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Policy Report

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Libertarian Voters in 2004 and 2006

BY DAVID BOAZ AND DAVID KIRBY

Did libertarians swing the 2006 election? Election and poll results suggest it's possible. While partisans still voted along party lines, Republicans lost big among independents. By our analysis, libertarians may be the largest bloc of such independent-minded swing voters. Particularly in states with high concentrations of libertarians such as Arizona, Nevada, Colorado, Montana, and New Hampshire, disaffected libertarians likely cost Republicans House and Senate seats. But an obsession with political polarization and the red-blue divide has prevented most pundits from seeing the impact of libertarian-leaning voters.

Ever since the impeachment of President Clinton and the Florida ballot problems in 2000, we've been told that we're a polarized nation, sharply split between "red state" Republicans and "blue state" Democrats. And the rise of blogs has intensified that sense, by allowing people to get their daily, even hourly, dose of the liberal or conservative party line. **CONT'D ON PAGE 14**



Milton Friedman, perhaps the greatest champion of freedom of the past half century, passed away November 16 at the age of 94. In this issue we remember his long association with the Cato Institute, from smuggling books into Poland in 1982 to the awarding of the third Milton Friedman Prize for Advancing Liberty in 2006. Above, Milton Friedman in his Cato 25 cap at the Cato Sponsors Picnic after the Cato Institute's 25th Anniversary Dinner in 2002, at which the first Friedman Prize was awarded. **MORE ON PAGE 4**

DAVID BOAZ is executive vice president of the Cato Institute. **DAVID KIRBY** is executive director of America's Future Foundation. They are coauthors of "The Libertarian Vote," a Cato Institute Policy Analysis.



BY DAVID BOAZ

“Any administration running a multi-trillion-dollar government, with its fingers in every corner of our economy and society, needs oversight and investigation.”

Editorial Dividing Power

Power. That was the problem that worried the American Founders. How do you create a government strong enough to carry out its appropriate functions without setting out on a path to despotism?

Divided power became a cornerstone of the American system. The Founders sought to protect individual freedom and civil society by limiting and dividing power. As the country gets bigger and more complex, and especially as government amasses more power, the advantages of decentralization and divided power become even greater.

We once again have divided government in Washington. Cato chairman William Niskanen has argued that spending tends to be lower and war less likely with divided government. Certainly spending has risen much faster under a unified Republican government than it did during the previous six years under divided government.

Divided government works best when the separate branches check and balance one another. A Republican Congress gave President Bush a blank check for going to war in Iraq, and it failed to provide sufficient oversight of presidential decisions affecting homeland security and civil liberties. It is now imperative that members of Congress attend to their responsibilities.

Congress should investigate executive branch abuses. Rep. Henry Waxman (D-CA), the new chairman of the Government Reform Committee, complained a few months ago: “With few exceptions, Congress has abdicated oversight responsibility altogether. Republican Rep. Ray LaHood aptly characterized recent congressional oversight of the administration: ‘Our party controls the levers of government. We’re not about to go out and look beneath a bunch of rocks to try to cause heartburn.’”

Any administration running a multi-trillion-dollar government, with its fingers in every corner of our economy and society, needs oversight and investigation. Cato studies such as “Dereliction of Duty: The Constitutional Record of President Clinton” and *The Rule of Law in the Wake of Clinton* detailed many activities of the Clinton administration—executive orders that exceeded presidential authority, petty corruption by Cabinet members, Filegate, the Waco assault, the seizure of Elian Gonzalez, the sordid pardons—that received too little attention from congressional committees. But those GOP-dominated committees have been even less willing to investigate the activities of a Republican administration—such as the use of flawed intelligence in making the case for war in Iraq, “signing statements” that amend or negate laws, the secret wiretapping and mail-opening programs, and possible illegal inducements to get members of Congress to vote for the Medicare prescription drug entitlement. The new Democratic majority should not use its investigative powers to hinder necessary functions of government, but it should not shrink from its obligation to monitor the executive branch and expose abuses.

Congress should also rein in the president’s war powers. War is the most costly and dangerous activity governments undertake. That’s why the Constitution lodged the power to declare war in the most broadly representative body. But presidents have increasingly asserted their power to make war, and Congress has supinely acquiesced. As Gene Healy noted in 2001, “The Clinton administration espoused a view of executive war-making authority that was as unconditional and unconstrained as that claimed by any president in American history.” Although President Bush did ask Congress for authorization for military activities in Afghanistan and Iraq, Congress’s resolutions delegated full authority to the president to make his own decisions about war. To ensure that we remain a constitutional republic, not a presidential empire, Congress must reclaim its power under the Constitution to make such momentous decisions and its obligation to debate and vote on war measures.

Finally, Congress should stop the abuse of executive orders. Presidents have increasingly used executive orders to make law, a usurpation of both the legislative powers granted to Congress and the powers reserved to the states. Facing a Republican Congress, President Clinton used executive orders to create a 1.7-million-acre national park, impose environmental regulations, and wage war in Yugoslavia. President Bush has used executive orders to grant himself extraordinary powers to deal with terrorism. No matter what agenda the president seeks to impose by executive order, Congress should rein in this unilateral lawmaking. The body to which the Constitution delegates “all legislative powers herein granted” must assert its authority.

As for federal spending, the Democrats have “pledged to restrain spending,” in the words of a *Washington Post* headline, but they have also promised to spend more on homeland security, education, drugs, and more. So here’s an opportunity for President Bush to demonstrate the benefits of divided government: After six years he could start vetoing excessive appropriation bills. That’s one power the president actually has.

The president should check the abuses of Congress through the veto. Congress should check the abuses of the president through budget and oversight authority. Republicans who are inclined to rally around President Bush and resist the “encroachments” of a Democratic Congress should ask themselves: Will I be happy when President Clinton II or President Obama exercises the powers that President Bush has asserted? Too many in both parties gleefully accumulate power when they are in office, forgetting that all those powers will be available one day to officeholders who will wield them in ways not previously imagined.

Populism, corruption, or liberal reform? Looking at the Future of Latin America

Mario Vargas Llosa, the acclaimed novelist and former Peruvian presidential candidate, began his remarks at the November 30 conference “Latin America: Between Populism and Modernity” by observing that often the best way to understand liberty is to experience a lack of it. The speakers at the conference, which was cosponsored by the International Foundation for Liberty, of which Vargas Llosa is president, and the Atlas Economic Research Foundation, said that Latin Americans are indeed suffering from a lack of economic freedom and warned about the deterioration of



Mario Vargas Llosa, Andrei Illarionov, Ian Vásquez, and David Boaz discuss liberalism and the left after a conference on the future of Latin America.

political freedom in various countries. But the conference also suggested some ways the region might learn to move toward more market-based societies and away from corrupt governments.

An overflow crowd heard many of the speakers defend capitalism from attacks by populist Latin American leaders such as President Hugo Chávez of Venezuela, President Evo Morales of Bolivia, and Rafael Correa, president-elect of Ecuador. Author Alvaro Vargas Llosa bemoaned the stagnation of Latin American economies compared with those of many other parts of the world. He argued that excessive government intervention is strangling economic growth—a business in Brazil, for example, must deal with 65 different taxes. Rodrigo de Rato, managing director of the International Monetary Fund, said that Latin America’s public debt, which stands

at 50 percent of GDP, is far too high and that illiberal labor laws that make firing employees very difficult also need reform.

Other speakers dissected the populist phenomenon itself. Moisés Naím, editor in chief of *Foreign Policy*, explained that since corruption is widespread in Latin America, populist candidates can gain power by campaigning on the promise that they will clean up the system. But, he continued, in practice they completely fail to address the root causes of that corruption. As a case in point, Gustavo Coronel, former Venezuelan representative to Transparency International, described how Chávez has driven his country into debt by spending billions to buy foreign support, while Venezuela sinks to the bottom of all Latin American countries in social and economic indicators. The Cuban exile writer Carlos Alberto Montaner explored the ideology espoused by many of the populists, dubbed the “socialism

of the 21st century” by Chávez, and its sheer irrationality, epitomized by a speech in which Chávez called for the elimination of money and the return to the barter system.

Finally, Juan José Daboub, a managing director at the World Bank and former finance minister of El Salvador, explained how he and others helped implement many liberal reforms such as the simplification of the tax system and the introduction of competition and private ownership to former state-owned monopolies, which explain his country’s recent economic success. José Luis Daza, managing director of Integrated Finance Limited, called on Latin America’s vibrant community of artists to stop romanticizing figures like Che Guevara and Fidel Castro, who have brought only misery to the region, and instead turn their skills to celebrating individual freedom.

NEWS NOTES



SIGRID FRY-REVERE has joined the Cato Institute as our first director of bioethics studies. She will focus on legal and policy issues in the life sciences with a particular emphasis on the social impact of new medical developments. Her areas of interest include genetic engineering, neuroethics, reproductive technologies, end of life decisions, and research ethics. Fry-Revere also deals with issues such as informed consent, cultural diversity, and family prerogatives in health care. Prior to joining Cato, Fry-Revere was a consultant to several hospitals, home health agencies, and hospices in the Washington area. She has taught at the University of Virginia and George Mason University and practiced FDA and health law at Arent, Fox, Kintner, Plotkin & Kahn. Sigrid Fry-Revere holds a Ph.D. in philosophy and bioethics and a law degree from Georgetown University.

ADAM B. SCHAEFFER has been named a policy analyst with Cato’s Center for Educational Freedom. He is also a doctoral candidate in the Politics Department at the University of Virginia, where his research on school choice investigates the interaction between policies, arguments, and audiences. He received his M.A. in social science at the University of Chicago and is a former NRI Fellow at the American Enterprise Institute. He recently wrote a study of school choice organizations for the Mackinac Center.



LESLEY ALBANESE has been named a vice president of the Cato Institute. Formerly director of sponsor services and of external affairs, she has been with Cato for nine years. In her new position she will oversee development efforts, with primary responsibility for Cato Club 200 members and Benefactors.

