



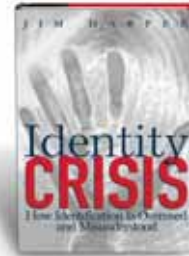
JANICE ROGERS BROWN

Talk on rule of law highlights annual Benefactor Summit
PAGE 17



DAVID SCHOENBROD

Cato scholar enters the lion's den at the EPA
PAGE 6



IDENTITY CRISIS

A lively read on how to have both privacy and security
PAGE 19



May/June 2006

Policy Report

Vol. XXVIII No. 3

Bourgeois Virtues?

BY DEIRDRE McCLOSKEY

bring good news about our bourgeois lives. I preach here, in the vocabulary of Christianity, from the Greek for the defendant's side in a trial, an "apology" for capitalism in its American form.

I do not mean "I'm sorry." The argument is an *apologia* in the theological sense of giving reasons, with room for doubt, directed to nonbelievers. It is directed toward someone who is suspicious of the phrase "bourgeois virtues," pretty sure that it is a contradiction in terms. And I preach, with less optimism about changing her mind, at someone who thinks the phrase is worse: a lie.

"Bourgeois virtues" is neither. Modern capitalism does not need to be offset to be good. Capitalism can, on the contrary, be virtuous. In a fallen world the bourgeois life is not perfect. But it's better than any available alternative. American capitalism needs to be inspired, moralized, completed. Two and a half cheers for the midwestern bourgeoisie.

CONT'D ON PAGE 8

DEIRDRE McCLOSKEY teaches economics, history, English, and communication at the University of Illinois at Chicago. Her latest book, *The Bourgeois Virtues: Ethics for an Age of Commerce*, is just out from the University of Chicago Press.



Roger Pilon, Tom G. Palmer, and other Cato scholars have taken the message of liberty and limited government to college campuses across the country in recent months. From Harvard to Berkeley, from West Point to UNC, they have discussed and sometimes debated free trade, property rights, the Patriot Act, and libertarian philosophy.

MORE ON PAGE 4



BY EDWARD H. CRANE

“One wonders just what is “clean” about a government that constrains freedom of speech.”

President's Message

“Clean Government” versus the First Amendment

The bipartisan attack on free expression in America, cloaked in the language of “clean government,” is aimed directly at the core of the First Amendment: political speech. In a typically pugnacious and reflexively dismissive-of-any-criticism appearance recently on the *Don Imus Show*, Sen. John McCain (R-AZ), chief architect and cheerleader for so-called campaign finance reform, informed the audience that he “would rather have a clean government than one where quote First Amendment rights are being respected, that has become corrupt. If I had my choice, I’d rather have the clean government.”

And to think that the front-runner for the GOP presidential nomination is a man who can speak the words, “quote First Amendment rights.” Breathtaking. One wonders just what is “clean” about a government that constrains freedom of speech. This is an important point, because anyone who has followed the campaign finance debate knows that the true purpose behind it is to shut down criticism of Congress. The groups that added the most interest and information to the 2004 federal elections (and, hence, threats to incumbents) were called 527s, for the section of the IRS Code under which they qualify.

The House of Representatives, on pretty much a straight party lines, recently voted to effectively shut down 527s by limiting contributions to them to \$5,000. The hypocrisy surrounding the vote was remarkable, even for Congress. Republicans, who generally opposed the McCain-Feingold political expression restrictions, voted for shutting down 527s, while the Democrats, who almost unanimously supported McCain-Feingold, opposed shutting them down. Some even had the chutzpah to do so on First Amendment grounds. To make a long story short, Democrats benefited more from 527s in 2004 than did Republicans. Hence, the “principled” party line votes.

On an ominous note, the ranking Democrat on the House Rules Committee, Rep. Louise Slaughter (D-NY), criticized the 527 legislation for not going far enough because it did not limit contributions to 501(c)3s (that would include your favorite think tank) or 501(c)4s, which include most activist groups. After all, those groups often criticize Congress. Let’s see, from where else does Congress receive flak? Oh yes, radio and television. So, Rep. Slaughter has introduced a bill called the “Fairness and Accountability in Broadcasting Act.” Take that, Rush Limbaugh and Fox News! This is all so Orwellian. “Fairness” by whose standards? Louise Slaughter’s? And, “accountability” to whom? Congress?

Rep. Slaughter is also working with Sen. McCain on legislation that would reduce broadcast licenses from eight years to three years. All the better to intimidate. All this broadcast regulation business—used by the left and the right (particularly the religious right)—is based on the socialist fallacy of the “public” ownership of the airwaves. There are no airwaves; there is an electromagnetic spectrum. It takes a huge capital investment to turn that spectrum into something useful to consumers—much like it takes a huge investment in another natural resource, iron ore, to turn it into steel. Same principle. And just as we don’t want the “public,” i.e., government, owning our steel mills, so we should object to this alleged government right to control the broadcast media.

If the argument is one of scarcity, please. There are a thousand times more radio and television stations than newspapers. Should we have the government control the editorial content of newspapers? It turns out that this too is on the agenda of the campaign finance activists. If the *New York Times* and the *Washington Post* had their editorial freedom taken from them in defiance of the First Amendment, it would be wrong. But, given their support of this kind of legislation, it would be poetic justice.

In their excellent study of George W. Bush’s constitutional record, my colleagues Gene Healy and Timothy Lynch begin with a discussion of his appalling record on campaign finance reform. During the 2000 presidential campaign candidate Bush promised to veto, as an unconstitutional infringement on the First Amendment, an earlier version of McCain-Feingold that was, in fact, less intrusive on free speech than the bill he ultimately signed. That bill makes it a crime to mention the name of a candidate for federal office in a radio or television advertisement within 60 days of a general election. Don’t think about a rational case for civil disobedience, because the law President Bush signed also makes it a criminal offense for the producers and executives at the radio or television station to run the ad.

President Bush took an oath to uphold the Constitution of the United States of America. When he signed what he knew to be a blatantly unconstitutional law (he as much as said so at the signing ceremony), he broke that oath. At least John McCain, who also took that oath, doesn’t pretend to give a damn about it.

Because we demand so much and get so much

Why Health Care Costs So Much

Why is health care so expensive? Why is the cost of medicine skyrocketing? And why does medical care in the United States cost so much more than it does in other industrialized countries?

The answer, according to a new book by economist Arnold Kling, is the impressive growth of life-saving medical technologies. In *Crisis of Abundance*, Kling contends that most of the rise in health care costs can be attributed to the demand for “premium medicine”—expensive specialists and technologies that allow for better diagnosis and treatment of disease and injury. Rapid advances in medical treatment have helped millions of people to become and stay healthier and live longer. But access to medical specialists and advanced technology is costly, and their widespread use drives up the costs of medical care for everyone.

Despite the fact that most diseases can be diagnosed and treated using older, less-expensive technologies, the marginal costs of previously unavailable treatments cause the overall cost of health care to rise. Since insurance distributes those costs across the health care market, Kling says, everyone pays for the higher price of treating the few. Moreover, as patients become aware of breakthrough technologies, they demand premium medicine for themselves, and doctors respond to those demands by ordering more tests and more expensive treatments for more patients.

Kling explains that American consumers have set three conflicting goals for health care finance. They want unfettered access to medical care for individuals, insulation of individual patients from the costs of their treatment, and affordability of health care for society as a whole. As more expensive treatments become available, the first two

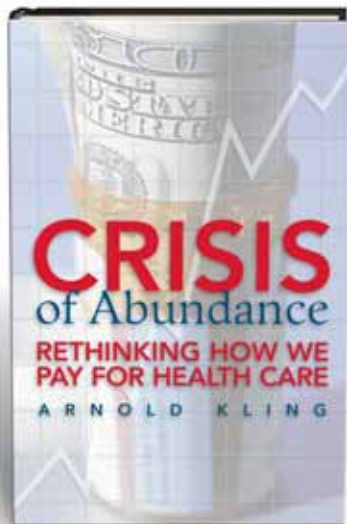
goals become more incompatible with the third. Countries with single-payer systems avoid this problem by rationing access to premium medicine by limiting their sickest citizens’ ability to seek new treatment. Adopting a single-payer system would also tend to discourage the development of new medical technologies because innovators are unable to recoup their costs.

Crisis of Abundance offers several possible solutions to the funding crisis caused by high-cost premium medicine. Shifting the provision of health care funding away from the government and back to individuals would lower the costs to taxpayers while encouraging individuals to choose the least-expensive treatments that meet their needs. Health care providers could help patients

decide whether they need premium treatments or less-expensive treatments that are in many cases just as effective. Kling also suggests that deregulation of the health care sector would allow more providers to enter the field, increasing price competition. Health insurers could offer innovative forms of coverage, including low-cost catastrophic insurance that would insulate individuals from the costs of medical emergencies while discouraging routine overuse of premium medicine.

Health care financing will always involve tradeoffs between costs and benefits. No matter who pays, premium medicine will always carry a price. Kling’s book provides hope that the costs of health care can be controlled without curbing the growth of new innovations that improve medicine and save lives.

***Crisis of Abundance* is available for \$16.95 in bookstores, at www.catostore.org, or by calling 800-767-1241.**



NEWS NOTES



SALLIE JAMES has joined the Center for Trade Policy Studies as a visiting scholar for agricultural trade apolicy. She holds a Ph.D. in agricultural economics and worked for several years in trade liberalization for the government of Australia.

