must we have? How can we make sure that this time the changes are real? That conversation won't attract photographers, but it holds out the promise of something permanent.

On the heels of the Kiev conference, the Center for Global Liberty and Prosperity held a Latin American version of Cato University—the Institute's premier educational event—in Caracas in April. After nearly 15 years of socialist rule, Venezuela is now facing an acute economic and political crisis: it has the highest inflation rate in the world, one of the highest murder rates, pervasive shortages, and widespread protests. Co-sponsored by CEDICE, Venezuela's leading free-market

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government, a state-based visa program would allow state governments to craft a better-functioning work-visa program "that is more adaptable to their local economic conditions than the present system run by the federal government"—perhaps even supplying lessons for future federal work-visa programs. A state-based visa program would direct immigration to the states that want it without forcing much additional immigration on those that do not. "Unlike existing employment-based visas that tie foreign workers to one firm, state-based visa holders would be free to move between employers in the state—leading to thicker, more equitable, and more efficient local labor markets," the authors write. A state-based visa would increase prosperity by allowing additional migration to portions of the country and economy that demand them. Fuller and Rust conclude that successful international experiences with regional visas in Australia and Canada provide some valuable policy lessons and hint at the major economic benefits of such a policy in the United States.

IDENTITY CRISIS

In 2005, Congress passed a law seeking to create a national identification system by weaving together the states' driver-licensing systems. According to the federal government's plan, within three years state motor-vehicle bureaus would begin issuing driver's licenses and identification cards according to federal standards, and data about drivers would be shared among governments nationwide. In **"REAL ID: State-by-State Update"** (Policy Analysis no. 749), Cato senior fellow Jim Harper reviews the outlook on the program, revealing that some states' legislatures have backtracked on their opposition to the national ID law. Initially, states across the country rejected what Harper calls an "unfunded federal surveillance mandate." Half the state legislatures in the country passed resolutions objecting to the REAL ID Act or bills outright barring their states from complying.

Almost a decade later, there is no national ID, but Congress continues to funnel money into the federal government's national ID project. The federal government has spent more than a quarter billion dollars on REAL ID. Now the motor vehicle bureaus in certain states are quietly moving forward with REAL ID compliance—contrary to state policy. This could create problems, according to Harper. "A national ID system could be used to administer more and more intimate tracking and control of all Americans' lives," he writes. With any luck, REAL ID seems to have deteriorated federally. "However, the state-by-state status check reveals that it is by no means dead at the state level, and so opponents of a U.S. national ID system must remain vigilant," he writes.

RUNNING BLIND

Throughout history there has been a consistent fear of bank runs, particularly regarding large institutions during times of crisis. The financial crisis of 2007–09 was no exception. The Financial Crisis Inquiry Commission, which was created after the crisis to investigate its causes and triggering events, highlighted no less than 10 cases of runs at individual institutions. In **"Run, Run, Run: Was Financial Crisis Panic over Institution Runs Justified?"** (Policy Analysis no. 747), Vern McKinley, a research fellow at the Independent Institute, argues that those runs were a major consideration in the shifting policy responses that authorities employed during the crisis. In the early stages of the crisis, troubled institutions facing runs were dealt with through a scattered blend of voluntary mergers, outright closures, and bailouts. "By late September 2008 and thereafter, panic had descended on the Treasury and the major financial agencies," McKinley writes. "That resulted in the decision to backstop the full range of large institutions, as government officials feared a collapse of the entire financial system." However, serious analysis of the risks facing the financial sector was sorely lacking and outright misstatement of the facts was evident. "It did not have to be that way," he adds. Simple rules elaborated by Walter Bagehot and Anna J. Schwartz involving a systemic review of the condition of the financial system, prompt intervention, and consideration of the condition of individual institutions could have prevented the numerous ill-advised bailouts. McKinley concludes that application of these considerations could have avoided the panic by the authorities and the strategy of bailouts for the megabanks. ■

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think tank, the event attracted more than sixty students from all over the country to hear lectures on the impossibility of socialism, Austrian economics, Latin America's populist tradition, and the relation between economic freedom and human progress.

Cato scholars Ian Vásquez and Juan Carlos Hidalgo also spoke at CEDICE's 30th anniversary conference which gathered leading classical liberal intellectuals from all over Latin America, including Peruvian Nobel Laureate Mario Vargas Llosa. Vásquez and Hidalgo also visited the camps of the student protestors. Unfortunately, several weeks after the events, the Venezuelan government dispersed the camps, detaining scores of students in the process.

Cato recognizes that this student movement is one of the driving forces behind the struggle for freedom in Venezuela. Building on the Institute's extensive work in the international arena, the Center for Global Liberty and Prosperity will continue to promote a better understanding of classical liberal ideas—noting in particular that young people's appreciation of the failure of socialism is increasingly complemented by their desire to live in a country that recognizes both personal and economic liberties. ■