Remembering Milton Friedman

Milton Friedman and the Cato Institute had a long history together. Friedman spoke at Cato events in Washington, San Francisco, Mexico City, and Shanghai. His articles appeared in *Cato Journal*, *Cato Policy Report*, and Cato books published in English, Polish, Russian, Chinese, and Arabic. And he honored the Cato Institute in 2002 by allowing us to create the Milton Friedman Prize for Advancing Liberty, named in honor of the greatest champion of liberty of the past half century.

Our first collaboration with Milton Friedman was to smuggle his ideas behind the Iron Curtain, in our 1982 Polish book *Solidarity with Liberty* and then in a 1985 Russian book *Friedman and Hayek on Freedom*. In 1986



Friedman participated in a Liberty Fund/Cato Institute conference on monetary policy organized by Cato vice president James A. Dorn. In 1988 Milton Friedman was the star of Cato's Shanghai conference, "Economic Reform in China," probably the first conference on free markets and the rule of law ever held in the world's most populous country. Students

and young intellectuals "followed Friedman around like a rock star," as Cato president Ed Crane put it, peppering him with questions until he asked Crane to arrange a news conference for him, so he



could answer all the questions at once. During that



conference he also met with Zhao Ziyang, at the time the general secretary of the Communist Party, deposed a few months later for his unwillingness to approve the use of force on Tiananmen Square. Zhao's visit with Friedman

was controversial within the Chinese Communist Party and may also have contributed to his ouster.

Friedman spoke at several more Cato events, including a "Freedom and Technology" dinner in

San Francisco in 1989, our “Liberty in the Americas” conference in Mexico City in 1992, and our 1998 Silicon Valley conference, “Washington, D.C., vs. Silicon Valley,” where he said that if the antitrust suit against Microsoft were to benefit consumers or the computer industry, it would be “the first time in history” that any such suit had done so.

We were especially pleased to have him as the keynote speaker in 1993 for the Grand Opening Dinner for our new building. Friedman, who once published a book titled *There Is No Such Thing as a Free Lunch*, told more than 1,000 guests that “in the real economic world, there is a free lunch, an



extraordinary free lunch, and that free lunch is free markets and private property.”

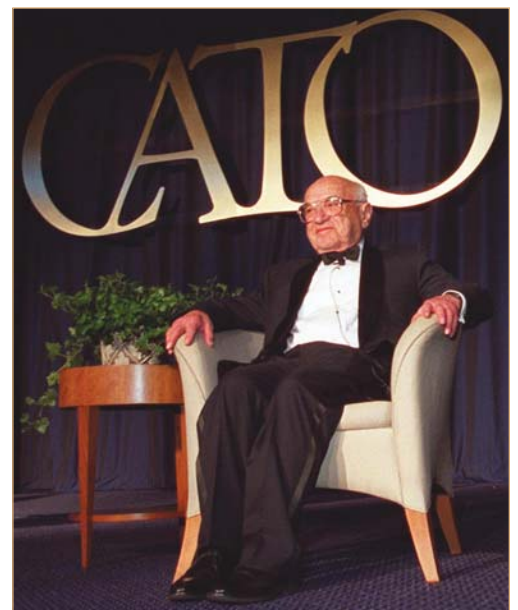


A lasting collaboration with Milton Friedman began in 2002, when he agreed that we could create the Milton Friedman Prize for Advancing Liberty to honor people who have made a significant contribution to the advancement of freedom. Friedman made a rare visit to Washington on May 9, 2002, where he was honored by President Bush at a

White House ceremony, lunched with the president, spoke to a group of senators about health care in the afternoon, and spoke at Cato’s 25th Anniversary Dinner in the evening, where the first Friedman Prize was awarded to development economist P. T. Bauer. Friedman also attended Cato’s Public Policy Day the next morning and a picnic for Cato Sponsors on Saturday.

Friedman also attended the presentation of the second biennial Friedman Prize, to Hernando de Soto in San Francisco in 2004. He was unable to attend the presentation of the third prize, to former Estonian prime minister Mart Laar in Washington this past May, but he did record a video greeting to the crowd.

The Board of Directors and staff of the Cato Institute are extremely proud that through the Milton Friedman Prize for Advancing Liberty we will honor Milton Friedman and the cause for which he labored for years to come.



A Week in the Life of the Cato

November 2006

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SUNDAY

The *New York Post* reviews senior fellow Alan Reynolds's new book, *Income and Wealth*. An op-ed by Reynolds runs in the *Washington Times*, and an op-ed by Ted Galen Carpenter, vice president for foreign affairs, runs in the *Chicago Sun-Times*.

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MONDAY

10:30 a.m.: Christopher Preble, director of foreign policy studies, participates in a panel discussion at the annual meeting of the Citizens for Global Solutions in Washington.

11:00 a.m.: Adam Schaeffer, policy analyst for the Center for Educational Freedom, defends school choice in a debate at Americans United for the Separation of Church and State.

1:00 p.m.: Senior fellow Jerry Taylor briefs Larry Kudlow, host of *Kudlow & Company* on CNBC, to prepare him for an interview with Robert Redford on global warming.

Afternoon: Brink Lindsey, vice president for research, reviews the copyediting of his book, *The Age of Abundance: How Prosperity Transformed America's Politics and Culture*, forthcoming from HarperCollins in the spring of 2007.

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TUESDAY

11:00 a.m.: Cato holds "Policy Perspectives 2006" at the Waldorf-Astoria Hotel in New York, with John Fund of the *Wall Street Journal* on "Election 2006: What It Means for Congress Today and the Presidency in 2008"; John Samples on "The Assault on the First Amendment"; Michael Cannon on "Free Market Health Care vs. the Massachusetts Plan"; and Sen. Chuck Hagel (R-NE) on "Whatever Happened to Small-Government Republicans?"

12:00 p.m.: A Cato Policy Forum, "Flat Tax Reform in Slovakia: Lessons for the United States," features Ivan Miklos, former deputy prime minister of Slovakia, and Chris Edwards, director of tax policy studies.

12:30 p.m.: Jim Harper, director of information policy studies, speaks on the REAL ID Act at a meeting convened by the American Civil Liberties Union, the National Immigration Law Center, the National Council of La Raza, and the Leadership Conference on Civil Rights.

Afternoon: Chris Edwards meets with Sen. Ron Wyden (D-OR) to discuss fundamental tax reform.

5:30 p.m.: Stephen Sivinski, director of budget studies, speaks at a Tennessee Center for Policy Research forum in Nashville about his book, *Buck Wild: How Republicans Broke the Bank and Became the Party of Big Government*.

Evening: Senior fellow Tom Palmer addresses students and faculty at Chapman University in Orange, California, on "The Case for Globalization: The Faster, the Better."

Cato Policy Report can't report all the activities of the scholars at the Cato Institute, so we hope this calendar from one typical week in November will give you a peek at the kinds of things we're doing on behalf of liberty and limited government every day. Of course, even these pages list only a small selection of the research, writing, editing, speaking, and talking with journalists and public officials that Cato scholars do.

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WEDNESDAY

10:30 a.m.: Jerry Taylor appears on *CNBC's Morning Call* to debate energy independence with a representative from the Sierra Club.

12:00 p.m.: Sallie James, trade policy analyst at the Center for Trade Policy Studies, speaks to Cato interns about agricultural trade policy.

2:15 p.m.: James Dorn, vice president for academic affairs, Daniel Ikenson, associate director of the Center for Trade Policy Studies, and Sallie James meet with a delegation from the Chinese government to discuss how to liberalize trade between the United States and China.

5:30 p.m.: Policy analyst Will Wilkinson delivers a talk to the Center for the Study of Public Choice seminar at George Mason University on "The Political Economy of Happiness."

6:30 p.m.: At an event in Manhattan sponsored by the Donald & Paula Smith Family Foundation, executive vice president David Boaz debates political scientist John E. Schwarz on "The Promise of Freedom: Is America on Course?"

7:00 p.m.: Justin Logan, foreign policy analyst, participates in a roundtable discussion, "Iran: Clear Problem, Unclear Solution," hosted by America's Future Foundation.

7:30 p.m.: Michael Tanner, director of health and welfare studies, delivers a speech at Cornell University on health care reform.

Evening: Daniel Griswold, director of the Center for Trade Policy Studies, lectures at Texas A&M University in Laredo about U.S.-Mexican trade relations.

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THURSDAY

8:00 a.m.: The day-long 24th Annual Monetary Policy Conference, "Federal Reserve Policy in the Face of Crises," begins. Speakers include Anna J. Schwartz of the National Bureau of Economic Research, Randall J. Kroszner of the Federal Reserve Board, Cato chairman William Niskanen, and Cato senior fellow Jagadeesh Gokhale.

The Monetary Conference was interrupted with the sad news of Milton Friedman's death. Robert Barro of Harvard University devoted his closing address to an appreciation of Friedman's ideas on monetary policy. David Boaz and Ed Crane appeared on U.S. and British news outlets to discuss Friedman's commitment to freedom and his impact.

9:30 a.m.: At the 2006 Federalist Society National Convention, Tom Palmer participates in a panel on "Limited Government and Spreading Democracy: Uneasy Cousins?"

3:00 p.m.: Peter Van Doren, senior fellow and editor of *Regulation* magazine, presents a lecture on housing issues to 100 D.C. high school students who participate in the D.C. YMCA's Youth & Government program.

5:30 p.m.: Jerry Taylor and Peter Van Doren finish a 4,600-word article on ethanol and ethanol subsidies they were commissioned to write for the *Milken Institute Review*.

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FRIDAY

Morning: Jim Harper, director of information policy studies, secures former Virginia governor Jim Gilmore as a speaker at a December 18 Book Forum on *Overblown: How Politicians and the Terrorism Industry Inflate Threats, and Why We Believe Them* by John Mueller.

9:00 a.m.: Roger Pilon, vice president for legal affairs, and adjunct scholar Richard A. Epstein join a Federalist Society National Convention panel on "Federalism: Executive Power in Wartime."

12:00 p.m.: David Boaz hosts a roundtable lunch featuring Andy Olree, author of *The Choice Principle: A Biblical Case for Legal Toleration*, who discusses a Christian basis for a classically liberal political order.