DAN GRISWOLD, director of the Center for Trade Policy Studies, published “Globalization, Human Rights, and Democracy” in the February 2006 issue of *eJournal USA*, an online journal published by the U.S. State Department. In the article, part of a special issue on “The Challenges of Globalization,” Griswold explained how expanding trade can lead to more freedom, better-informed citizens, and political reform.

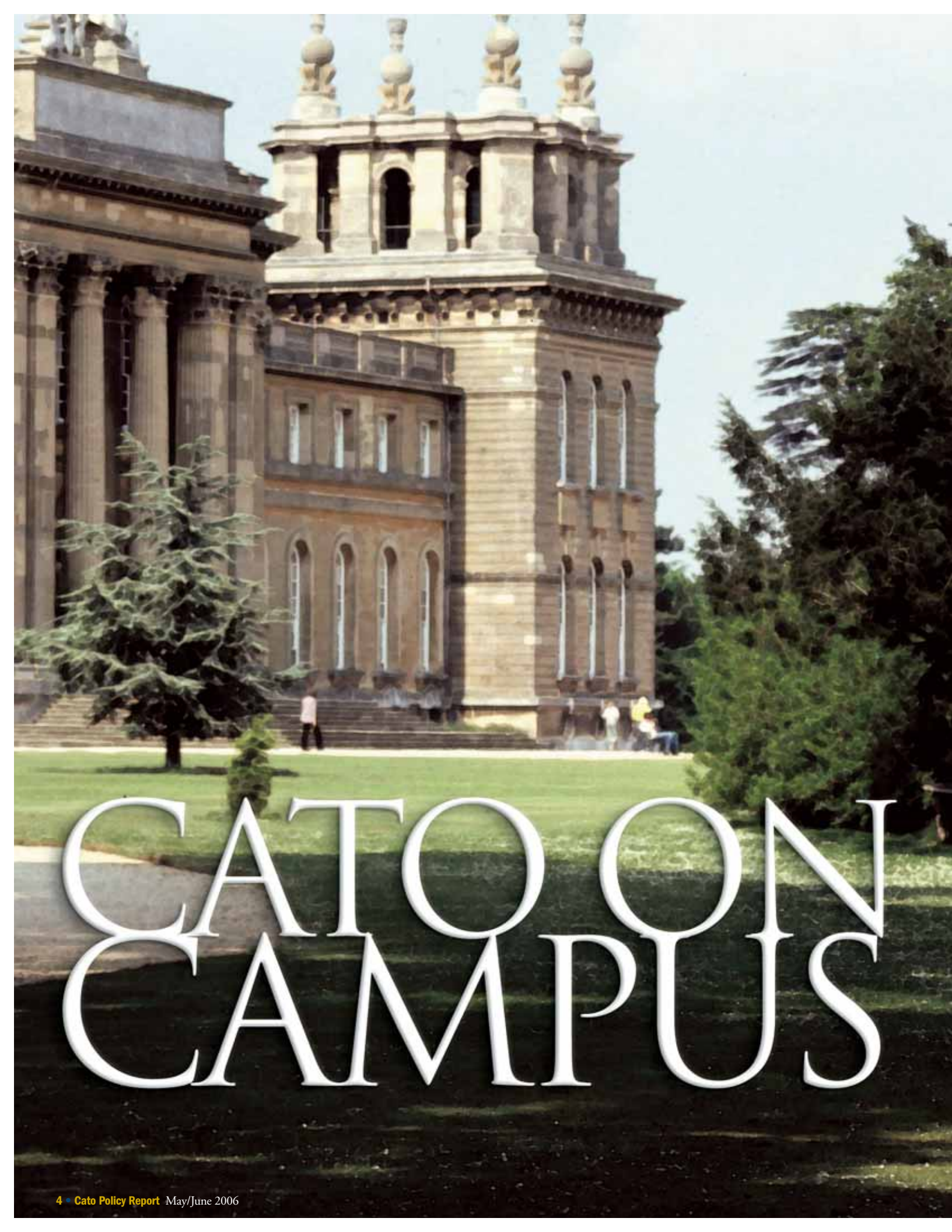
DAVID BOAZ’S *Libertarianism: A Primer* has been published in Polish.

REP. TOM PRICE (R-GA) read from the Cato Institute’s “wonderful policy primer” on windfall profits taxes (Policy Analysis no. 561 by **JERRY TAYLOR** and **PETER VAN DOREN**) during floor debate in the House of Representatives on April 25.

Another **TAYLOR** and **VAN DOREN** paper, on the Strategic Petroleum Reserve (Policy Analysis no. 555), was cited by John Tierney in his *New York Times* column on February 7.

BRINK LINDSEY’S book *Against the Dead Hand: The Uncertain Struggle for Global Capitalism* has been published in Russian.

In the April 27 issue of the *New England Journal of Medicine*, Smith College economics professor Deborah Haas-Wilson called *Healthy Competition: What’s Holding Back Health Care and How to Free It*, a book by Cato scholars **MICHAEL F. CANNON** and **MICHAEL D. TANNER**, “a timely and important contribution” to the debate over the role of markets in health care.



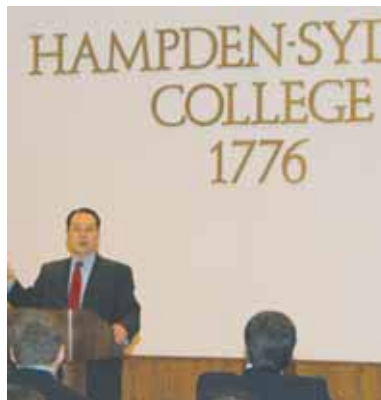
CATO ON CAMPUS



Roger Pilon, director of Cato's Center for Constitutional Studies, was scheduled to speak at the City University of New York School of Law last November about the state of the Constitution and the implications of the upcoming Supreme Court confirmation hearings for Judge Samuel Alito. The night before the event, however, he received an e-mail from the organizer, the president of the school's Federalist Society chapter, warning him that CUNY's "progressive community" was planning a vocal boycott of the event. In a letter to CUNY law students, a group of activists wrote, "We believe that the benefits of boycotting this event would far outweigh any benefit from an 'open debate.'" They predicted that only a handful of students would attend the event. In fact, Pilon arrived to find a crowded room full of law students eager to hear his thoughts, after which he took questions from opponents and supporters alike on a variety of constitutional issues.

America's college campuses are a

hotbed of political activity, and reaching out to students has long been an important way of building support for the philosophy of liberty among the next generation. Scholars at the Cato Institute are frequently



David Boaz discusses "Bipartisan Big Government in Washington" in a February 9 speech at Hampden-Sydney College, founded in 1776.

invited to address university students in the United States and around the world. They give lectures, answer questions, and debate liberal and conservative opponents on a variety of topics, giving students a new

perspective on issues of politics, law, and philosophy.

Cato senior fellow Tom G. Palmer has traveled across the country to speak to college students about globalization and international trade, the welfare state, and property rights. In a speech titled "Globalization Is Grrreat!" Palmer addresses the common misapprehensions that many college students have about free trade with poor countries. Students often enter his lectures believing that globalization is exploitative, but using examples from his world travels, Palmer shows how international trade actually helps raise wages, reduce child labor, and open political debate in developing countries. Palmer has addressed large crowds at Yale University, Duke University, and the University of North Carolina, among others.

Roger Pilon, Robert Levy, and Mark Moller of the Center for Constitutional Studies spoke last year at many of the nation's top law schools, including those of Harvard University, Columbia University, New York University, the University of Virginia, Georgetown University, and the University of Pennsylvania. Topics ranged from the PATRIOT Act to Commerce Clause jurisprudence to proposed state and local smoking bans.

Cato executive vice president David Boaz spoke about libertarianism at Cornell University, Colgate University, and Hampden-Sydney College, and policy analyst Radley Balko discussed libertarian ideas at the U.S. Military Academy at West Point.

Illarionov decries Russia's slide to corporate statism

Bartlett, Sullivan Rip Bush's Departures from Conservatism

FEBRUARY 2: In 1938 the U.S. federal government had one million employees. Today 17 million people work for the federal government. At a Forum for his new book, *Size Matters: How Big Government Puts the Squeeze on America's Families, Finances, and Freedom (And Limits the Pursuit of Happiness)*, Joel Miller explained how bigger government encourages large bureaucracies that take money and resources from ordinary Americans to provide questionable benefits. The cost of regulation is added to the costs of home ownership and business growth, making the pursuit of happiness more expensive for American families. Jonathan Rauch, senior writer at the *National Journal*, argued that the compromises necessary to retain political power have made comprehensive government reform very difficult. Miller provided statistics



Richard Epstein discusses his new Cato book, *How Progressives Rewrote the Constitution*, at a February 15 Forum.

showing that states with less regulation have higher income growth and expressed hope that those trends will spur the reform movement.

