

Cato's Letter

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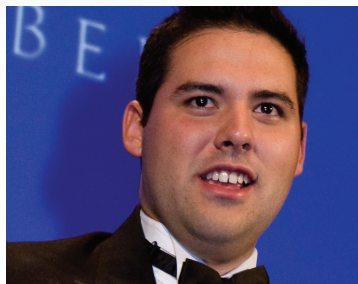
Number 3

Marching against Hugo Chávez

YON GOICOECHEA

It all started with the shutdown of RCTV, Venezuela's oldest and most significant television station. Privately owned, it had become a national institution, its 50-plus years of news programming inextricably linked with Venezuela's democratic past. But on May 27, 2007, RCTV was no more. President Hugo Chávez, who accused the station of aiding a 2002 coup d'état attempt, decided not to renew RCTV's license, forcing the station to shut down.

The closure of RCTV touched a nerve among Venezuelans. When we watched RCTV go black, it felt as if someone had come into our living rooms and turned off our televisions. Even those who largely agreed with Chávez's policies were deeply troubled by RCTV's shutdown. When you clamp down on freedom of expression in a country, you are coming dangerously close to totalitarianism.



Yon Goicoechea is the winner of the 2008 Milton Friedman Prize for Advancing Liberty, awarded biennially to an individual who has made a significant contribution to advancing human freedom. Goicoechea, leader of the Venezuelan student movement, was instrumental in preventing Hugo Chávez's regime from seizing broad dictatorial powers in December 2007.

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Out of the closure of RCTV emerged the student movement, which would go on to play a major role in opposing Chávez's plans to institute "21st century socialism" in Venezuela. That it would be university students who would ultimately rise up to defend our liberties in the face of a would-be dictator is surprising to some. But the truth is, as university students, protests were nothing new to us. Chávez had already tried to advance plans to undermine our schools, plans we had opposed en masse. And as young people we have the most at stake in the future of Venezuela. We do not want to see the political process deprive our nation of the path out of poverty. We greatly desire to see a Venezuela as modern and prosperous as the developed nations of the world. So when Chávez began to significantly undermine our liberties, it was only natural that it was students who rose to oppose him.

The student movement offered a new message: one of modernity, of

control or shutdown. But mostly, we offered numbers: our marches, taking place in the streets of Caracas and other major cities, were massive—tens of thousands strong. We marched through the streets, our palms painted white to indicate nonviolence.

Despite our marches and activism, the student movement was not able to prevent the shutdown of RCTV. But we had mobilized a large part of the populace. Hugo Chávez's top-down "revolution" meant our freedoms were receding every day. Every week there was something new and dangerous that had to be opposed. Starting in June, over a six-month period, we marched 45 times, averaging 80,000 students per demonstration.

That much of the population of Venezuela has been excluded from the political process is a sad legacy of Venezuelan history. Chávez is a consequence—a product—of this exclusion. His fiery rhetoric and willingness to challenge elites excites a portion of the populace long used to having no stake in the political sphere. The trouble is that Chávez threatens to exclude a huge portion of Venezuelans through his actions, too.

That's why the first thing we said when we took to the streets during our marches was "I respect you. I respect that you think differently." We acknowledged that Hugo Chávez was president, elected by the Venezuelan people. But we asked that his supporters tolerate our own viewpoints and disagreements, too.

The Constitution is something upon which everyone can agree. The

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hope, of a new Venezuela. We called for equality under the law and liberal democratic institutions to enforce it. We offered enthusiasm: our creative demonstrations were able to capture the attention of the segment of the media that had so far escaped state

Constitution doesn't exclude anyone. That's why, when Hugo Chávez threatened to upend the Constitution with a referendum on proposed constitutional reforms in December 2007, the student movement rose up to oppose him.

The proposed constitutional revisions would have abolished presidential term limits, allowing Chávez to serve as president of Venezuela indefinitely. They would end the autonomy of the central bank, placing it and the nation's international currency reserves under Chávez's control. They would make it easier for the state to expropriate property. And they would prohibit many types of funding of political campaigns. In sum, the reforms represented a serious and dangerous centralization of power.

These revisions were not a step

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forward for Venezuela—they were a step back. Like the failed government policies of past regimes, these revisions served to exclude a large part of the populace.

