

Lectures and translations for Iraq's constitutional period

Palmer Spreads Libertarian Ideas in Iraq

Cato Institute senior fellow Tom G. Palmer visited Iraq in April to promote the values of constitutionally limited government, toleration, and free markets. In addition to speaking in the assembly hall of the parliament to members of the Iraqi National Assembly, he met with political figures, clerics, academics, journalists, women's groups, business people, and activists to promote libertarian ideas and to discover people who would be able to establish a think tank, translate and publish libertarian works, and provide pro-freedom input into the political processes in that country.

A highlight of his visit was addressing 61 members of the Iraqi parliament on "Principles of Constitutional Democracy." He had spent significant time working with Iraqi translators to prepare documents and a graphic-rich Powerpoint presentation in Arabic. The presentation started with the *Epic of Gilgamesh*, which is set in Iraq and is well-known to Iraqis. Palmer explained how it illustrates the dangers of unlimited power and the necessity of controlling power. The presentation focused on five basic principles of constitutional democracy: (1) No power is above the law. (2) All are equal before the law. (3) The people delegate power. (4) The rights of the people are constitutionally protected. (5) An effective constitution is like the architecture of a well-built house that must last for many generations. (The entire presentation is avail-



Cato senior fellow Tom G. Palmer talks with two members of the Iraqi parliament after his presentation to members.

able on the Cato website in both English and Arabic, and both PDF and Powerpoint, at <http://www.cato.org/people/palmer.html>.)

That presentation, along with an Arabic translation of a short paper Palmer wrote on "Challenges of Democratization," was later distributed to all the members of the Iraqi National Assembly as a part of their preparations for writing a new constitution. In addition, Palmer had commissioned and supervised preparation of a bilingual edition of Cato's pocket edition of the American Declaration of Indepen-

dence and the U.S. Constitution, which was also distributed.

Palmer also assembled a group of Iraqis who are committed to classical liberal principles and arranged for them to travel to Turkey, where they met with Turkish libertarians, took part in a major conference on "Freedom and Democracy," and participated in a training program on setting up and managing independent pro-freedom organizations. He hopes that that group will form the nucleus of a movement

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But Neal McCluskey argues in "Corruption in the Public Schools: The Market Is the Answer" (Policy Analysis no. 542) that critics willfully ignore much more serious problems in government school systems. Surveying studies of corruption in public schools, he reaches the surprising conclusion that regulatory measures designed to improve accountability and effectiveness actually have the opposite effect. The reason, he said, is that as the burden of red tape grows, principals are left with no choice but to bend the rules in order to do their jobs. Moreover, multiple layers of regulation make it easier for school officials to pass the buck. In contrast, McCluskey said, markets provide a potent mechanism for achieving accountability: schools that fail to satisfy parents lose customers and go

out of business. When it comes to accountability, he concludes, the fundamental issue is to whom are schools accountable, parents or government bureaucrats?

◆ Reform We Can Afford

In February the Social Security Administration released an analysis of the Social Security Investment Program Act, sponsored by Reps. Sam Johnson (R-TX) and Jeff Flake (R-AZ), which is based on Cato's Social Security reform proposal. The report concluded that the legislation would restore the Social Security system to sustainable solvency but that doing so would cost \$6.5 trillion (in present value) over the next four decades. That's a big number, but Mike Tanner, director of Cato's Project on Social Security Choice, notes in "A Better Deal

at Half the Cost: SSA Scoring of the Cato Social Security Reform Plan" (Briefing Papers no. 92) that it's much better than any of the alternatives.

Salvaging the current system would cost \$12.8 trillion in present value. Another leading large account plan, sponsored by Rep. Paul Ryan (R-WI) and Sen. John Sununu (R-NH) would cost \$7.9 trillion, not counting trillions of dollars in additional liability the federal government might incur if personal accounts perform worse than projected. When compared with the alternatives, he concludes, the Cato plan is a bargain. ■



Mike Tanner

Current process conceals long-term costs, blocks reform

Budget Process Debated at Hill Conference

The federal budgeting process focuses on 10-year budget projections. President Bush and congressional leaders frequently exploit that fact to hide the true cost of policies, phasing them in over several years so that the bulk of the costs occur beyond the 10th year. A flagrant example was the legislation to add prescription drug benefits to Medicare, which passed in 2003. It was slated to cost \$400 billion in the first 10 years, but this year the White House admitted it will cost more than \$1.2 trillion between 2005 and 2015. The long-term cost will be many trillions of dollars more. Such gimmicks allow policymakers to have their cake and eat it too, by promising lavish new benefits while leaving hard choices about how to pay for them to their successors.