FEBRUARY 13: Are the White House and Congress doing enough to restrain out-of-control federal spending in the 2007 budget? At a Cato Hill Briefing on “**The Federal Budget Outlook**,” Donald Marron, acting director of the Congressional Budget Office, cautioned that CBO estimates of a budget

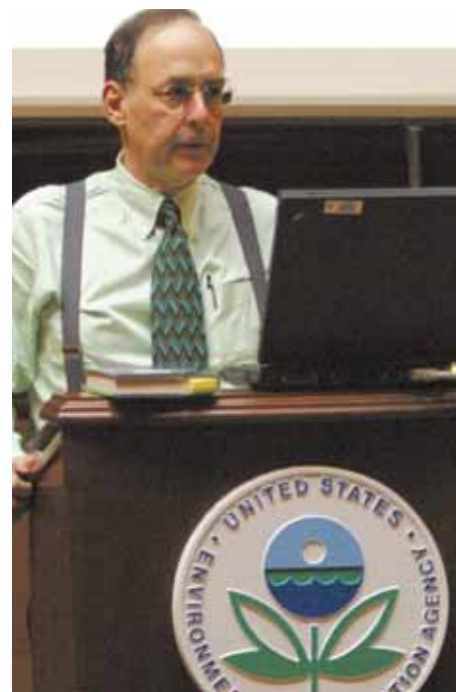
surplus in the next decade count on Congress allowing the Bush tax cuts to expire in 2011 and on spending remaining flat in the coming years. He warned that continuing budget deficits would lead to slower economic growth in the long term. Cato’s director of tax policy studies Chris Edwards gave examples from his book, *Downsizing the Federal Government*, of wasteful spending and cautioned that keeping government at its current size would mean taking more money from future taxpayers. Stephen Slivinski, Cato’s director of budget studies, endorsed budget process reforms that would allow the executive to effectively check congressional spending.

FEBRUARY 15: Cato adjunct scholar and University of Chicago law professor Richard Epstein believes that government is a necessary evil, a view that was endorsed by the authors of the Constitution. At a Forum for his new book, *How Progressives Rewrote the Constitution*, he spoke about how 20th-century Progressives redefined “interstate commerce” so that they could use the federal government to advance their social principles. Michael Seidman of the Georgetown University Law Center argued that redistributing wealth via government reduces the role of luck in determining people’s success. Epstein countered by pointing out that a decentralized authority creates more opportunities for individuals to prosper, leaving them less dependent on any single factor for their success.

MARCH 6: The Internet is the great equalizer according to “Instapundit” Glenn Reynolds. At a Forum for his new book, *An Army of Davids: How Markets and Technology Empower Ordinary People to Beat Big Media, Big Government, and Other Goliaths*, Reynolds compared the decentralization of information in this new digital age to the power that individuals have always exercised to mold physical matter to their needs. As the cost of disseminating information has dropped, all forms of speech have increased dramatically. George Washington University professor and blogger Henry Farrell main-

tained that, although the information age has created new opportunities, technology has empowered some people—devoted, savvy experts—more than others, and it will continue to benefit those who already have the most resources.

MARCH 7: Reagan White House economist Bruce Bartlett was so angry when the Bush administration passed the Medicare prescription drug benefit that he wrote a book about it. At a Cato Forum for *Impostor: How George W. Bush Bankrupted America and Betrayed the Reagan Legacy*, Bartlett outlined



Cato senior fellow David Schoenbrod enters the lion's den to tell EPA employees about his new book, *Saving Our Environment from Washington*.

the expensive, expansive government programs that led him to conclude that Republicans have forsaken their core conservative values. Party politics inside the Beltway, he said, have silenced critics within the conservative movement. Andrew Sullivan, author of *The Conservative Soul: How We Lost It; How to Get It Back* (forthcoming), drew an ideological connection between overspending and



African diplomats and students question former Kenyan anti-corruption czar John Githongo after his March 29 talk about Kenya's future.

overreaching federal power on social issues. Bartlett warned that Bush's policies will have reverberations for future generations if the government he has created cannot be reined in.

MARCH 7: Andrei Illarionov has seen his country change radically over the last six years. As an economic adviser to President Vladimir Putin, he hoped to help Russia become a thriving capitalist country. Instead, he resigned his post in late 2005, stating, "There is no longer room to follow a policy of economic freedom in Russia." At a Cato Forum on "The Rise of the Corporate State in Russia," Illarionov explained how budget profligacy, nationalization of key industries, and increasingly strict political control by the executive have led to a brand of crony capitalism that will stifle any hope of economic growth if the government cannot be stopped.

MARCH 14: What do we mean by humanitarian intervention and when, if ever, is it appropriate? At "With Good Intentions: U.S. Foreign Policy and Humanitarian Intervention," a Cato Policy Forum, New York University professor David Rieff argued that the overuse of the term confuses the purpose of many wars that are actually fought on the basis of national or political interest. Charles Kupchan of Georgetown University contended that a country's national interest must trump its citizens' desires to prevent suffering abroad. Politicians, he said, must be truthful about the motives for such intervention so

that the risks can be weighed. *National Interest* editor Nikolas Gvosdev discussed the conflict between the universal human rights that underpin democratic government and the inability of democratic governments to force citizens to support the protection of those rights in other countries. Christopher Preble, director of foreign policy studies at Cato, argued that the libertarian instinct to keep the military small should lead to a presumption against military intervention abroad.



Brigadier General Mark T. Kimmitt, deputy director of plans and policy at the U.S. Central Command, briefs Cato scholars on Iraq, Afghanistan, and counterterrorism operations on February 14.

MARCH 21: Advocates of lobbying reform believe that when citizens call their senators, they're participating in the democratic process, but when lobbyists call senators, they're fostering corruption. At a Cato Hill Briefing, "Lobby Reform or Regression?" former Federal Election Commission chairman

Bradley A. Smith pointed out that people are entitled to band together into large groups to more effectively disseminate a political message. Attempting to curb "special interests," he said, will only discourage citizen involvement in politics. Nan Aron of the Alliance for Justice labeled regulations on 527 groups—which are designed to influence the public, not politicians—campaign finance restrictions rather than lobbying reform. She argued that those attempting to limit 527s and other citizen communications are using rhetoric about corruption to attack political speech.

MARCH 27: Salim Ahmed Hamdan has been held without trial in the custody of the U.S. military for four years. U.S. Navy Lt. Cmdr. Charles Swift is one of the attorneys now arguing that Hamdan should not be tried by a military tribunal. Swift debated "Terrorism, Military Tribunals, and the Constitution" at a Cato Policy Forum. Hamdan, he said, is entitled to the same rights as any criminal defendant, including the presumption of innocence and the right to due process in a court of law. Richard Samp, chief counsel for the Washington Legal Foundation, outlined the procedural issues that the court will be asked to consider, including whether the rights set forth in the Geneva Conventions should be enforceable in U.S. courts by foreign prisoners. Participants agreed that with so many enemy combatants currently in U.S. custody, the courts must resolve these issues now.

MARCH 29: Despite implicating Kenya's vice president in a multi-million-dollar corruption scandal last year, former permanent secretary for governance and ethics John Githongo is optimistic about the future of democracy and political accountability in his home country. At a Policy Forum on "Corruption in Kenya: A Whistleblower's Account," Githongo predicted that attempts to buy citizens' votes will not work in future elections because Kenyans are determined to vote their conscience. American University professor George Ayittey lamented the unwillingness of Africans to invest in Africa because of rampant corruption and urged stricter enforcement of anti-corruption laws to end the culture of government looting. Githongo recommended that corrupt officials be forced to make restitution because attempts to punish them in court are too often ineffective.

“There’s no evidence, actually, that greed or miserliness or self-interest was new in the 16th or the 19th or any other century.”

Continued from page 1

Of course, like an aristocracy or a priesthood or a peasantry or a proletariat or an intelligentsia, a middle class is capable of evil, even in a God-blessed America. The American bourgeoisie, beginning in the late 19th century, organized official and unofficial apartheid. It conspired violently against unions. It supported the excesses of nationalism. It claimed credit for a religious faith that had no apparent influence on its behavior. Nowhere does being bourgeois ensure ethical behavior. During World War II, Krupp, Bosch, Hoechst, Bayer, Deutsche Bank, Daimler Benz, Dresdner Bank, and Volkswagen, all of them, used slave labor, with impunity. The bourgeois bankers of Switzerland stored gold for the Nazis. Many a businessman is an ethical shell or worse. Even the *virtues* of the bourgeoisie, Lord knows, do not lead straight to Heaven.

But the assaults on the alleged vices of the bourgeoisie and capitalism after 1848 made an impossible Best into the enemy of an actual Good. They led, in the 20th century, to some versions of Hell. In the 21st century, please let us avoid another visit to Hell.

I don't much care how “capitalism” is defined, so long as it is not defined a priori to mean vice incarnate. The prejudging definition was favored by Rousseau—though he did not literally use the word “capitalism,” still to be coined—and by Proudhon, Marx, Bakunin, Kropotkin, Luxemburg, Veblen, Goldman, and Sartre. Less obviously, the same definition was used by their opponents Bentham, Ricardo, Rand, Friedman, and Becker. All of them, left and right, have *defined* commercial society at the outset to be bad by any standard higher than successful greed.

Such a definition makes pointless an inquiry into the good and bad of modern commercial society. If modern capitalism is defined to be *the same thing* as Greed—“the restless never-ending process of profit-making

alone . . . , this boundless greed after riches,” as Marx put it in Chapter 1 of *Capital*, drawing on an anti-commercial theme originating in Aristotle—then that settles it, before looking at the evidence.

There’s no evidence, actually, that greed or miserliness or self-interest was new in the 16th or the 19th or any other century. “The infamous hunger for gold” is from *The Aeneid*, Book III, line 57, not from Benjamin Franklin or *Advertising Age*. The propensity to truck and barter is human nature. Commerce is not some evil product of recent manufacture. Commercial behavior is one of the world’s oldest professions. We have documentation of it from the earliest cuneiform writing, in clay business letters from Kish or Ashur offering compliments to your lovely wife and making a deal for copper from Anatolia or lapis lazuli from Afghanistan. Bad and good behavior in buying low and selling high can be found anywhere, any time.