3:00 p.m.: Jerry Taylor talks to a *New York Times* reporter about the costs and benefits associated with greenhouse gas emission controls.

Afternoon: Andrew Coulson, director of the Center for Educational Freedom, edits a chapter of a book manuscript on school choice.

Debating Darwin and doubt

Iraq, Afghanistan, and America's Role in the World

OCTOBER 3: Expansion of the size of government and a perceived mishandling of the war in Iraq, among other developments, have caused many people to question the Republican Party's commitment to true "conservative" principles. At the forefront of that questioning has been Andrew Sullivan, blogger and *Time* colum-

Federal Election Commission and several leading campaign finance scholars were in the audience for a Cato Book Forum, *The Fallacy of Campaign Finance Reform*. John Samples, director of the Center for Representative Government at Cato, explained why he believes that the campaign finance reform of the 2002 McCain-

ive John Hulsman of the German Council on Foreign Relations present a new approach to American strategy in their book *Ethical Realism: A Vision for America's Role in the World*, which they discussed at a Cato Book Forum. Lieven said that ethical realism recognizes that the United States must limit its projection of power abroad in order to further its interests. Above all, he argued, the United States is failing to prioritize its security interests. Hulsman applied this theory to Iran and said that since the United States has overextended itself in Iraq, it needs to attempt to contain Iran with security guarantees and deterrence. Lawrence Kaplan of the *New Republic* contended that in an age of proliferation of weapons of mass destruction it may be necessary to take preventive action to avoid catastrophe. Joseph Cirincione of the Center for American Progress said that bipartisan efforts such as *Ethical Realism* are needed to convince Americans of the colossal damage that a neoconservative foreign policy has done to the standing of the United States in the world.



Sen. Chuck Hagel (R-NE) tells Cato's New York City audience that ethical problems in Congress and profligate spending are both a result of the Republican Party's having lost its way philosophically.

nist. At a Cato Book Forum, *The Conservative Soul: How We Lost It, How to Get It Back*, Sullivan described the crisis in conservatism as stemming from the rejection of "the conservatism of doubt," which recognizes the fallibility of human knowledge and advises us to regard government with skepticism. He argued that many Republicans in power have instead embraced "Christianism," the belief that all political values are subordinate to a fundamentalist understanding of morality. David Brooks, *New York Times* columnist, argued that Sullivan exaggerated the influence of religion on Republican politics, as most evangelical GOP supporters are not extreme fundamentalists. Sullivan contended that the religious right nevertheless has profound influence on the GOP, to the detriment of limited government.

OCTOBER 4: Four of the six members of the

Feingold bill is the greatest attack on free speech since the alien and sedition laws. Attorney and Democratic strategist Robert Bauer argued that campaign finance reform has dangerously shifted the public's view of political speech; such speech is now seen as somehow less deserving of First Amendment protection than other forms of speech. Eliza Newlin Carney of the *National Journal* said that, although campaign finance reform may have gone too far, deregulation may be throwing the baby out with the bath water, as some protection against corruption is needed. Samples responded that since there is little empirical evidence to suggest that contributions change politicians' behavior, the presumption should be on the side of those who support free political speech.

OCTOBER 10: Liberal Anatol Lieven of the New America Foundation and conserva-



Ayaan Hirsi Ali tells the audience at Cato's November 30 conference on Latin America about her experiences with Muslim intolerance in her native Somalia and other countries.

OCTOBER 12: One of the reasons libertarians bemoan the government's involvement in schooling is that a one-size-fits-all education policy means the state can choose which controversial view it wants all children to learn. The debate over Darwin's evolutionary theory and intelligent design theory is perhaps the best example of that

problem. At a Cato Book Forum, *Why Darwin Matters: The Case against Intelligent Design*, Michael Shermer, editor of *Skeptical* magazine, argued that the idea that complex organisms arose from the hand of an intelligent designer is ultimately unfalsifiable, and therefore unscientific. He said that, although Darwinism might not explain everything, we should not throw the whole theory out in favor of supernaturalism. Jonathan Wells of the Discovery Institute responded that there is not enough scientific evidence to back up Darwinism and that attacks on intelligent design miss the mark because it is still a fledgling field that he hopes will develop further. Both speakers agreed, however, that intelligent design is inappropriate to teach in the classroom.

OCTOBER 18: The old saying goes that if you give a man a fish, he eats for a day, but if you teach a man to fish, he eats for a lifetime. Andrew Mwenda, political editor of the Ugandan *Daily Monitor* and popular radio host in Uganda, believes that the West has been giving Africa “fish” in the form of billions of dollars of foreign aid, most of which simply lines the pockets of corrupt leaders, when what Africa really needs is to learn to fish—it needs market institutions that create wealth. At a Cato Policy Forum, “Foreign Aid and the Weakening of Democratic Accountability in Uganda,” Mwenda further explained that debt relief acts as a perverse incentive because it rewards countries that mismanage loans and penalizes good managers. Mauro De Lorenzo of the American Enterprise Institute emphasized the point that foreign aid is inherently problematic because there is no accountability to the people the money is supposed to benefit.

OCTOBER 19: Many commentators of various political ideologies agree that the occupation of Iraq has been poorly executed, but were those failures inevitable? At a Cato Book Forum, *The End of Iraq: How American Incompetence Created a War without End*, Peter Galbraith, former U.S. ambassador to Croatia and now at the



At the State Policy Network's annual meeting in Milwaukee, the Cato Institute's founder and president, Edward H. Crane, tells leaders of state and national think tanks that the spirit of Goldwater and Reagan and the idea of constitutionally limited government have been undermined first by the supply-side movement's refusal to focus on government spending and then by the rise of big-government neoconservatism.

Center for Arms Control and Non-Proliferation, argued that the Iraq war was a strategic mistake from the beginning. Galbraith recommended that the United States withdraw most of its troops but maintain a base in Kurdistan that could be used to fight al-Qaeda elements in Sunni areas. Marina Ottaway of the Carnegie Endowment for International Peace said



At an October 18 Policy Forum, Ugandan journalist Andrew Mwenda says that foreign aid and debt relief create perverse incentives in Africa.

that the chief mistake on the part of the United States has been the idea that it can completely change Iraq without trying to understand Iraq as it actually exists. Christopher Preble, director of foreign

policy studies at Cato, disagreed with Galbraith that U.S. troops need to stay to counteract al-Qaeda. He explained that it is highly unlikely that al-Qaeda could gain a stronghold in Iraq.

OCTOBER 20: Africa is characterized by both extreme poverty and extreme barriers to free enterprise. At a Cato Policy Forum, “Pan-African Free Trade Agreement: Helping Africa through Free Trade,” Andrew Mitchell, the British shadow secretary of state for international development, presented a plan to use what he called “the most important anti-poverty tool” for African development. While discussions of Africa in relation to trade often focus on Western farm subsidies, Mitchell argued that people overlook the potential for African countries to trade with each other. Some of the highest tariffs in the world and arbitrary fees and bribes on those who want to transport goods, he explained, are currently squelching that potential. Mitchell proposed that Western nations host talks for African nations to negotiate a free trade area. Richard Tren, director of Africa Fighting Malaria, discussed how a specific form of protectionism in Africa—import tariffs on life-saving medicines—acts as a regressive tax on the sick.

OCTOBER 27: Protectionism has plagued

agriculture more than almost any other sector of the economies of the Western world. At a Cato Policy Forum, “The Future of the Common Agricultural Policy and Global Trade Liberalization,” Patrick Messerlin of the Institut d’Etudes Politiques de Paris explained how reforms can help markets penetrate the largest farm protection program in the West. Previous reforms purported to decrease the amount of protectionism in the European Union’s Common Agricultural Policy, he explained, have merely shifted subsidies instead of significantly decreasing their overall level. He was optimistic, however, that change may come as more small European farmers correctly see the CAP as mostly benefiting agrobusiness. Daniel Griswold, director of the Center for Trade Policy Studies at Cato, lamented the fact that, while America’s farm subsidies may be disastrous, the EU’s farm support is much larger. He explained that all the harms experienced by Americans because of farm subsidies—higher domestic prices, environmental

Elizabeth Price Foley, professor of law at Florida International University, argued at a Cato Book Forum, *Liberty for All: Reclaiming Individual Privacy in a New Era of Public Morality*, that blending the law and morality in this fashion is antithetical to the nation’s constitutional principles. Historical evidence, in her view, shows that the Founders saw every individual as sovereign and believed that government’s responsibility was to protect individuals from intruding on each other’s sovereignty, not to impose morality. William Galston of the Brookings Institution replied that the principle of liberty was just one of a “complex weave” of principles that influenced the Founders.

NOVEMBER 2: At a Cato Policy Forum on “The U.S. Military and Counterinsurgency: What We Have Learned from Iraq and Afghanistan,” Conrad Crane, lead author of the *Army/Marine Corps Counterinsurgency Manual*, reminded the audience that the most effective weapon against insur-

ure to replace incompetent commanders is one of the best examples of the problems of



Former Slovakian finance minister Ivan Miklos discusses the success of Slovakia’s flat tax at a November 14 forum.

the counterinsurgency. Finally, Christopher Preble, director of foreign policy studies at Cato, said that the United States’ lack of national security interests in Iraq is a main reason the American public is intolerant of the loss of soldiers to insurgents.

NOVEMBER 2: At “Improving Health Care Quality: Is Medicare a Good Candidate for Pay-for-Performance?” a Cato Policy Forum, David Cutler of Harvard University pointed out that it would not make much sense if an automobile shopper were to pay more to a car dealer for a car that did not work, but that is exactly what Medicare does when it gives a doctor who infects his or her patient during surgery, for example, more money to fix the mistake. He proposed that we should restructure Medicare so it pays doctors more when they deliver high-quality care. Michael Cannon, director of health policy studies at Cato, supported the idea of incentives in health care but argued that in Medicare they may be the wrong incentives—certain patients would be treated like “medical hot potatoes” because they would present financial liability. Instead, he suggested that pay-for-performance should be one option for patients to choose as consumers. Gail Wilensky described the findings of the Institute of Medicine Pay-for-Performance Advisory Committee, which she co-chaired. Sandra Gadson, the immediate past president of the National Medical Association, said that pay-for-performance, if it is to work, must address the lack of preventative care in the current system.