At a Cato conference on Capitol Hill, “Short- vs. Long-Term Thinking: Incorporating the Long-Term Fiscal Outlook into the Myopic Budget Process,” budget experts debated how to make Congress take long-term costs more seriously. Two senators kicked off the event with their own ideas. Sen. Lindsey Graham (R-SC) criticized the 2003 Medicare bill and urged his colleagues to be more responsible as they reform other entitlement programs, especially Social Security. Reforming Social Security will create the momentum necessary to tackle other serious budget problems, he said. Personal accounts are an important component of Social Security reform, Graham said, but it is also vital that any reform proposal have bipartisan support.

Sen. Joseph Lieberman (D-CT) spoke in favor of present-value accounting, a technique based on the idea that a dollar today is worth more than the promise of a dollar next year. By “discounting” future expen-

Sen. Lindsey Graham (R-SC) reacts to remarks of Sen. Joseph Lieberman (D-CT) on the budget process at an April 6 Cato conference on Capitol Hill.



ditures in this fashion, policymakers can better understand a proposal’s long-term impact on the federal budget. Lieberman stressed that, unless Congress learns to better control its appetite for spending, there is a real possibility that the United States will someday face a catastrophic financial crisis.

Barry Bosworth of the Brookings Institution urged Congress to shift its focus from Social Security to Medicare, which, he argued, is in much more serious fiscal straits. Robert Greenstein of the Center on Budget and Policy Priorities blamed the Bush tax cuts for the deficit and argued that repealing them would give the federal government the resources to deal with the coming Social Security shortfall. Cato chairman William Niskanen disagreed, emphasizing that although Social Security is not facing an immediate crisis, Congress should seize the opportunity to fix a system that will eventually become a crushing burden on the American taxpayer. Cato senior fellow Jagadeesh Gokhale agreed, noting that “saving” using

accounting gimmicks like the Social Security Trust Fund is a recipe for failure, since Congress will have an irresistible temptation to spend the surpluses as it has done since 1983. Only genuine private savings through individual accounts will ensure that the money is not spent on other government programs, he said.

A panel of experts debated the merits of present-value accounting. Douglas Holtz-Eakin, director of the Congressional Budget Office, stressed the difficulties of incorporating present-value calculations into the budget. He noted that such calculations are sensitive to assumptions and that, if they became an essential part of the budget process, the person choosing the assumptions would face intense political pressures. Stuart Butler of the Heritage Foundation lamented that the current budget rules sometimes penalize reforms, such as Social Security private accounts, that improve the long-term fiscal position of the federal government but require the payment of up-front costs. ■

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for personal freedom, free enterprise, and limited government.

Palmer had been very active during the waning years of the Soviet Union in promoting libertarian ideas in communist countries, and he continued that work in Iraq, notably by commissioning translations into Arabic of books and essays from the clas-

sical liberal tradition. Frederic Bastiat’s influential book *The Law* had just appeared in Arabic, and Palmer commissioned translations of Bastiat’s essay “What Is Seen and What Is Not Seen” (which explodes fallacies in socialist thinking); *Libertarianism: A Primer*, by David Boaz; *Common Sense Economics: What Everyone Should Know about Wealth and Prosperity*, by three Cato adjunct scholars, James Gwartney, Richard

Stroup, and Dwight Lee; F. A. Hayek’s essay “The Use of Knowledge in Society”; and other works.

Palmer also spoke before groups of Iraqi lawyers and clerics on “Principles of Constitutional Democracy,” to economists on “Rational Choice and Political and Economic Institutions,” and to women activists on constitutionalism, “A Free Market for a Prosperous Iraq,” and “Effective Public Speaking.” ■