To put the matter positively, we have been and can be virtuous and commercial, liberal and capitalist, democratic and rich. As John Mueller said in *Capitalism, Democracy, and Ralph’s Pretty Good Grocery*, “Democracy and capitalism, it seems, are similar in that they can often work pretty well even if people generally do not appreciate their workings very well.”

One of the ways capitalism works “pretty well,” Mueller and I and a few other loony pro-capitalists such as Michael Novak and James Q. Wilson and Hernando De Soto

and the late Robert Nozick claim, is to nourish the virtues. Mueller argues for one direction of causation: “Virtue is, on balance and all other things being equal, essentially smart business under capitalism: nice guys, in fact, tend to finish first.” Max Weber had a century earlier written to the same effect: “Along with clarity of vision and ability to act, it is only by virtue [note the word] of very definite and highly developed ethical qualities that it has been possible for [an entrepreneur of this new type] to command the indispensable confidence of his customers and workmen.”

The Benefits of Growth

The material side of capitalist and bourgeois success is, of course, wonderful. “Modern economic growth,” as the economists boringly call the fact of real income per person growing at a “mere” 1.5 percent per year for 200 years, to achieve a rise in per capita income by a factor of 19 in the countries that most enthusiastically embraced capitalism, is certainly the largest change in the human condition since the ninth millennium BC. It ranks with the first domestications of plants and animals and the building of the first towns. Possibly, modern economic growth is as large and important an event in human history as the sudden perfection of language, in Africa around 80,000 to 50,000 BC. In a mere 200 years our bourgeois capitalism has domesticated the world and made it, from Chicago to Shanghai, into a single, throbbing city.

I honor the material success and start every class I give on history or economics by showing an imagined chart extending from one side of the room to the other in which income per head bounces along at \$1 a day for 80,000 to 50,000 years . . . and then in the last 200 years explodes, to the \$109 a day the average American now earns. Your ancestors and mine were dirt-poor slaves, and

“Bourgeois life improves us ethically, and would have even if it had not also made us rich.”

ignorant. We should all make sure that people grasp that capitalism and freedom, not government “programs,” have made us rich.

But we should emphasize, too, as Benjamin Friedman does in his recent book, *The Moral Consequences of Economic Growth*, the ethical and political effects of enrichment. The combination of longer and richer lives since 1800 is one reason that liberty has spread. There are by now many more adults living long enough lives sufficiently free from desperation to have some political interests. The theory that economic desperation leads to good revolution is, of course, mistaken, or else our freedoms would have emerged from the serfs of Russia or the peasants of China, not from the bourgeoisie of northwestern Europe, as they did in fact. Material wealth can yield political or artistic wealth. It doesn't have to, but it can. And it often has. What emerged from Russia and China, remember, were the anti-bourgeois nightmares of Stalin and Mao.

And the enrichment in “expected adult years of goods-supplied life” has cultural effects, too, very big ones, as Tyler Cowen has taught us in his books, such as *In Praise of Commercial Culture*. The factor of increase since great-great-great-grandma's day is about 42.5. The longer, richer average now applies to six billion rather than to the former one billion people. So multiply each by a factor of six to get the increase in “world adult materially supplied years.” The result is a factor of 255. It nurtured the flowers of world culture, low and high, politics and music.

Beethoven, for example, in a world sized about 1.0 in such terms, was among the first highbrow musicians to support himself by selling his compositions to the public rather than to a noble patron. A market of bourgeois minipatrons was just emerging. Haydn had shown what could be done for musical art on the frontier of capitalism, moving in 1791 from the livery of Prince

Miklós Esterházy of Hungary to popular acclaim and commercial success as a bourgeois composer in London. That's 255 times more music, painting, and the rest, good and bad, glorious and corrupting. As a couple of acute observers, Marx and Engels, put it when all this was getting under way, “What earlier century had even a presentiment that such productive forces slumbered in the lap of social labor?”

Ethics for a World of Commerce

Nonetheless, it is still routine to idealize a pagan or a Christian story of the virtues and then to sound a lament that in these latter days, alas, no one achieves the ideal. We live in a vulgar age of iron, or of plastic, it is said, not pagan gold or Christian silver. In the ethical accounting of artists and intellectuals since 1848, the townfolk are perhaps useful, even necessary; but *virtuous*? The aristocracy and peasantry-proletariat, it is reported by the clerisy, join in disdain for the merchant, who has neither the martial honor of a knight nor the solidarity of a serf. The bourgeois virtues have been reduced to the single vice of greed.

It's not so. Capitalism and the bourgeois life can be, and to some extent already are, virtuous. That is, bourgeois life *improves us ethically*, and would have even if it had not also made us rich. I realize that such optimism is not widely credited. It makes the clerisy uneasy to be told that they are *better* people for having the scope of a modern and bourgeois life. They quite understand-

ably want to honor their poor ancestors in the Italy of old or their poor cousins in India now, and feel impelled to claim with anguish as they sip their caramel macchiato grandes that their prosperity comes at a *terrible* ethical cost.

On the political left it has been commonplace for the past century and a half to charge that modern, industrial people are alienated, rootless, angst ridden, superficial, materialistic, and that it is precisely participation in markets that has made them so. Gradually the right and the middle have come to accept the charge. Some sociologists, both progressive and conservative, embrace it, lamenting the decline of organic solidarity. By the early 21st century, some on the right have schooled themselves to reply to the charge with a sneering cynicism, “Yeah, sure. Markets have no morals. So what? Greed is good. Bring on the pizza.”

But it's not so.

A little farmers' market opens before 6:00 a.m. on a summer Saturday at Polk and Dearborn in Chicago. As a woman walking her dog passes the earliest dealer setting up his stall, the woman and the dealer exchange pleasantries about the early bird and the worm. The two people here are enacting a script of citizenly courtesies and of encouragement for prudence and enterprise and good relations between seller and buyer. Some hours later the woman is moved to buy \$1.50 worth of tomatoes from him. But that's not the point. The market was an occasion for virtue, an expression of solidarity across gender, social class, ethnicity.

The Seven Virtues

In other words, markets and the bourgeois life are not always bad for the human spirit. In certain ways, and on balance, they have been good.

How so? The virtues came to be gathered by the Greeks, the Romans, the Stoics, the Church, Adam Smith, and recent “virtue

“The bourgeois virtues are merely the Seven Virtues exercised in a commercial society. They are not hypothetical.”

ethicists” into a coherent ethical framework. Until the framework somewhat mysteriously fell out of favor among theorists in the late 18th century, most Westerners did not think in Platonic terms of the One Good—to be summarized, say, as Maximum Utility, or as the Categorical Imperative, or as the Idea of the Good. They thought in Aristotelian terms of Many Virtues, plural.

“We shall better understand the nature of the ethical character,” said Aristotle, “if we examine its qualities one by one.” That still seems a sensible plan. Since about 1958 in English a so-called virtue ethics—as distinct from the Kantian, Benthamite, or contractarian views that dominated ethical philosophy from the late 18th century until then—has revived Aristotle’s one-by-one program. “We might,” wrote Iris Murdoch in 1969, early in the revival, “set out from an ordinary language situation by reflecting upon the virtues . . . since they help to make certain potentially nebulous areas of experience more open to inspection.” That again seems reasonable. Here are the Western Seven with exemplars.

- **Faith**—St. Peter
- **Hope**—Martin Luther King Jr.
- **Love**—Emma Goldman
- **Justice**—Gandhi
- **Courage**—Achilles, Shane
- **Temperance**—Socrates, Jane Austin
- **Prudence**—Ben Franklin

The system is a jury-rigged combination of the “pagan” virtues appropriate to a free male citizen of Athens (Courage, Temperance, Justice, and Prudence) and the “Christian” virtues appropriate to a believer (Faith, Hope, and Love).

Jury-rigged or not, the Seven cover what we need in order to flourish as human beings. So also might other ethical systems—Confucianism, for example, or Talmudic Judaism, or Native American

shamanism—and these can be lined up beside the Seven for comparison. There are many ways to be human. But it is natural to start with the Seven, since they are the ethical tradition of a West in which bourgeois life first came to dominance.

What then *are* the bourgeois virtues?

The leading bourgeois virtue is the Prudence to buy low and sell high. I admit it. There. But it is also the prudence to trade rather than to invade, to calculate the consequences, to pursue the good with competence—Herbert Hoover, for example, energetically rescuing many Europeans from starvation after 1918.

Another bourgeois virtue is the Temperance to save and accumulate, of course. But it is also the temperance to educate oneself in business and in life, to listen to the customer, to resist the temptations to cheat, to ask quietly whether there might be a compromise here—Eleanor Roosevelt negotiating the United Nations Declaration of Human Rights in 1948.

A third is the Justice to insist on private property honestly acquired. But it is also the justice to pay willingly for good work, to honor labor, to break down privilege, to value people for what they can do rather than for who they are, to view success without envy, making capitalism work since 1776.

A fourth is the Courage to venture on new ways of business. But it is also the courage to overcome the fear of change, to bear defeat unto bankruptcy, to be courte-

ous to new ideas, to wake up next morning and face fresh work with cheer, resisting the despairing pessimism of the clerisy from 1848 to the present. And so the bourgeoisie can have Prudence, Temperance, Justice, and Courage, the pagan four. Or the Scottish three—Prudence, Temperance, and Justice, the artificial virtues—plus enterprise, that is, Courage with another dose of Temperance.

Beyond the pagan virtues is the Love to take care of one’s own, yes. But it is also a bourgeois love to care for employees and partners and colleagues and customers and fellow citizens, to wish all of humankind well, to seek God, finding human and transcendent connection in the marketplace in 2006, and in a Scottish benevolence c. 1759.