Gail Wilensky, former director of Medicare and Medicaid, discusses whether “pay-for-performance” rules would work for Medicare at a November 2 Policy Forum.

damage, and loss of international reputation—are much worse in Europe.

OCTOBER 31: Congress recently passed a law restricting online gambling. A few months earlier, the city of Chicago banned the delicacy foie gras. People disagree about the morality of those activities, but legislators thought they had the “right” answer.

gencies, the support of the local population, does not shoot. Why has the U.S. military had so much trouble building that support, especially in Iraq? Jeffrey Record of the Air War College argued that the military’s historically and culturally ignorant approach in Iraq is the root cause of its setbacks there. Thomas Ricks of the *Washington Post* said that the military’s fail-

NOVEMBER 10: In the wake of the 2006 midterm elections, a large audience including several members of the Federal Election Commission gathered at a Cato Policy Forum, “Election 2006: A Look Back, a Look Forward,” to figure out what the dramatic changes on Capitol Hill and in the states mean for American democracy. Lou Jacobson, deputy editor of *Roll Call*, and Michael McDonald of the Brookings Institution both discussed the odd trend of nationalization in state congressional and gubernatorial races, which usually focus on issues unique to the states. But this year they revolved around national issues to an unusual extent. *Newsday* columnist James

Cannon, director of health policy studies at Cato, argued that personal accounts, properly implemented, can move us toward a free market in health care but that Mitt Romney’s plan in Massachusetts goes in the opposite direction. Finally, Sen. Chuck Hagel (R-NE) lamented the dearth of Republicans committed to small government.

NOVEMBER 14: Just over 15 years ago, Slovakia was a communist country. Now, it has a tax system that is the envy of classical liberals around the world. At a Cato Policy Forum, “Flat Tax Reform in Slovakia: Lessons for the United States,” Ivan Miklos, former deputy prime minister and

Monetary Conference, “Federal Reserve Policy in the Face of Crises,” a large audience heard speakers address the current account deficit, inflation targeting, entitlement programs, and other issues. Speakers included Federal Reserve governor Randall S. Kroszner; Anna J. Schwartz of the National Bureau of Economic Research; William Poole of the Federal Reserve Bank of St. Louis; Mickey Levy, chief economist for the Bank of America; and Robert J. Barro of Harvard University.

NOVEMBER 20: The Cold War may be over, but the government of Russia is waging a war on the marketplace of goods and ideas, said Robert Amsterdam, attorney for the imprisoned Russian businessman Mikhail Khodorkovsky, in an impassioned speech at “Russian Energy Policy and the New Russian State,” a Cato Policy Forum. The Russian government is using its energy assets as a political tool to maintain leverage over other countries, he argued, and is running roughshod over the rule of law in order to keep control over energy markets. He called upon the West to recognize the power it has over Russia and start openly criticizing Russia’s human rights abuses. Andrei Illarionov, former chief economic adviser to Vladimir Putin and now a senior fellow at Cato, discussed both the economic harm wrought by Russia’s anticompetitive energy policy and how the government ignored the rule of law and singled out Khodorkovsky for prosecution.

NOVEMBER 30: Cato joined with the International Foundation for Liberty and the Atlas Economic Research Foundation for the conference “Latin America: Between Populism and Modernity.” Speakers criticized the current crop of populist leaders who seek to expand the scope of government in Latin America. Speakers included Mario Vargas Llosa, writer and president of the International Foundation for Liberty; Cuban exile author Carlos Alberto Montaner; *Foreign Policy* editor in chief Moisés Naím; Rodrigo de Rato of the International Monetary Fund; and Juan José Daboub, former finance minister of El Salvador.



Andrew Mitchell, the British shadow secretary for international development, proposes a pan-African free trade agreement at an October 20 Policy Forum. A 2005 Cato Policy Analysis also discussed the high costs of intra-African protectionism.

Pinkerton argued that the new freshman class in Congress may represent a resurgence of socially conservative and economically populist Reagan Democrats, sparked by fears of internationalism and globalization among the electorate. Finally, John Samples of the Cato Institute reviewed successes and failures for freedom in ballot initiatives.

NOVEMBER 14: Cato held “Policy Perspectives 2006” at the Waldorf-Astoria Hotel in New York. John Fund of the *Wall Street Journal* discussed how the Republicans’ betrayal of free-market principles damaged their party in the midterm elections. John Samples, director of the Center for Representative Government at Cato, explained how campaign finance reform is an assault on the First Amendment. Michael

minister of finance for Slovakia, explained how his country’s 2004 adoption of a flat tax on personal income and a flat value-added tax has helped Slovakia to enjoy increased foreign investment flows, greater prosperity for its citizens, and other benefits. But he warned that some of those tax reforms are in danger from the recently elected government. Chris Edwards, director of tax policy studies at Cato, placed Slovakia’s reforms in the context of a recent global trend of falling tax rates. He also considered the prospect for a flat tax in the United States, noting that members of the new Congress seem much more interested in doling out subsidies than in reforming the tax system.

NOVEMBER 16: At Cato’s 24th annual

Economists debate inflation, regulation, and fiscal imbalance **Is Monetary Policy Working Well?**

Ofall his intellectual accomplishments, Milton Friedman's work in monetary policy was his most revolutionary. His November 16 death was coincidentally the same day as "Federal Reserve Policy in the Face of Crises," Cato's 24th annual Monetary Conference. The moment of silence observed by the audience upon the announcement of Friedman's death was made all the more poignant by the obvious influence that Friedman had had on the conference's speakers, all leading figures in the field.

Anna J. Schwartz, a research associate at the National Bureau of Economic Research and coauthor with Friedman of the landmark work *A Monetary History of the United States*, argued in her remarks that the Federal Reserve has kept interest rates at an inappropriately low level over the past five years. William Niskanen, chairman of the Cato Institute, gave evidence that the Federal Reserve's system of banking regulation



Robert J. Barro of Harvard University discusses Milton Friedman's impact on monetary policy.

is more complex than necessary to protect against financial crises and may need to be liberalized.

Holding down inflation is one of the primary goals for monetary policy, and also one of the biggest success stories for practitioners around the world. In the conference's keynote address, Federal Reserve Governor Randall S. Kroszner examined why the level and volatility of global inflation have declined. He said that deregulation of financial markets has led to currency competition, which in turn encourages "a race to the top." But he warned that the



Mary Anastasia O'Grady of the Wall Street Journal talks with Cato's James Dorn, Ed Crane, and Alan Reynolds at Cato's 24th annual Monetary Conference.

possible backslide to protectionism suggested by the collapse of the Doha Round of trade talks presents danger to those improvements.

One of the greatest challenges the Federal Reserve may face in the coming years is the fiscal imbalance driven primarily by entitlement programs. Jagadeesh Gokhale, a senior fellow at Cato, explained that high inflation will extract the resources from future generations to finance the Social Security and Medicare benefits of current generations if Congress does not correct the fiscal imbalance. Unfortunately, predicted Douglas Holtz-Eakin of the Council on Foreign Relations, politicians



Former Wall Street Journal editor George Melloan listens as Anna J. Schwartz discusses the Federal Reserve's recent errors.

are unlikely to attempt to deal with that imbalance until years in the future when

the Social Security "surplus" runs out.

One panel explored the current relevance of a policy Friedman often discussed: inflation targeting. Lawrence H. White of



Federal Reserve governor Randall Kroszner examines the improvement in global monetary policy.

the University of Missouri–St. Louis argued that inflation targeting as advocated by Fed chairman Ben Bernanke is problematic. He suggested that the Fed target nominal domestic demand instead of a specific inflation rate, a position with which Bennett McCallum of Carnegie Mellon University, another panelist, agreed. The conference concluded with a retrospective on the life and work of Friedman by Robert J. Barro of Harvard University.

The papers presented at the conference will be available in the Spring-Summer 2007 issue of *Cato Journal*.

Economic and political reform Finding Freedom at the Crossroads of Eurasia



Serbian economist Boris Begovic and former Hungarian finance minister Lajos Bokros listen to a speech at Cato's conference "Freedom, Commerce, and Peace" in Tbilisi, Georgia. Speeches were simultaneously translated into Russian, Georgian, and English.

Reformers from 28 countries gathered in Tbilisi, the crossroads of Europe and Asia and capital of the Republic of Georgia, to promote freedom. The occasion was a Cato Institute Conference on "Freedom, Commerce, and Peace: A Regional Agenda." The conference, held October 25–27, was kicked off by Nobel Prize-winning economist and Cato adjunct scholar Vernon Smith, who spoke on "Globalization and Freedom"



Cato Club 200 members Fred and Sandra Young talk with Jon Utley, sponsor of the Freda Utley Prize for advancing liberty in the most difficult parts of the world. The 2006 prize was won by conference host the New Economic School of Georgia and was presented with the Georgian prime minister in attendance.

and given a rousing conclusion by Mart Laar, former Estonian prime minister and 2006 winner of the Cato Institute's Milton Friedman Prize for Advancing Liberty, who reviewed "Post-Socialist Lessons." In between, the 180 participants presented, debated, and dis-

cussed strategies for achieving limited government, free markets, the rule of law, and individual liberty.

Cato senior fellow Tom G. Palmer started organizing the program and identifying participants after a successful lecture tour of Georgia, Armenia, and Azerbaijan earlier in 2006. Palmer was assisted by the staff of Cato.ru, Cato's Russian-language website, and by Cato's conference department. According to Palmer, "My colleagues not only did a tremendous job of bringing together people from the Middle East, Central Asia, Russia, Central and Eastern Europe, and the Balkans, but they also coordinated simultaneous translation of all the presentations, sessions, lectures, and discussions in three languages—Russian, Georgian, and English—and made it all seem effortless."