Students stopped people in the streets to explain to them how the proposed constitutional reform would effectively anoint Chávez a virtual dictator. When in the process we were attacked, we invited our opponents to sit down and debate our differences. We were very clear that we would not answer violence with more violence.



“The true revolution in Venezuela will have happened the day we have strong and liberal institutions that defend the rights of every Venezuelan.”

The massive protests we had perfected during the closure of RCTV spread throughout Venezuela’s cities. On one occasion, our march was 200,000 people strong—impossible to ignore. For his part, Chávez didn’t know what to do with us. First, he condemned us. But we only grew. Then, he tried to stop us. But we were resolute and continued to

march. Finally, he created a student movement that favored his “Bolivarian Revolution,” but it paled in comparison to the size and strength of our movement.

Perhaps the most important thing our student movement did was to monitor the polling stations during the vote on the constitutional referendum. Thousands of students were sent out throughout Venezuela’s cities to monitor those stations and to ensure that all votes were counted.

On December 2, 2007, a day that marked a new era in Venezuela, the constitutional reform was defeated.

Holding the Venezuelan flag aloft, Yon Goicoechea accepts the 2008 Milton Friedman Prize for Advancing Liberty. He is joined by members of the Venezuelan student movement, who hold T-shirts bearing a white handprint, a symbol of nonviolence.



This defeat was totally unexpected. It rocked Chávez, Venezuelans, and the world. Hugo Chávez had been considered invincible. But the defeat of the constitutional reform showed that a vast and energetic opposition existed. On that day, the possibility of a better Venezuela won.

What does the future hold for Venezuela? Though more successes for the student movement would follow in the wake of the defeat of the referendum, still, it is hard to say. I would, however, like to say this: We do not fight against one man. Hugo Chávez does not define Venezuela.

Much like the student movement itself, a new Venezuela is emerging. A new Venezuela that believes that the

only way forward is through liberty. Liberty unleashes the human capacity to innovate. It unleashes human creativity. The poverty that plagues Latin America cannot be solved by a dictator. It cannot be solved by a messiah. It cannot be solved by the state. The only way to get rid of this scourge and move forward is for millions of people to work and fight for their families without the interference of the state. We will not reach our goal in a month or a year, so we have to prepare ourselves for a long struggle. The true revolution in Venezuela will have happened the day we have strong and liberal institutions that defend the rights of every Venezuelan.





Cato Scholar Profile: **WILLIAM A. NISKANEN**

WILLIAM A. NISKANEN has been chairman of the Cato Institute since 1985, following service on President Reagan's Council of Economic Advisers. His 1971 book *Bureaucracy and Representative Government* is considered a classic. Niskanen holds a B.A. from Harvard and a Ph.D. in economics from the University of Chicago.

You've served as chief economist at Ford Motor Company, a professor at two top universities, a senior analyst in the Defense Department, and a senior aide to President Reagan. In some sense, you've been at the top of academia, government, and business over the course of your career. What's the most important thing you have learned in the process?

My wide experience has taught me one important lesson: it often takes only a few people to achieve major change—for better or for worse—because most people are either ignorant about or indifferent to most issues. I make this point both to encourage those who aspire to leadership and to warn the larger community to support institutions that limit the power of any one person or group.

Many *Cato's Letter* readers remember the Reagan years fondly. What was it like working for President Reagan?

President Reagan was not a very analytic person, but he had very good judgment on a wide range of issues. I was puzzled how anyone whose early career was as a movie actor could develop such good judgment, and I only learned later that his judgment on many issues was formed by his personal study of the issues that he addressed as a spokesman for General Electric. When he did not understand an issue or was uncomfortable with the response proposed by others, he would usually defer the issue and seek broader advice. His judgment about people was more mixed—his worst judgments were to appoint General Alexander Haig to be secretary of state and Don Regan as his second term chief of staff—but he made a superb judgment that he could work productively

with Mikhail Gorbachev to end the Cold War.

As an economist, you're best known for your work in public choice economics. Your new book *Reflections of a Political Economist* contains selections from the large body of work you've done on this subject. What does public choice say about politics that you won't find in the pages of a newspaper?