Another is the Faith to honor one’s community of business. But it is also the faith to build monuments to the glorious past, to sustain traditions of commerce, of learning, of religion, finding identity in Amsterdam and Chicago and Osaka.

Another is the Hope to imagine a better machine. But it is also the hope to see the future as something other than stagnation or eternal recurrence, to infuse the day’s work with a purpose, seeing one’s labor as a glorious calling, 1533 to the present. So the bourgeoisie can have Faith, Hope, and Love, these three, the theological virtues.

The bourgeois virtues are merely the Seven Virtues exercised in a commercial society. They are not hypothetical. For centuries in Venice and Holland and then in England and Scotland and British North America, then in Belgium, Northern France, the Rhineland, Sydney, Cleveland, Los Angeles, Bombay, Shanghai, and in a widening array of places elsewhere, against hardy traditions of aristocratic and peasant virtues, we have practiced them. We have fallen repeatedly, of course, into bourgeois vices. Sin is original. But we live in a com-

“I hope to make “bourgeois” a *geuzennaam*, to remake a word of contempt into a word of honor.”

mercial society, most of us, and capitalism is not automatically vicious or sinful. Rather the contrary.

“Bourgeois virtues,” is no contradiction. It is the way we live now, mainly, at work, on our good days, and the way we should, Mondays through Fridays.

Reclaiming “Bourgeois”

I would like to recover the word “bourgeois,” taking it back from its enemies. The word “capitalist,” referring in the opinion of Communists in the 1880s to greedy monopolists of the means of production, was taken back in the 1980s to mean “advocates for and actors in free markets.” “Quaker” and “Tory” originated as sneers but were calmly appropriated by the victims and made honorable.

In April 1566, 200 armed and Protestant-

sympathizing aristocrats from the Low Countries presented a petition to Margaret of Parma, Catholic Philip’s regent in Brussels, urging her to grant religious tolerance. She was advised by one of her counselors to pay them no heed. They were merely, said he in his aristocratic French, “*gueux*,” that is, “beggars.” Never mind that the petitioners were themselves French-speaking aristocrats.

The noblemen seized upon the word, and called themselves proudly thereafter

Beggars, Dutch *Geuzen*. Baron Henry Brederode, their leader, was called *Le Grand Gueux*. That summer the new word was claimed too by the Protestant iconoclasts. “*Vivent les Gueux*,” the rioters cried in Antwerp.

The word has remained alive in the Dutch language. The pirate navy that took Brill from the Spanish in 1572 called itself the *Watergeuzen*, Sea Beggars. The orthodox Calvinists marching to kill off toleration in 1616 called themselves the Mud Beggars. One of the illegal newspapers during the German occupation of World War II was *De Geus*, The Beggar. The normal Dutch word for such reversals of a sneer became *geuzennamen*, beggars-names.

I hope to make “bourgeois” a *geuzennaam*, to remake a word of contempt into a word of honor.



Tune In to the Cato Institute

Listen to podcasts of Cato events free with iTunes or your favorite mp3 player. Just go to iTunes Podcasts and search for Cato.

Catch recent events such as Andrei Illarionov on the decline of freedom in Russia, Bruce Bartlett and Andrew Sullivan on the Bush administration, Instapundit Glenn Reynolds on the rise of alternative media, and Richard Epstein on how Progressives rewrote the Constitution.

You can also download podcasts of Cato events at www.cato.org or watch video of the events there.

And don't forget CatoAudio – a monthly audiomagazine of Cato's best speeches and interviews.

CATO CALENDAR

CATO UNIVERSITY

Cornerstone of Liberty: Property Rights in 21st-Century America

St. Pete Beach, Florida • Don CeSar Resort
July 26 – 30, 2006

Speakers include Roger Pilon, Tom G. Palmer, Amy Sturgis, Timothy Sandefur, and Scott Bullock.

5th ANNUAL CONSTITUTION DAY CONFERENCE

Washington • Cato Institute • September 14, 2006

Speakers include Judge Danny J. Boggs.

CATO CLUB 200 RETREAT

White Sulphur Springs, WV • The Greenbrier
September 28 – October 1, 2006

Federal Reserve Policy in the Face of Crises

24th ANNUAL MONETARY CONFERENCE

Washington • Cato Institute • November 16, 2006

Speakers include Randall Kroszner, Robert J. Barro, Anna Schwartz, Kristin Forbes, and William Poole.

Democracy should be a competitive marketplace

Cato-Brookings Conference Looks at Decline of Competition in American Elections

The key question at Cato's recent conference, "The Marketplace of Democracy," cosponsored by the Brookings Institution, was how to increase electoral competition and improve voter representation. Speakers agreed that the variables that affect competition are not easily changed and that some suggested remedies may have unintended effects on beneficial features of the existing electoral process. Speakers at the conference examined the causes of political stagnation and debated the merits of practical reform proposals, including term limits, redistricting, and campaign finance regulations.

Why is political reform important? Bradley A. Smith, former chairman of the Federal Election Commission, argued that voters are not interested in competition per se but are interested in electing high-quality, accountable representations. Smith endorsed term limits as a way to eliminate the rigid congressional seniority system that often stifles new ideas. John Matsusaka of the University of Southern California looked at the role of political reform measures in increasing politicians' responsiveness to voters. His data showed that direct democracy in the form of citizen-initiated referenda increases political responsiveness.

Keynote speaker Michael Barone argued that despite its flaws the American political system functions quite well, especially when compared with other democracies around the world. Barone's biggest complaint was that the presidential nomination process is biased in favor of party loyalists rather than candidates who would better represent the needs of the majority of voters. The long campaign season and great expense of running for office, he contended, favor dynastic candidates with little hands-on experience in the executive branch. He was concerned, however, that proposed changes to the system—especially restrictions on campaign finance and speech—will cause more problems than they solve.

The incumbency advantage provides an



Cato president Ed Crane welcomes Michael Barone of the *Almanac of American Politics* to the conference. At right, Thomas Mann of the Brookings Institution and Amy Walter of the *Cook Political Report*.

obvious target for political reform efforts. Political journalist Amy Walter identified a vicious cycle in which qualified challengers don't run because incumbents almost always win, and the incumbent advantage is magnified by the lack of qualified challengers. Gary Jacobson, a professor of political science at the University of California, San Diego, demonstrated how even a slight change in the party balance in competitive districts can discourage competent minority party candidates from challenging incumbents. Redistricting, he said, will not solve the problem unless districts are drawn deliberately to favor challengers. Bruce Cain and Thad Kousser of the University of California reported that term limits create more contested elections but do not increase party turnover or narrow margins of victory.

Incumbents are often able to raise more money than challengers on the basis of name recognition. One commonly proposed solution to that disparity is public financing of elections, but many conference participants were skeptical about its effects. Georgetown University's Michael Bailey cautioned that the incumbent politicians



who write the laws may design public financing programs to benefit themselves or their parties. Kenneth Mayer of the University of Wisconsin argued that people who expect public financing to produce revolutionary changes in the political system are being unrealistic but that public funding can be an important component of electoral reform. Paul Herrnsen of the University of Maryland argued that the law overwhelmingly favors major party candidates and that laws should be relaxed to encourage independent and minor party candidates to run.

Papers from the conference will be published as a book by the Brookings Institution in fall 2006. Audio and video files of this and other Cato events are available at www.cato.org/events.

Barone, Munger, and Jacobson on political stagnation

The Marketplace of Democracy

The decline of political competition and the overwhelming incumbent advantage are a growing concern for voters and experts alike. At a Cato Conference on March 9, cosponsored with the Brookings Institution, political journalist Michael Barone, Michael Munger of Duke University, and Gary Jacobson of the University of California, San Diego, examined the factors that contribute to electoral stagnation and discussed the merits of possible solutions.

MICHAEL BARONE: I am an optimist, so I want to make the case that the American marketplace is working pretty well. There are some market imperfections, of course, but all markets tend to have them. Overall, I think the system works to present choices to people, to register their opinions, and to provide a basis for informed governance that is capable of responding to opinion. And it has responded to the opinions of both the people who call for more government and those who call for less government.

The Founders did not want or desire a two-party system, but such a system emerged very quickly after the first Congress went into session. Madison argued in *Federalist* 10 that a large republic could contain the power of faction because a multiplicity of factions is inevitable in a large republic. Yet, a multiplicity of factions also makes decisionmaking very difficult.

If you look at countries whose electoral systems encourage factions, typically through proportional representation, you often find very small and unrepresentative groups at the fulcrum of power. In Israel, the religious parties have often had enormous clout and have been able to frustrate majorities on issues of

particular interest to them. For more than 20 years in Germany, the splinter Free Democratic Party, which always struggled to get more than the 5 percent threshold for representation, determined which major party would control the government.

Our system is different. The result has been that we give our voters relatively clear choices between two alternatives and have parties that are at least somewhat responsive to opinion because unresponsiveness could cost them votes. Sometimes those choices have been crisp. Sometimes they have been muddled. But in the last two decades, our parties have become ideologically much more coherent. People who do not like that result complain of bitter partisanship and polarized voting, but we should remind ourselves that partisanship is the natural result of the coherent, clear choices that political scientists say voters should have. The winners of elections then have the ability to put their programs into law.

A multiparty system might allow some voters to support candidates who share more closely all their political views. Libertarians, for example, do not have a viable party. But a multiparty system creates a lot of problems.