Highlights of the conference included Georgian prime minister Zurab Nougaideli, who delivered a presentation on the state of reforms in his country. Ricardo Martínez Rico, former deputy minister for the budget of Spain, discussed how Spain managed to control and reduce the government's budget. Boris Begovic, former chief economic adviser to the Federal Government of Yugoslavia, explained how to re-

duce or eliminate both tariffs and informal barriers to trade. Other presenters included Kakha Bendukidze, Georgian state minister for coordination of reforms; Cato senior fellow Andrei Illarionov, former chief adviser to the president of the Russian Federation; Lajos Bokros, former finance minister of Hungary; Vesna Skare-Olbolt, former justice minister of Croatia, and many others. Representatives of classical liberal think tanks, youth groups, and publications also attended.

Cato's local partner in organizing the conference was the New Economic School of Georgia, and cosponsorship support was provided by the Atlas Economic Research Foundation, the Heritage Foundation, the Friedrich Naumann Foundation, the Center for International Private Enterprise, the John Templeton



Nobel laureate Vernon Smith, Cato senior fellow Tom G. Palmer, and Georgian reform minister Kakha Bendukidze discuss reform efforts in the post-communist countries.

Foundation, and the Donald and Paula Smith Family Foundation. The full program and list of speakers are available at www.cato.org/events/tbilisiconf2006.

"The Tbilisi conference was not just a one-time program," said Palmer. "We've built a network, we've assembled success stories and strategies for reform, and we will doggedly pursue our goals of limited government, freedom, and peace among nations. Liberty from coercion is the natural right of every human being, whether in Iran or Estonia, Russia or Romania, and we will not rest until they enjoy their rights, their dignity, and their freedom."

Continued from page 1

But in fact millions of people don't fit the liberal-conservative dichotomy. They may be fiscally conservative and socially liberal (or tolerant), that is, broadly libertarian. Or they may be liberal on economic issues and conservative on issues of personal freedom, and we might call them statist or populist. Either way, they don't fit neatly into the liberal or conservative box, and they often find themselves torn between conservative Republican and liberal Democratic candidates for office.

American Ideologies: A Four-Way Matrix

		Government Intervention in Economic Affairs	
		For	Against
Expansion of Personal Freedoms	For	Liberal	Libertarian
	Against	Populist	Conservative

Source: William S. Maddox and Stuart A. Lilie, *Beyond Liberal and Conservative* (Washington: Cato Institute, 1984), p. 5.

Several recent polls suggest that 10 to 20 percent of Americans fall into the libertarian quadrant. Indeed, libertarians are a bigger share of the electorate than the much-discussed "soccer moms" or "NASCAR dads," and they are increasingly a swing vote. Over the past six years Republicans have expanded entitlements and spent taxpayers' money faster than Democrats, giving libertarians less reason to stick with their traditional voting patterns. Polls show that in both 2004 and 2006 libertarian voters shifted toward the Democrats, and they may well have cost Republicans control of Congress.

Why is this substantial and growing libertarian strength not better recognized? Political scientists have taught for more than 50 years that politics is arranged on a liberal-conservative continuum, so we're all used to that. And indeed, political activists and elected officials do seem to have arranged themselves into those two camps, rather than a more accurate reflection of

the total electorate. Because of the constant repetition of the liberal-conservative spectrum, most libertarian-minded voters don't identify themselves as libertarians, and they aren't organized in libertarian groups. But it's time for pundits, pollsters, and politicians to pay more attention to the libertarian vote.

Libertarians Today

For more than a dozen years now, the Gallup Poll has been using two broad questions to categorize respondents by ideology about economic and social freedom. Gallup consistently finds about 20 percent of respondents to be libertarian. In 2006 they found 21 percent libertarians, along with 21 percent liberals, 20 percent populists, and 25 percent conservatives (12 percent were unclassifiable). Adding a third question from the Gallup survey to create a more robust definition, we found that 13 percent of Gallup's 2006 respondents could be classified as libertarians.

Using similar questions from the Pew Research Center, we found 14 percent libertarians. And from the generally acknowledged gold standard of public opinion data, the surveys of the American National Election Studies, which has asked the same questions for 15 years, we selected three questions about political attitudes. Using those questions, we found that in 2004 libertarians were 13 percent of the voting-age population and 15 percent of actual voters.

After publishing that study, we commissioned Zogby International to ask the same ANES questions to 1,012 actual (reported) voters in the 2006 election. Once again, we found that 15 percent of them could be defined as libertarian on our three-question screen.

Swinging Libertarians

So how do libertarians vote? That's the bottom line for candidates and consultants. We find good evidence not only that libertarians exist, and that they vote, but that their votes are currently in flux. Libertarians may be the next great swing vote.

Given the dominance of fiscal and economic issues over the past generation, it is perhaps not surprising that libertarians have tended to vote Republican. Using ANES data, we find that libertarians have voted heavily Republican in recent presidential elections, but with interesting variations. In 1988, given a choice between George H. W. Bush's watered-down Reaganism and Michael Dukakis's combination of big-government orthodoxy and "card-carrying membership in the ACLU," libertarians voted 74 to 26 percent for Bush. In 2000 libertarians gave 72 percent of their votes to George W. Bush, who said every day on the campaign trail, "My opponent trusts government. I trust you," and only 20 percent to Al Gore, of whom Bush's claim seemed entirely too accurate.

But in 1992, after the senior Bush's tax increase, libertarians split their previously Republican majority almost evenly between Bush and third-party candidate Ross Perot. That suggests that the libertarian affinity for Republicans is easily broken. Libertarians also gave a high percentage of their votes to third-party candidates in 1980 (independent John B. Anderson and Libertarian Party candidate Ed Clark) and 1996 (again Perot).

But the striking fact in our data analysis is what happened in 2004. The libertarian vote for Bush dropped from 72 to 59 percent, while the libertarian vote for the Democratic nominee almost doubled. It's not hard to imagine why. Bush's record on federal spending, centralization of education, expansion of entitlements, the war in Iraq, executive authority, the federal marriage amendment, and civil liberties was certainly sufficient to dissuade many libertarian voters. Sen. John F. Kerry offered

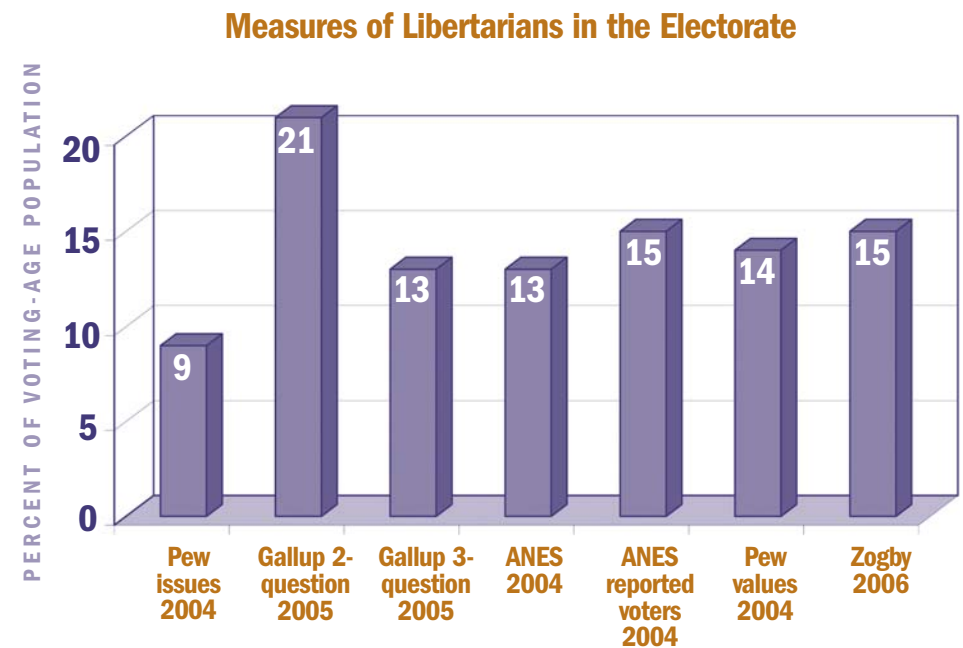
little for libertarians other than “not Bush.” He voted for the war and the Patriot Act, never articulated a clear alternative position on either, and offered standard Democratic support for higher taxes and spending. Nevertheless, he narrowed the Republican majority among libertarians from 52 points to 21 points.

After two more years of war, wiretapping, and welfare-state social spending, we found similar patterns in 2006. In the Zogby survey, 59 percent of libertarians voted for Republican candidates for Congress, and 36 percent voted for Democrats. Comparing those results to the last off-year election in 2002, we find a 24 percentage point swing to the Democrats. That is, libertarians voted for Republican congressional candidates by a margin of 47 percentage points in 2002, and of only 23 points in 2006.

To put this in perspective, front-page stories since the election have reported the dramatic 7-point shift of white conservative evangelicals away from the Republicans. The libertarian vote is about the same size as the religious right vote measured in exit polls, and it is subject to swings more than three times as large.

After the 2000 election Karl Rove was convinced that 4 million Christian evangelicals had stayed home, and he was determined to get them to the polls in 2004. By our calculations, Republicans carried the libertarian vote by 5.5 million votes in the off-year election of 2002 and by only 2.9 million votes in 2006. That’s a swing of 2.6 million libertarian voters. Remember, it takes two new base voters to replace one swing voter who switches from one party to the other. Rove and his colleagues should have been watching out for the libertarian vote as well.

Libertarians who said the war in Iraq was the most important issue voted 64-31 for Democratic congressional candidates. Libertarians who stuck with Republican candidates were most likely to describe terrorism or security as the most impor-



tant issue. Libertarians for whom federal spending was the most important issue were most likely to vote for third-party candidates: 39 percent Democratic, 38 percent Republican, 22 percent other. It’s a sad commentary on today’s Republican Party when its candidates do so poorly among voters concerned about federal spending.

Republicans should be particularly troubled about their standing with young voters, including young libertarian voters. Voters in the 18-34 age groups are more likely than voters over 55 to be libertarian, and the younger libertarians voted more Democratic.