Public choice leads to numerous conclusions that the general public may not understand: Many elections may not select the candidate or issue position that most of the electorate would prefer. Reducing marginal tax rates may *increase* government spending. On one issue, however, the standard public choice theory of voting behavior is wrong and the perception of the general public is more likely to be correct: the issue positions of candidates in a two-candidate election do *not* converge but are strongly related to the issue positions of their respective party bases.

What can libertarians expect from the 2008 elections?

Libertarians have reason to be very concerned. The most likely outcome is a Democratic president and increased Democratic margins in both the House and the Senate. The major near-term threats to limited government are the proposals for universal health insurance and for a substantial reduction in the emissions of carbon dioxide. The major long-term threats are the huge unfunded liabilities for Social Security and Medicare, problems that most Democratic politicians have yet to acknowledge. For some years, the best outcome for which we have any reason to hope is a divided government.

New & Notable . . . Giving and Taxes



The IRA Rollover: coming back?

Remember that handy little provision (now expired) that allowed you to make a gift directly from your IRA account to a favorite charity? Well, it may be coming back! The House has already passed a one-year “extender” and the Senate is likely to do so too. Any House/Senate compromise will probably contain the same \$100,000 cap that was found in the original legislation.

Just to be clear, this IRA rollover won’t save you gobs of money, but even small tax savings are welcome. The rollover only facilitates charitable giving rather than offering any new breakthrough deduction. Without the rollover, if you want to fund a gift with IRA dollars, you have to take a distribution from your IRA and include that distribution in income. You then make your gift and claim a charitable deduction on your income tax return. Since charitable deductions are subject to various “percentage” and “clawback” limitations, you may not get to deduct the full amount of your gift.

But with the rollover in place, you are assured of a perfect one-for-one match—at least up to \$100,000. No distribution need be included in income and no charitable deduction need be claimed—since the dollars are rolled directly from your IRA to charity.

Right now the prospects for a one-year extension of this popular provision look good. It would be great if this benefit were made permanent, but that is not in the current legislative cards. We’ll keep you posted on the fate of the likely one-year extension package.

The Estate Tax: not going away anytime soon!

You may also be wondering what is likely to happen with the estate tax. As you are probably aware, prospects for total repeal are dim indeed.

Just to set the stage, bear in mind that right

now, in 2008, we have a \$2,000,000 per person exemption from estate tax. The exemption goes to a fairly generous \$3,500,000 in 2009 and in 2010 the Estate Tax is repealed—but the repeal is effective for one year only. Then, as the law now stands, the Estate Tax comes back with a vengeance in 2011: the per person exemption would be a miserly \$1,000,000 and rates would peak at a prohibitive 55 percent.

Obviously this kaleidoscopic mélange creates an unworkable situation—how can folks plan in the midst of constantly shifting rates and exemption levels? If you are wondering when some semblance of order and sanity is likely to return, you should know that most commentators agree that Congress will hash out a compromise after the elections and before the one-year repeal takes effect.

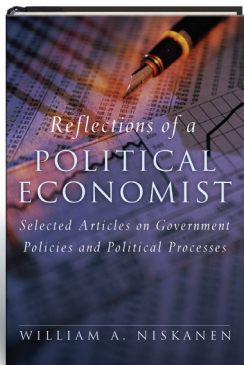
The compromise could look pretty different depending on who wins the White House. Senator Obama seems to favor a \$3,500,000 exemption and Senator McCain favors a \$5,000,000 exemption. In the past, McCain inclined toward repeal, but, since repeal is no longer politically viable, he now favors relatively generous exemptions and low rates.

Of course, Cato scholars have long backed complete repeal of the estate tax, a tax that mostly serves to tax, for a second time, assets that have already been subjected to income tax. But that is unlikely to happen in the short or intermediate term. But we do promise to keep you informed on whatever compromise Congress ultimately crafts.

If you have questions on estate or gift planning, please contact **Gayllis Ward**, at gward@cato.org or 202.218.4631.

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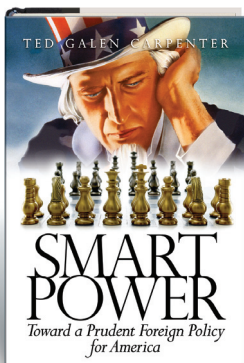


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By William A. Niskanen

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