Just look over the border at Mexico, with its three-party system, which has been unable to address what are clearly some of the major issues before that country. In Canada, with its four-party system, the balance of power is now held by a party that wants to separate from the rest of the country. That system is a bit bizarre.

A third-party candidate could win a U.S. presidential election. Ross Perot and Colin Powell were viable independent candidates in the 1990s. But they were already well-known to voters. Our long public nominating process limits the field of potential candidates to people who enter the race already famous and able to independently finance their campaigns.

People often attack campaign financing as a market imperfection because some candidates are able to raise more money than others.

That argument was much more effective in the past than it is today. When I first started observing politics in the 1950s and 1960s, it was said that the Democratic Party could not raise as much money as the Republican Party because they represented the working people, whereas the Republicans represented rich people. Today, that imbalance doesn't really exist. The Democrats spent more than the Republicans in the 2004 presidential cycle. Both parties had plenty of money to do most of the things that they wanted to do to get their message across.

My own view is that Supreme Court jurisprudence on campaign finance is wacky. The reigning law seems to say that James Madison and the Founders passed the First Amendment in order to protect nude dancing, student arm bands, and flag burning, but they certainly did not want to protect this messy, awful stuff called political speech.

It is said that some kinds of candidates cannot get financing under the current system of campaign finance regulation. What we see today is that, with the Internet, every point of view seems to be able to find abundant financing. If you had told me at the beginning of 2003 that

Howard Dean—a medical doctor who is obviously an intelligent man but is palpably unqualified to be president, on the basis of temperament or knowledge—would be able to raise rafts of money, I wouldn't have believed it. But the Internet has made large-scale fundraising possible for even lesser-known candidates.

With a government that channels vast flows of money to and decides issues of moral importance for citizens, people are going to spend more money on campaigns, and they're going to spend more time and energy on the political process. Incumbents will always be able to raise more than challengers because they've proven that they can win elections and garner benefits for their constituents. But as the late mayor Richard J. Daley of Chicago said when asked whether there should be a benefit to winning elections, "Why should the people who backed the losers get the insurance contracts?"

All points of view seem to be represented in our democracy. Even as we bemoan polarization and gridlock and nasty partisan clashes, I think we also should recognize that those things have resulted in higher voter turnout and greater citizen involvement in politics. The Bush campaign attracted something like 1.4 million volunteers. Total turnout in the popular vote in 2004 was up 16 percent over 2000. John Kerry received the third-highest number of popular votes in history, and he lost the election.

I think that we are overdue for a change in the political contours of our country. It may happen in this election, but by 2010 we will certainly see some change in the political landscape. And although redistricting and campaign finance regulation can help protect incumbents or other favored candidates, when voters' opinions change, the advantages for incumbents or candidates in safe districts may be overcome. The ability of our political system to adjust to such changes in the political climate is a sign that our political marketplace is functioning well.

MICHAEL MUNGER: There is good political competition and bad political competition. The fundamental human problem is to

foster the good and block the bad. So, as I argued in my presidential address to the Public Choice Society in 1988, the fundamental human problem comes down to the design and maintenance of institutions that make self-interested individual action not inconsistent with the welfare of the community.

One example of a set of institutions that accomplish that reconciliation of selfish individuals and group welfare is the market, Adam Smith's "invisible hand." We still can't accurately predict the exact circumstances or



Michael Barone

“Supreme Court jurisprudence on campaign finance is wacky.”

times when markets might work as he described, but it is definitely not always true that self-interest leads to the welfare of the community, even in marketlike settings. Nonetheless, by and large, we know that competition in markets serves the public interest. The question is this: under what circumstances is competition good in *politics*?

Good political competition is where ambition checks, or at least balances, opposing ambition. When President Bush tried to push through the Dubai Ports World deal, some senators and representatives objected

on its merits. But even more objected on the grounds that the president was usurping congressional authority. Our political rules have to create situations in which politicians' ambitions are opposed, in which attempts by one group or person to grab all power are always frustrated.

Bad political competition is what public choice theorists call rent seeking. In my classes, I ask students to imagine an experiment that I call a "George Mason lottery." The lottery works as follows: I offer to auction off \$100 to the student who bids the most. The catch is that each bidder must put the bid money in an envelope, and I keep all of the bid money no matter who wins. So if you put \$30 in an envelope and somebody else puts \$31, you lose the prize and your bid. When I play that game I sometimes collect as much as \$150. Rent-seeking competitions can be quite profitable. In politics, people can make money by running in rent-seeking competitions. And they do.

What are all those buildings along K Street? They are nothing more than bids in the political version of a George Mason lottery. The cost of maintaining a D.C. office with a staff and lights and lobbying professionals is the offer to politicians. If someone else bids more and the firm doesn't get that tax provision or defense bid or road system contract, it doesn't get its bid back. The money is gone. It is thrown into the maw of bad political competition.

Who benefits from that system? Is it the contractors, all those companies and organizations with offices on K Street? Not really. Playing a rent-seeking game like that means those firms spend just about all they expect to win. It is true that some firms get large contracts and big checks, but they would be better off overall if they could avoid playing the game to begin with.

My students ask why anyone would play this sort of game. The answer is that the rules of our political system have created that destructive kind of political competition. When so much government money is available to the highest bidder, playing that lottery begins to look very enticing. The Republican Congress has, to say the least, failed to stem the rising tide of spending on domestic pork-barrel projects. Political competition run amok has increased spend-

ing nearly across the board.

In a perfectly functioning market system, competition rewards low price and high quality. Such optimal functioning requires either large numbers of producers or low-cost entry and exit. Suppose that Coke and Pepsi not only had all the shelf space for drinks but asked in addition if they could make their own rules outlawing the sale of any other drink unless the seller collected 100,000 signatures on a petition to be allowed to sell cola. The Federal Trade Commission would not look favorably on the request, on the industry.

But in our political system, we have an industry dominated by two firms. Republicans and Democrats hold 99 percent of the market share and have undertaken actions at the state and national levels to make it practically impossible for any other party to enter. How did we come to have such a system, with outside competition for office nearly closed off but with inside competition for access to the public purse organized as a kind of expensive ritual combat, where Congress keeps all the bids?

I believe that the perverse competition in the political system is a direct consequence of the so-called progressive reforms. First, reformers systematically hamstrung the ability of political parties to raise funds independent of individual cults of personality. Parties are actually necessary intermediaries. They solve what my colleague John Aldridge calls the collective action and collective choice problems by giving voters a shorthand by which to identify and support candidates whose opinions they share. Campaign finance reform cut out soft money, thus weakening parties' ability to support new candidates, but doubled the limits on hard-money contributions to members of Congress.

Second, progressive campaign finance reform surrounds incumbents with a nearly impenetrable force field of protection. Any equal spending rule or equal contribution rule benefits incumbents, who can live off free media and other publicity. Any rule that restricts contributions or makes them more expensive, such as reporting requirements for contributions, benefits those with intense preferences and deep pockets. So restrictions on contributions ensure that

only the most hard-core competitors—those along K Street—participate in the political bidding wars.

The hidden problem is that politics actually abhors a vacuum. If real grass-roots parties are denied the soft money they need to mobilize people and solve the problem of collective action and collective choice, organized interests will fill that vacuum. Because no individual can influence government, stripping away intermediary organizations of individuals makes the remaining organized groups more powerful.

“The perverse competition in the political system is a direct consequence of the so-called progressive reforms.”



The problem is not our inability to reform. The problem is precisely the extent to which we have reformed the system. Our reforms killed healthy political competition at the citizen level. And now all real political competition takes place in the offices on K Street. That's the kind of political competition that is antithetical to the interests of the community.

GARY JACOBSON: After falling irregularly for several decades, turnover in elections to the U.S. House of Representatives has

reached an all-time low. On average in the four most recent elections (1998–2004), a mere 15 of the 435 seats changed party hands, and only 5 incumbents lost to challengers. Since 1994 Republicans have won between 221 and 232 of the 435 House seats, and Democrats, between 204 and 212, by far the most stable partisan balance for any six-election period in U.S. history.

The historically low incidence of seat turnover and partisan change during the past decade has revived scholarly concern about the decline in competition for House seats that had been prompted by a similar period of stasis in the 1980s. It is easy to understand why. Turnover is by definition a product of competitive races. If low turnover reflects the disappearance of competitive districts and candidates rather than, say, unusually stable aggregate preferences among voters, then election results have become less responsive to changes in voters' sentiments.

A competitive election requires that both parties field competent candidates with sufficient financial resources to get their messages out to voters. But the decisions of potential candidates and donors about whether to participate depend on their estimates of the prospects of success. Politically skilled and ambitious politicians do not invest in hopeless efforts; neither do the people and organizations controlling campaign money and other electoral resources. Judgments about the prospects of success are strongly affected by incumbency—thus open seats tend to attract a much larger proportion of high-quality candidates who raise much more money than the typical challenger to an incumbent—but incumbency is not the only consideration. The underlying partisan balance in a district and national political conditions also count heavily in their decisions. Thus at least two developments unrelated to incumbency might have contributed to declining levels of competition and partisan turnover in recent years: a decrease in the number of districts where the partisan balance gives the out-party some hope of winning, and the absence of the kind of national partisan tides that raise the chances of victory for the favored party.

What is behind the decline in competi-

tive seats? The favorite culprit of many critics, the creation of lopsidedly partisan districts via gerrymandering, is a relatively small part of the story. A more important factor is that voters have grown more reluctant since the 1970s to vote contrary to their party identification or to split their tickets, making it increasingly rare for districts to elect House candidates who do not match the local partisan profile. A more speculative, though related, notion is that partisans have been voting with their feet by opting to live where they find the social—and therefore political—climate congenial, creating separate enclaves preponderantly red or blue. These alternative explanations for the disappearance of competitive districts are not incompatible; indeed, the processes they entail would be mutually reinforcing.