How Libertarians Voted, 2006

AGE GROUP	DEMOCRATIC	REPUBLICAN	OTHER
18-24	29%	51%	20%
25-34	40%	51%	8%
35-54	27%	67%	6%
55-69	24%	72%	5%
70+	18%	81%	2%

Source: Telephone survey of 1,012 reported voters conducted by Zogby International, Nov. 7-10, 2006. Margin of error +/- 3.1 percent.

State by State

Congressional elections are held in states and districts. How did the libertarian vote affect specific races? An interesting sidebar to our story is the impact of Libertarian Party candidates, who may have cost Sens. Jim Talent and Conrad Burns their seats, tipping the Senate to Democratic control.

In Montana, the Libertarian candidate got more than 10,000 votes, or 3 percent, while Democrat Jon Tester edged Burns by fewer than 3,000 votes. In Missouri, Claire McCaskill defeated Talent by 41,000 votes, a bit less than the 47,000 Libertarian votes.

This isn’t the first time Republicans have had to worry about losing votes to Libertarian Party candidates. In 1998 incoming Majority Leader Harry Reid was reelected by only 428 votes while the Libertarian candidate pulled in 8,000. In 2000 Maria Cantwell defeated Sen. Slade Gorton (R-WA) by 2,228 votes as the Libertarian took 65,000 votes. And in 2002, in the country’s most hard-fought Senate race, John Thune lost to Sen. Tim Johnson (D-SD) by 524 votes, far less than the 3,000 votes for the Libertarian candidate.

“By 59 to 27 percent, poll respondents said they would describe themselves as ‘fiscally conservative and socially liberal.’”

But a narrow focus on minor party candidates significantly underestimates the role libertarian voters played in 2006. It's libertarian voters who swung Democratic who likely cost Republicans the House and the Senate—dealing blows to Republican candidates in Arizona, Colorado, Iowa, Nevada, New Hampshire, Ohio, and Pennsylvania.

Republicans can win the South without libertarians. But this was the year that New Hampshire and the Mountain West turned purple if not blue, and libertarians played a big role there. New Hampshire may be the most libertarian state in the country; its license plates read “Live Free or Die,” and its senators are strong fiscal conservatives who both voted against the Federal Marriage Amendment. But this year both the state's Republican congressmen lost, and both houses of the state legislature went Democratic for the first time since 1874.

Meanwhile, in the Goldwateresque, “leave us alone” Mountain West, Republicans not only lost a Montana Senate seat; they also lost the governorship of Colorado, two House seats in Arizona, and one in Colorado. They had close calls in the Arizona Senate race and House races in Idaho, New Mexico, Colorado, Nevada, and Dick Cheney's Wyoming. In libertarian Nevada, the Republican candidate for governor won a plurality but not a majority against a Democrat who promised to keep the government out of guns, abortion, and gay marriage. Arizona also became the first state to vote down a state constitutional amendment to define marriage as between one man and one woman.

Aspiring presidential candidates might note that in Iowa libertarians helped vote out Rep. Jim Leach (R), who championed the Internet gambling ban.

If Republicans can't win New Hampshire and the Mountain West, they can't win a national majority. And they can't win those states without libertarian votes. They'll have to stop scaring libertarian,

centrist, and independent voters with big-government social conservatism and become once again the party of fiscal responsibility. In a *Newsweek* poll just before the election, 47 percent of respondents said they trusted the Democrats more on “federal spending and the deficit,” compared to just 31 percent who trusted the Republicans. That's not Ronald Reagan's Republican Party.

How Libertarians See Themselves

In all of these calculations, we use a broad definition of libertarian. Certainly we are not claiming that 15 percent of American voters have the deep and well-informed commitment to liberty and limited constitutional government of Cato Sponsors or *Reason* magazine readers. Rather, we include both individuals who would self-identify as libertarian and individuals who hold generally libertarian views but may be unfamiliar with the word. It is clear that many people who hold libertarian views don't identify themselves that way. One Rasmussen poll found that only 2 percent of respondents characterized themselves as libertarians, even though 16 percent held libertarian views on a series of questions.

In our Zogby survey we found that only 9 percent of voters with libertarian views identify themselves that way. Voters we identified as libertarian identified themselves this way:

Ideological Self-Identification of Libertarian Voters

PROGRESSIVE/VERY LIBERAL – 4%

LIBERAL – 6%

MODERATE – 31%

CONSERVATIVE – 41%

VERY CONSERVATIVE – 9%

LIBERTARIAN – 9%

We also asked a new question. We asked half the sample, “Would you describe yourself as fiscally conservative and socially liberal?” We asked the other half of the respondents, “Would you describe yourself as fiscally conservative and socially liberal, also known as libertarian?”

The results surprised us. Fully 59 percent of the respondents said “yes” to the first question. That is, by 59 to 27 percent, poll respondents said they would describe themselves as “fiscally conservative and socially liberal.”

The addition of the word “libertarian” clearly made the question more challenging. What surprised us was how low the drop-off was. A robust 44 percent of respondents answered “yes” to that question, accepting a self-description as “libertarian.”

Surely that question is overinclusive. Still, it's encouraging that 59 percent of Americans think they lean in a libertarian direction on both economic and social issues and that 44 percent are willing to be described as libertarian. And that 59 percent interestingly matches a *Los Angeles Times* poll that found that Americans preferred “smaller government with fewer services” to “larger government with many services” by 59 to 26 percent.

Conclusion

The era of polarization and base mobilization is officially over. In 2006 voters broke 52-45 for Democrats for the House. This is the largest winning margin of any party since the Republican sweep in 1994.

Polarized elections are fought over turnout. Thus in 2002, 2004, and even 2006, campaign strategists fought over small marginal gains in target demographics. In contrast, the 2008 election will likely be fought more over larger blocs of independent-minded swing voters. By any reasonable estimate, libertarians are a key part of this swing group.

Since we published our initial findings in “The Libertarian Vote,” libertarians are

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Oil and Freedom In the New Russia

Both the Russian government's attacks on civil liberties and its aggressive assertion of control over oil have recently created much stir in the global press. At a November 20 Policy Forum, Robert Amsterdam, attorney for jailed Russian oil tycoon Mikhail Khodorkovsky, and Andrei Illarionov, senior fellow at Cato and former chief economic adviser to President Vladimir Putin, discussed the connection between those two developments.

ROBERT AMSTERDAM: Russia is a great country and a great power attempting to reassert itself and find its place in the world. And in so doing, it has been making some choices that are truly creating problems for its own future growth and development: Russia has begun a war on the market.

We all understand the intimate connection between the marketplace of ideas and the marketplace of goods. We understand that people who close the marketplace of ideas, who destroy the newspapers, who attack journalists, who destroy federalism, who water down electoral results, and who change electoral law do not have a better idea. They have only one thing to sell, and that is generally fear.

"Sovereign democracy" is a theory that has been developed by Putin's deputy chief of staff Vladislav Surkov. What he is attempting to do through sovereign democracy is to give the West a rationale for its failure to attack Russia's departure from European values.

According to sovereign democracy, Russia is not ready for the separation of powers. Russia is not ready for the marketplace of ideas or the energy marketplace. Russia can meet the West only on its own terms. Sovereign democracy is an attempt to justify the asymmetry of Russian-Western negotiation.

Let us all understand the asymmetry. Russia demands access to Western markets, and Russia forecloses Western investors. Russia demands an equal seat at the table, and it imprisons Khodorkovsky. And it strands BP. And those victims of the Kremlin stay silent.

The silence of the West is a necessary part of sovereign democracy. That silence can be heard in Caracas as well as in Moscow. The world took a lesson from Yukos. It watched the largest taxpayer in Russia be grotesquely seized and expropriated for pennies on the dollar. It watched Western banks participating. And it watched the German chancellor, with no claim on moral principle, support the Kremlin and support the phony auction of Ukraine's Naftogaz, which led Andrei Illarionov to say, "Russia is no longer a free country."

The idea that the state needs to mobilize energy assets is fundamentally wrong. It is fundamentally wrong for a Russian leader, within 15 years of the end of the Soviet Union, to believe that it is the state that needs to bring Russia into the 21st century. It is as wrong for that leader as it was for Gerhard Schroeder, a German chancellor, to believe that what was important for Russia was stability and to make a Faustian bargain in hopes that an autocrat could

provide stability.

This is why the fundamental underpinnings of what is going on in Russia need to be understood by the West. The attack on Khodorkovsky and Yukos was an attack on property rights from which the West has not yet recovered. Putting energy companies in the hands of rival bureaucratic factions in the Kremlin has suppressed profits, suppressed efficiency, suppressed production, and jeopardized foreign relations with key powers such as Japan.

As the International Energy Agency suggests, Russia does not know what its oil reserves are. And you cannot plan if you do not know your reserves. And you cannot know your reserves if your government and your bureaucracy are turning more corrupt each day.

We need to understand that the attack on the rule of law going on in Russia leaves casualties. Men are imprisoned. Journalists are killed. Those are not crimes that are occurring in a vacuum. The poisoned psychology and the poisoned environment cannot be overlooked by the new leader of Japan any more than they can be overlooked by this U.S. administration, no matter how inconvenient that may be.

I come from a country, Canada, that is also known as an energy superpower. And when Canada decided it wanted to establish protection for its future, it did not expropriate companies. It did not take the best and the brightest and throw them in the gulag. It negotiated the North American Free Trade Agreement with its biggest customer and decided to share the wealth for the benefit of its customers and itself. There is a lesson for Russia in the Canadian experience.

It is very important to understand that Russia does not need the West to inculcate democratic values. The nation of Natan Sharansky needs no Western ideologist to tell its people about the rule of law and

democracy. They have it. It is innate within them that freedom exists. Anna Politkovskaya and many others in Russia who today are fighting against the fairly Draconian changes that have occurred in the last few years are not some foreign virus. They are native-born.

Russia does deserve to be in the World Trade Organization, but it has to adopt the rule of law. It must engage in the rule of law not as an ego-building process for the leadership but as a system-building process for the businesses in Russia that are growing more and more corrupt each day.