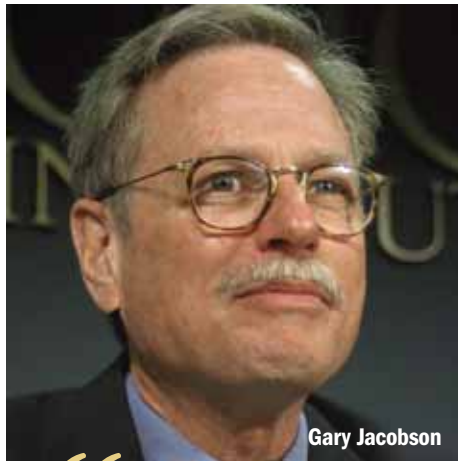
With the decline in the number of seats on which the current party's hold seems precarious enough to justify a full-scale challenge, strategic calculations about running and contributing have led to an increasing concentration of political talent and resources in the diminishing number of potentially competitive districts at the expense of the rest.

This trend is clearest in the shifting patterns of challenges to incumbents. The proportion of challengers who have previously won elective public office—a crude but serviceable measure of candidate quality—has headed downward, most notably among Democrats. But the disappearance of experienced challengers is confined to districts where the challenger's prospects were already slim because the partisan balance favored the incumbent.

In districts where the partisan balance (indicated by the presidential vote) is favorable to the challenger's party, the proportion of experienced challengers has grown substantially; evenly balanced districts have seen little change. Incumbents in districts favorable to the challenger's party have also become much less likely to get a free pass; in the 1970s and 1980s, about 17 percent of incumbents defending unfriendly territory were unopposed by major party candidates; since then, the proportion has fallen to less than 5 percent.

The increase in partisan polarization

and consistency has clearly favored the Republican Party, allowing it to profit from a structural advantage it had held for decades but, until recently, had been unable to exploit. For example, in 2000 the Democrat, Al Gore, won the national popular vote by about 540,000 of the 105 million votes cast. Yet the distribution of those votes across current House districts yields 240 in which Bush won more votes than



“After falling irregularly for several decades, turnover in elections to the U.S. House of Representatives has reached an all-time low.”

Gore but only 195 in which Gore outpolled Bush. The principal reason for this Republican advantage is demographic:

Democrats win the votes of a disproportionate share of minority and other urban voters, who tend to be concentrated in districts with lopsided Democratic majorities. But successful Republican gerrymanders in Florida, Michigan, Ohio, Pennsylvania, and, after 2002, Texas enhanced the party's advantage, increasing the number of Bush-majority districts by 12, from 228 to 240.

If this analysis is on target, feasible solutions to the problem of declining competi-

tion for congressional seats are quite limited. Nonpartisan redistricting might create a few more evenly balanced and therefore potentially competitive districts. But because voters are to blame for most of the recent diminution of such districts, unless mapmakers sought deliberately to maximize their number through pro-competitive gerrymanders, the effect would probably be modest under the current distribution of partisans and their levels of polarization and party loyalty.

Campaign finance reforms are also unlikely to have much effect on competition. No more than a handful of challengers in recent elections could make a plausible claim that they might have won but for a shortage of funds; no matter how I analyzed the data, I could detect no significant effect of the incumbent's level of spending on the results of those elections or any others. Of the 15 House incumbents who have lost since 2000, only 4 were outspent by the challenger; on average they outspent the opposition by more than \$500,000. Experienced challengers and campaign donors do not ignore potentially competitive districts, and challengers do not lose simply because incumbents spend so much cash; their problem is a shortage of districts where the partisan balance offers some plausible hope. Senate races, too, have almost invariably attracted experienced and well-financed candidates whenever the competitive circumstances have warranted.

The one thing that clearly could generate a greater number of competitive races is not subject to legislative tinkering: a strong national tide favoring the Democrats. Such Democratic landslides as those of 1958 and 1974 put substantial numbers of Democrats into Republican-leaning seats (in addition to those they already held), thus leaving a larger portion inherently competitive. A pro-Democratic national tide would, by definition, shake up partisan habits, at least temporarily, counteracting the Republicans' structural advantage. But absent major shifts in stable party loyalties that lighten the deepening shades of red and blue in so many districts, the competitive environment is likely to revert to what it has been since 1994 after the tide ebbs.

2006 Benefactor Summit

More than 100 Cato supporters gathered in Phoenix in early March for the Cato Institute's 18th Annual Benefactor Summit, featuring such speakers as Judge Janice Rogers Brown, Rep. Jeff Flake, and Mary Anastasia O'Grady of the *Wall Street Journal*. Next year's Benefactor Summit will be held February 21-25 at Secrets Capri Riviera Cancun in Playa del Carmen, Mexico.



Cato chairman William A. Niskanen congratulates Judge Janice Rogers Brown on her moving speech to attendees at Cato's 18th Annual Benefactor Summit.



Vice president for government affairs Susan Chamberlin talks with Rep. Jeff Flake and his wife Cheryl after his speech on corruption, earmarks, and the congressional budget process.



Cato Benefactor Jay Karnes (Detective Dutch Wagenbach on *The Shield*) discusses free trade with Dan Griswold, director of Cato's Center for Trade Policy Studies.



Cato Club 200 members Lana and Steve Hardy enjoy a sunset reception at the Royal Palms resort in Phoenix.



Cato Board member Howard Rich welcomes Laura and Paul Jost to their first Benefactor Summit.

The Real Cost of the Tax Burden

Cato's director of tax policy studies Chris Edwards details, in "Income Tax Rife with Complexity and Inefficiency" (*Tax & Budget Bulletin* no. 33), how the true price of the U.S. tax code far exceeds the direct cost of compliance. The complexity of the tax code confuses economic incentives in hundreds of business and individual financial decisions, causing people to make otherwise economically inefficient choices about investing, retirement, and property ownership. Other recent issues of *Tax & Budget Bulletin*, available at www.cato.org, have dealt with soaring state revenues, global tax reform, and ways to cut federal spending.

DMCA vs. Free Markets

Why won't songs from Apple's online music store play on a non-Apple MP3 player? Why can't I make a backup copy of a DVD? The answer, writes Timothy B. Lee in "Circumventing Competition: The Perverse Consequences of the Digital Millennium Copyright Act" (Policy Analysis no. 564), is that the corporations that make those products want to lock consumers into their systems, and they've enlisted Congress to force us to comply. The Digital Millennium Copyright Act bans any technology

that would allow consumers to circumvent the copy protections built into music, movies, and other copyrighted content, creating a legal regime that reduces consumers' options and prevents established fair use of digital content. Lee recommends regulating digital content rights under existing copyright laws, which protect the rights of content producers as well as competition and consumer choice.

Save Me from Myself

Prominent behavioral economists have recently tried to justify paternalistic interventions in individual choices by arguing that people are unable to protect their future selves from harms that their present behavior causes. They believe that the government should regulate behavior—such as consumption of alcohol and fatty foods and failure to save for retirement—that will have repercussions in the future. In "Against the New Paternalism: Internalities and the Economics of Self-Control" (Policy Analysis no. 563), economist Glen Whitman disputes the attempt to create intellectual justifications for paternalism, arguing that government is just as ill-equipped to make paternalistic decisions on behalf of our future selves as it is to make such choices for

our present selves. Strategies that promote self-control are more likely than government manipulation to succeed at enticing people to make decisions that will benefit them in the long term.

Trading with Strangers

One of the greatest benefits of the market economy is the ability to participate in "depersonalized exchange," or trade between people who do not know one another. In "The Path to Development: When Does the Legal Environment Become Critical?" (*Economic Development Bulletin* no. 7), James Gwartney and Robert Lawson, coauthors of *Economic Freedom of the World*, outline the institutional improvements—sound legal systems, contract enforcement, and strong property rights—that developing nations must make to allow their citizens access to the full benefits of trade. Without a sound framework for depersonalized exchange, trade will remain localized, and poor countries will be unable to realize the full economic benefits of trade. Other issues of *Economic Development Bulletin*, available at www.cato.org, have examined property rights in Zimbabwe, financial markets in China, and Václav Klaus's achievement in the Czech Republic.

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. ©2006 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.

CATO POLICY REPORT

David Boaz Editor
David Lampo Managing Editor
Amy Phillips Editorial Assistant
Patricia Bullock Production Designer

CATO INSTITUTE

Edward H. Crane President and CEO
William A. Niskanen Chairman
David Boaz Executive Vice President
Ted Galen Carpenter V.P., Defense & Foreign Policy Studies
Susan Chamberlin V.P., Government Affairs
James A. Dorn V.P., Academic Affairs
William Erickson V.P., Finance and Administration
Brink Lindsey V.P., Research
Roger Pilon V.P., Legal Affairs

Lesley Albanese Director, External Affairs
Scott Anderson Contoller
Virginia Anderson Director, Web Services
Brandon Arnold Director, Government Affairs
Radley Balko Policy Analyst

Michael F. Cannon Director, Health Policy Studies
Andrew Coulson Director, Center for Educational Freedom
Yana Davis Director of Sponsor Communications
Jamie Dettmer Director, Media Relations
Chris Edwards Director, Fiscal Policy Studies
Robert Garber Director, Marketing
Jagadeesh Gokhale Senior Fellow
Daniel T. Griswold Director, Trade Policy Studies
Jim Harper Director, Information Policy Studies
Gene Healy Senior Editor
Linda Hertzog Director, Conferences
Daniel J. Ikenson Trade Policy Analyst
Sallie James Trade Policy Analyst
Elizabeth W. Kaplan Senior Copyeditor
David Lampo Publications Director
Robert A. Levy Senior Fellow, Constitutional Studies
Timothy Lynch Director, Criminal Justice
Ashley March Director, Foundation Relations
Neal McCluskey Education Policy Analyst
Jon Meyers Art Director
Mark K. Moller Senior Fellow
Tom G. Palmer Senior Fellow
Alan Peterson Director of MIS
Evans Pierre Director of Broadcasting
Christopher Preble Director, Foreign Policy Studies
Alan Reynolds Senior Fellow
Claudia Ringel Copyeditor

John Samples Director, Ctr. for Representative Govt.
Stephen Slivinski Director, Budget Studies
John Tamny Director, Development
Michael Tanner Director, Health and Welfare Studies
Jerry Taylor Senior Fellow
Marian Tupy Asst. Director, Global Economic Liberty
Peter Van Doren Editor, *Regulation*
Ian Vásquez Director, Global Economic Liberty

James M. Buchanan Distinguished Senior Fellow
Earl C. Ravenal Distinguished Senior Fellow

Randy E. Barnett Senior Fellow
Lawrence Gasman Senior Fellow in Telecommunications
Ronald Hamowy Fellow in Social Thought
Steve H. Hanke Senior Fellow
John Hasnas Senior Fellow
Penn Jilette Mencken Research Fellow
David B. Kopel Associate Policy Analyst
Christopher Layne Visiting Fellow, Foreign Policy Studies
Patrick J. Michaels Senior Fellow in Environmental Studies
P. J. O'Rourke Mencken Research Fellow
Gerald P. O'Driscoll Jr. Senior Fellow
José Piñera Co-chair, Social Security Choice
Jim Powell R. C. Hoiles Senior Fellow
Ronald Rotunda Senior Fellow, Constitutional Studies
Teller Mencken Research Fellow
Cathy Young Research Associate

Identity Crisis

BY JIM HARPER

People need to know with whom they are interacting, and they need ways to determine whether people are who they say they are. Throughout most of human history, most interactions took place among members of the same family or clan, who could easily identify one another by face or name.

Modern communication technology, however, allows us to interact with people we've never met before, people whose identities we cannot easily verify. The ease with which we can now travel long distances allows strangers to enter our communities. The process of identifying people has become vital and complex.

Identification has become an important component of national security policy. If people who pose a threat can be separated from those who are harmless, law enforcement can target its resources to more effectively prevent crimes and terrorism. Jim Harper, Cato's director of information policy studies, acknowledges the role that identification can play in apprehending terrorists but worries that identification is coming to be seen as a panacea that can replace more robust risk-management systems. Harper believes that consolidating identification in the hands of the government will increase government power but won't effectively protect us from terrorism and criminals.

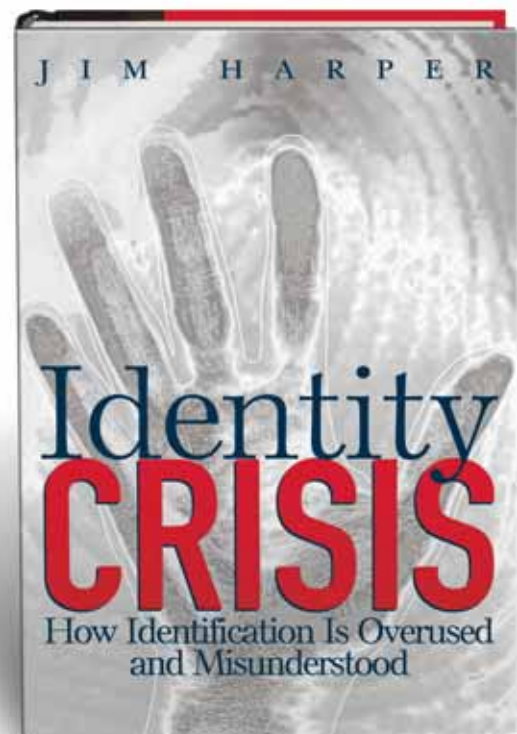
Harper's new book, *Identity Crisis*, is a clear, concise look at the state of identification today, examining the myriad ways that identifying information is stored and used. People have two chief worries about identity. They want to discourage criminal behavior by creating accurate and simple ways to identify others, and they want to ensure that their personal information is kept private and is not used to identify them. Many people who welcome national identification as a terrorism prevention measure also fear that their own information will end up in a national database where it could be used against them.

Identity Crisis argues that the goals of security and privacy are not, as many advocates of national identification assume, irreconcilable, and that government identification systems are becoming more intrusive without increasing safety. A national identification card, Harper writes, would be vulnerable to the same kinds of fraud and error as other methods of identification but carries the added risk that it could be used, as it has historically been in countries around the world, as a tool of government oppression. The most fraud-proof method of identification, biometric surveillance of all citizens, is also the most prone to infringement of privacy rights and other abuses.

The best solution to the identification problem, Harper says, is decentralization of identifiers—the use of different types and levels of identification for different purposes. Individuals should decline to give identifying information when it is not necessary and should insist that the government respect their privacy rights under the law. Authorities should cease to demand uniform, government-issued identification cards and instead encourage a diverse, competitive market for identification services and set uniform standards for verification and security. Then, each individual can help guide the private sector toward solutions that meet the demand for verifiable identification without sacrificing important privacy rights.

***Identity Crisis* is available for \$22.95 in bookstores, at www.catostore.org, or by calling 800-767-1241.**

Identification has become an important component of national security policy. If people who pose a threat can be separated from those who are harmless, law enforcement can target its resources to more effectively prevent crimes and terrorism.



“ To Be Governed... ”

BUYING VOTES

The Senate approved by voice vote an amendment by Sen. James M. Inhofe (R-Okla.) that would deny to any lawmaker a pay increase that he votes against but that eventually becomes law.

—*Washington Post*, Mar. 9, 2006

FARM SUBSIDIES GO GLOBAL

A U.S. small business will use political risk insurance from the Overseas Private Investment Corporation (OPIC) to establish a state-of-the-art dairy farm in Siberia. . . . OPIC will provide \$4.5 million in insurance to a subsidiary of Minneapolis-based Siberian Frontier Farms for the development of a 3200-cow dairy farm near Novosibirsk.

—*OPIC news release*, Mar. 29, 2006

NO MORE TAXES (SOME EXCEPTIONS APPLY)

Republican state legislators from Fairfax County said they would submit legislation Friday that could generate up to \$300 million a year for Northern Virginia transportation projects without raising gasoline or sales taxes.

The money would be entirely for the Washington region and would come from raising fees on the area's motorists, home buyers and others.

—*Washington Post*, Jan. 20, 2006

LOUD AND CLEAR

As readers of this page know all too well,

excessive government regulation, taxation and spending strangle economic growth as frequently as runaway litigation and soaring health-care and energy costs do. What politicians say about these issues does not matter much, but what we do about them does. I'm proud of what House Republicans have accomplished on this front over the last several years. . . . Our record of accomplishment speaks for itself.

—*Roy Blunt in the Wall Street Journal*, Jan. 19, 2006

EDUCATION SPENDING IS UP 62 PERCENT IN FIVE YEARS

Budget Committee Chairman Judd Gregg (R-N.H.) . . . seeks to shift about \$5 billion from the Pentagon and foreign aid budgets to cash-strapped domestic programs such as education and homeland security.

—*Washington Post*, Mar. 10, 2006

FEDERAL REVENUE, 1956 (in constant 2000 dollars): \$489 BILLION FEDERAL REVENUE, 2006 (in constant 2000 dollars): \$1,951 BILLION

“No one is willing to sit down and come to grips with the fundamental problem that you can't run a 21st-century government on a 1950s revenue base,” said Urban Institute President Robert D. Reischauer, a former director of the non-partisan Congressional Budget Office.

—*Washington Post*, Mar. 14, 2006

TOTAL SPENDING UP 48 PERCENT IN BUSH YEARS

“We're beyond cutting the fat and beyond the bone. We're down to the marrow,” said Sen. Arlen Specter (R-Pa.), who plans to introduce an amendment today to raise spending on health care, education and worker safety by billions of dollars above the president's request for next year.

—*Washington Post*, Mar. 14, 2006

FREE SPEECH MARCHES ON IN DENMARK

Beginning next month, parents in Denmark can legally name their children Jesus. The country's parliament voted last June to add the biblical name of the Christian messiah to the approved register. . . . Danish parents . . . are required to select the first names of their infants from the government's roster.

—*Religion News Service*, Mar. 23, 2006

INFLATION IS ALWAYS AND EVERYWHERE A MONETARY PHENOMENON

Argentina's President Nestor Kirchner Tuesday resorted to an old trick in his battle against inflation, calling on consumers to stop buying beef, a dietary staple, if prices do not fall. Kirchner ordered a 180-day suspension of most beef exports last Wednesday to tamp down a rise in domestic beef prices that officials say is fueling double-digit inflation.

—*Reuters*, Mar. 14, 2006

CATO POLICY REPORT

1000 Massachusetts Ave., N.W.
Washington, D.C. 20001

ADDRESS SERVICE REQUESTED

The logo for Cato Institute, featuring the word "CATO" in a stylized, serif font with a gold or yellow color.