The World Bank has stated that Russia today is 151st in the world in terms of rule of law and political participation. It is on a par with Swaziland. Those issues need to be addressed when the European Union and Russia meet to negotiate a further partnership agreement.

We cannot exclude the rule of law. We can never separate human rights and the rule of law from energy or any other commodity. The transparency that is reflected and developed by a free press, proper corporate governance, and the division of institutions in a country is necessary for accountability to exist. The president of France should be ashamed of himself, as should the foreign minister of Germany, for once again kowtowing to those who want to buy the West's acquiescence with energy.

Another aspect of sovereign democracy needs to be understood: the belief that the existence of energy within Russia somehow gives Russia power. That is actually not the case. Never has it been proven that having assets in the ground gives anyone power. Those assets give Russia power only if they can be mobilized and sold. And they cannot be mobilized and sold if foreigners will not invest the tens, if not dozens, of billions that it will take to actually have Gazprom meet even the requirements it has already agreed to all over the world.

Venezuelan president Hugo Chávez's defiant speech at the United Nations would not have happened had he not been in Moscow and signed a \$3 billion arms deal with the leader of Russia. What is happening with Iran would not be happening

if the Kremlin had not decided that Iran as a pariah state is far better in terms of energy competition than Iran as a functioning part of the international community.

I have made these comments about Russia, but I do not want to end before I speak about the man who is imprisoned in the gulag because he took on Russian officials. Mikhail Khodorkovsky intentionally



“The World Bank has stated that Russia today is 151st in the world in terms of rule of law and political participation.”

went back to Russia, when he knew where Russia was going, to face down those who felt differently, to face down those who, behind the mask of sovereign democracy, are seizing assets, expropriating property, developing Russia in a way that was not intended in the post-Soviet era, and growing the bureaucracy massively.

I will end, speaking of Khodorkovsky, with the words of Pushkin: “Deep in the Siberian mind, keep your patience proud. The bitter toil shall not be lost, the rebel thought unbowed. The heavy hanging chains will fall. The walls will crumble at a word, the freedom reach you in the light, and brothers give you back the sword.”

ANDREI ILLARIONOV: Perhaps the best way to examine Russian energy policy over the last seven years would be to look at particular episodes that reveal actual policy much more clearly than does any official document.

1. *The “Electricity Reform” Affair.* If we go back to 2000–01, when the debate on electricity reform was hot, we find that it was a debate about the basic principles according to which a market economy could and should operate. Among the many issues that were under discussion at that time, the most important was: who can own the electricity grid?

There were two parties to this debate. One party stated that the electricity grid is no different from any other productive asset in the economy and can be owned by private entities. The other camp, led by the president of the RAO UES monopoly, Anatoly Chubais, claimed very strongly that the electricity grid should and must belong exclusively to the state. And in the particular circumstances of Russia, as well as perhaps of some other countries, that means that the electricity grid belongs de facto to the monopoly management.

The Russian authorities decided to take the side of those who advocated state monopoly. Private ownership of the electricity grid was legally forbidden. To make sure that nobody else would be able to own any part of an electricity grid, a strict provision was included in the Russian legislation: private companies are not allowed to own grid, are not allowed to build grid, and those private companies that might by some mistake build electricity lines will be forced to pass full control over those lines to RAO UES, a state-owned electricity monopoly. That was an important victory of the statist approach in ideology and practice over the free-market and competition approach.

2. *The Yukos Destruction Affair.* There are different hypotheses about what happened to Yukos. What is most important is that the official claims against Yukos and against its CEO Mikhail Khodorkovsky are completely false.

What reason was behind the assault on Yukos? Why has Khodorkovsky been

named a criminal? What particular crime has he committed? Semiofficially, several issues have been put forward.

First, Yukos was charged with tax evasion. But if we compare actual tax payments by Yukos with those of other energy companies, we find that Yukos was one of the largest and best taxpayers in the country. In any case, it certainly was a much better taxpayer per unit of value added than many other private energy companies and by far better than any of the state-owned companies, including Rosneft, Gazprom, and RAO UES.

Second, Yukos was accused of the barbaric exploitation of Russian national resources: allegedly, it was using the new, evidently predatory, technologies of oil extraction brought to Russia by foreigners, especially by Texans. A year after the core assets of Yukos were seized by the state-owned company Rosneft, we've learned that Rosneft is using the same methods on a scale much larger than Yukos was doing. Needless to say, the methods used by Rosneft are not called barbaric now.

A proposal by Yukos to build two pipelines, one to the Murmansk coast to supply oil to the United States and another one in the eastern direction to China and Japan, was denounced as treason. Now that Khodorkovsky is in jail, the Russian government and state-owned companies are hastily building both pipelines—which are proclaimed by state propaganda as noble projects of national importance.

Fourth, the alleged attempt to sell part of Yukos to foreign investors was presented by the authorities as an example of national betrayal. But an initial public offering (IPO) of Rosneft stock on the London Stock Exchange in July 2006, which led to the sale of a substantial amount of energy assets to foreign investors, was presented to the public as an almost heroic deed.

Fifth, Yukos managers were charged with financing political parties, including opposition parties. It is no secret that other big Russian companies are financing political parties, too, including opposition ones. For example, electricity monopoly RAO UES is financing political party SPS.

Whereas Yukos has been destroyed and Khodorkovsky has been sent to a Siberian camp, RAO UES has received massive government financing and Chubais has been warmly greeted by the Russian political leadership.

There is another important point of comparisons between Yukos and the people associated with Yukos, on the one



“People who create effective, transparent, dynamic, charity-providing, and monopoly-challenging companies in Russia have a very good chance of going to Siberian camps.”

hand, and other Russian companies, on the other—the fate of the production assets of Yukos. Although the predominant rule in a market economy is that ineffective economic subjects are absorbed by more effective ones, the opposite happens in today's Russia. The core asset of Yukos, Yuganskneftegaz, has been illegally confiscated by the Russian state and handed over to the most ineffective Russian oil company, Rosneft.

What explains the difference in these cases? What are the differences between Yukos and other Russian companies? The differences can be found in three main areas.

The first area is economic—economic efficiency, corporate governance, and public transparency. Between 2000 and 2003 Yukos became one of the most effective, best governed, and most transparent Russian companies.

The second area is related to Russian society—the scale of charity financially supported by Yukos. The company created Open Russia, a nongovernmental organization that taught tens of thousands of Russians democratic principles of organization for society and the state, mass media freedom, civil rights, how to operate in a free country, and how to create one. None of the other Russian companies has done anything similar to what was done by Yukos. That is why Yukos became one of the most dangerous enemies for those who did not want to see Russia a free country.

The third area is politics. Khodorkovsky himself openly challenged political monopolization. He stated clearly that he wanted to participate in the political process according, not to the rules set by the Kremlin administration, but to the rules that he saw as necessary elements of a politically free country.

Yukos was quite different from other Russian companies. None of them has done anything similar to what Khodorkovsky's company was doing. And as we can see, none of the other companies has been destroyed, none of the other entrepreneurs has been arrested and put in jail.

The main conclusion from the Yukos affair is that people who create effective, transparent, dynamic, charity-providing, and monopoly-challenging companies in Russia have a very good chance of going to Siberian camps.

3. *The Rosneft Affair.* This affair involves not only Rosneft's receipt of the stolen assets of Yuganskneftegaz. Resources from the Rosneft IPO went not to the Russian budget but to the company itself and its management. Most important and scandalous, though Rosneft was and still is presented to the public as a state-owned company, in fact, it is not. An announcement from the Russian government prior to the

Continued on page 23

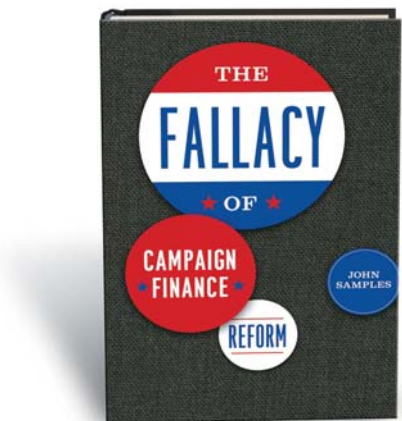
Comprehensive Critique of Campaign Finance Reform

In February 2006 former senator Fritz Hollings (D-SC) wrote that “no one can imagine that in drafting the First Amendment to the Constitution, James Madison thought freedom of speech would be measured by wealth.” Hollings’s argument is familiar to people engaged in the debate over the McCain-Feingold campaign finance reform bill passed in 2002. In *The Fallacy of Campaign Finance Reform*, John Samples, director of the Center for Representative Government at Cato, refutes the claim that campaign finance regulation fits comfortably with the American political tradition. He argues that campaign finance regulation rests on a rejection of the Madisonian view of government. His book, published by the University of Chicago Press, artfully addresses both philosophical and practical aspects of an often misunderstood issue.

Defenders of campaign finance regulation proclaim that money is not speech, which sounds sensible at first. But Samples points out that money is often “intimately connected” to freedom of speech. If government imposed a spending limit on the *New York Times*, for example, most people

would rightly recognize it as a limit on freedom of speech. But why are so many people comfortable with the government placing similar limits on the ability of ordinary citizens to express ideas during campaigns? Samples draws a distinction between the Madisonian view of government, in which government exists to protect people’s liberties, and the Progressive view, in which government exists to actively promote equality. From the latter perspective, freedom of speech must sometimes take a back seat to the goal of equality.

What is wrong with the Progressive approach? According to Samples, it does not work on its own terms. Campaign finance laws such as McCain-Feingold purport to make access to democracy more equal. But Samples surveys the evidence regarding electoral competition and the effects of campaign finance laws and finds that many of their assumptions are simply not true. First, campaign contributions have little influence on the voting records of members of Congress. Second, so-called negative advertising actually improves the democratic process by increasing voter turnout and knowledge. Finally, limits on



campaign contributions make it harder to run for office, thereby protecting incumbents from losing their seats of power.

Because of those uncomfortable facts, Samples concludes that campaign finance regulation is more of a threat to the Progressive goal of equality than a tool for achieving it. *The Fallacy of Campaign Finance Reform* is a comprehensive but accessible investigation of what remains one of the most controversial issues on the national scene.

***The Fallacy of Campaign Finance Reform* is available in bookstores or can be ordered for \$29.00 in hardcover from catostore.org.**

Regulation, Fall 2006

Environmentalists often look to the federal government, and the Environmental Protection Agency in particular, as the answer to their concerns about pollution and other problems. But in “The EPA’s Faustian Bargain,” the cover story for the Fall 2006 issue of *Regulation*, David Schoenbrod, a professor at New York Law School and senior fellow at Cato, critically examines the notion that the EPA is insulated from politics. He writes that, instead, the EPA all too often serves to insulate politicians from responsibility, as Congress passes off rule making to the EPA. In the case of lead emissions from automobiles, Schoenbrod explains, that led to the unnecessary poisoning of thousands of Americans. He proposes a greater role for state governments in setting environmen-

tal regulations because a more decentralized system will lead to smarter rules—and less corruption of good intentions by national politics.

In another example of regulation at odds with the public interest, Morris Kleiner writes in “A License for Protection” that licensing requirements for occupations are the fastest growing labor regulations. More and more states are requiring licenses for jobs such as mortgage brokers. The public supports those laws because they see licenses as “quality assurance,” but Kleiner looks at the evidence and finds “little actual quality improvement and real economic costs.” He then explores ways to ensure consumer confidence without the harmful barriers to entry posed by licenses. This issue of *Regulation* also contains articles



about the recent bankruptcy reform legislation and the excesses of Fannie Mae and Freddie Mac.

Subscriptions to *Regulation* are \$20.00 per year and can be purchased from the Cato Institute at 800-767-1241 or at the Cato online bookstore at www.catostore.org. *Regulation* articles can be found online at www.cato.org/regulation.

Milton Friedman's Voucher Idea at 50

In a 2005 interview with *Reason* magazine, when asked how he would view his legacy if his idea of universal education vouchers achieved political success, Milton Friedman answered that he would view education reform as his proudest accomplishment. In a new collection of essays from Cato, *Liberty & Learning: Milton Friedman's Voucher Idea at Fifty*, leading education scholars examine the school choice movement and discuss what is keeping it from being Friedman's greatest achievement.

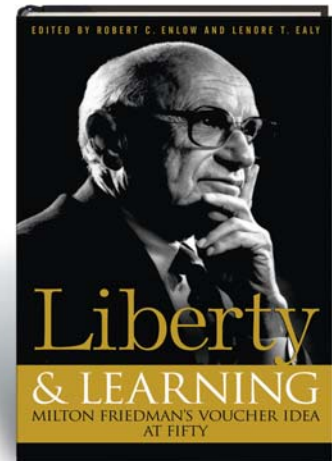
In 1955 Friedman wrote the essay "The Role of Government in Education," in which he said, "It does not make sense for the government to implement universal education through government-run schools." Rather, he said, "government could require a minimum level of schooling financed by giving parents vouchers redeemable for a specified maximum sum per child."

The case for vouchers is in many ways much stronger today than it was in 1955. One of the fiercest criticisms of Friedman's proposal is that vouchers would lead to even further de facto segregation of schools. But Jay Greene, head of the Department of Education Reform at the University of Arkansas, argues that experimentation with vouchers suggests that they tend to reduce segregation. On

a similar note, Andrew Coulson, director of the Center for Educational Freedom at Cato, says that "a half century of accumulated evidence" definitively shows that the private sector can educate students much better than government, but he recommends tax credits rather than vouchers as the best way to give parents and students choice.

“... a half century of accumulated evidence” definitively shows that the private sector can educate students much better than government . . .”

Despite the intellectual victories discussed in these articles, vouchers have made only slight inroads into the public school monopoly. John Coons, Professor of Law Emeritus at the University of California at Berkeley, writes that advocates of school choice have relied solely on the rhetoric of liberty to the detriment of the movement's popular appeal. He



explains how supporters can present the idea of vouchers as good for the family.

Other essays in *Liberty & Learning* discuss teachers' unions and the lessons to be learned from private schools in developing countries. In some of his last pieces of published writing, Friedman himself contributes the book's prologue and epilogue. He remains optimistic about the future of school choice. He writes: "Most major public policy revolutions come only after a lengthy buildup of support. But when the break comes, what had been politically impossible quickly becomes politically inevitable."

Liberty & Learning, edited by Robert C. Enlow of the Milton and Rose Friedman Foundation and Lenore T. Ealy, is available in hardcover for \$19.95 and paperback for \$14.95. Order it at catostore.org.

Continued from page 16

being talked about. There seems to be a dawning awareness among pundits, pollsters, and party strategists of the importance of winning libertarian votes.

Libertarian voters have been noticed by writers in *The Economist* and major newspapers. Cato's Brink Lindsey even took to the pages of the *New Republic* to test the waters for a liberal-libertarian alliance, provoking a spirited debate across the political spectrum.

In a revealing exchange, Jon Stewart recently hosted neoconservative Bill Kristol of the *Weekly Standard* on the *Daily Show*, often considered the de facto

television news program for younger viewers. Kristol called Stewart an "Upper West Side liberal." To which Stewart quickly responded, "No, I'm a downtown libertarian."

Libertarian-leaning voters are a larger group than many other much-discussed voter blocs, and they tend to be younger than other voters. More important for political strategists, libertarian voters are "in play." Dissatisfied with big-government policies in both parties, they have shown a willingness to switch their votes from one to the other. The party that can best appeal to libertarian voters may dominate the political future.

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Governors Get Failing Grades on Fiscal Policy

The grades are in, and many of the nation's governors deserve to be put on fiscal detention, according to a new report by Stephen Slivinski, director of budget studies at Cato. In "Fiscal Policy Report Card on America's Governors: 2006" (Policy Analysis no. 581), the eighth of a biennial series, Slivinski uses 23 objective measures of taxing and spending to rate each governor's success or failure in reducing the size of government in his or her state. The valedictorian of the report is Republican Matt Blunt of Missouri, the only governor to receive an A. Blunt stood out as one of the most disciplined budget cutters in the country. Nine governors, however, get Fs. The report puts a special focus on governors who have fallen from grace. Arnold Schwarzenegger of California, for example, received an A in the 2004 edition of the report card, but now his grade is a D thanks to his abandonment of plans for tough budget cuts and embrace of budgets that spend several times faster than population growth.

The Third Way

In the wake of the 2004 election, talk of the

importance of swing voter groups such as "NASCAR dads" or "soccer moms" seems to have faded. Many commentators say that the country is polarized into red state vs. blue state and that each party should focus on shoring up its ideological base if it wants to win. But in "The Libertarian Vote" (Policy Analysis no. 580), David Boaz, executive vice president of Cato, and David Kirby, executive director of America's Future Foundation, look to the evidence of what voters believe and find that the conventional wisdom is wrong. They calculate that about 15 percent of voters are ideologically neither liberal nor conservative; they are closest to libertarian. Although those voters tend to prefer Republicans to Democrats, that margin has been narrowing in recent elections. Boaz and Kirby conclude, therefore, that the political establishment should not take libertarian concerns for granted, as the libertarian vote is significant and in play.

Populist Backslide

Central Europe has made incredible strides in a short period of time from communism to relatively liberal democracy. But in several countries, such as Hungary and Slovakia,

liberal political parties have suffered electoral setbacks. In "The Rise of Populist Parties in Central Europe: Big Government, Corruption, and the Threat to Liberalism" (Development Policy Analysis no. 1), Marian Tupy, policy analyst for the Center for Global Liberty and Prosperity at Cato, points out both the good and the bad news. The good news is that even as populist parties gain ground in Central Europe, there is no evidence that the public has repudiated the free market and wants to return to socialism. The bad news is that pervasive corruption in the political class is driving the voters' discontent. Tupy argues that a reduction in the size of government is the best way to fight corruption. He cites the example of Estonia, a country that has reduced state interference in the economy and reaped less corruption as a result.

Why Do They Hate Us?

"Suicide Terrorism and Democracy: What We've Learned Since 9/11" (Policy Analysis no. 582) challenges many of the common assumptions that have shaped U.S. foreign policy in the last five years. Robert A. Pape, professor of political science at the University of Chicago, looks empirically at

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what has motivated suicide terrorist attacks and finds that we cannot simply say that they hate us for our freedoms. Suicide terrorism, he writes, is almost always a response to foreign occupation, and the terrorists behind the September 11 attacks had the clear goal of driving U.S. troops out of the Middle East. Pape thus argues that the presence of U.S. troops currently fighting in Iraq is more likely to increase terrorism than quell it. As an alternative, he presents an “off-shore balancing strategy” by which the United States reduces its occupying troops around the globe but maintains forces ready to intervene in emergencies that threaten vital U.S. interests.

Sticky Rice Policy

Rice is the third most consumed crop in the world, but it ranks first for the amount of taxpayer dollars and tariffs governments use to insulate it from global competition. In “Grain Drain: The Hidden Cost of U.S. Rice Subsidies” (Trade Briefing Paper no. 25), Daniel Griswold, director of the Center for Trade Policy Studies at Cato, explains how America undermines its own interests through heavy protection of rice. Since 1998 the United States has spent an average of \$1 billion a year on rice subsidies, and it also maintains heavy tariffs on

imported rice. Griswold argues that those policies drive up domestic prices and thus hurt consumers. Furthermore, America’s reputation suffers when rice subsidies suppress the global price and thus impoverish millions of farmers abroad. He concludes by urging policymakers to jettison the rice program, which would put the nation’s interests above the interests of the well-connected rice lobby.

Milking Taxpayers

The late Milton Friedman once said that “nothing is so permanent as a temporary government program.” A case in point may be the price supports for dairy products that were originally enacted during the Great Depression to help farmers but still remain with us today. Sallie James, trade policy analyst at Cato, argues in “Milking the Customers: The High Cost of U.S. Dairy Policies” (Trade Briefing Paper no. 24) that artificially high prices, along with \$4 billion a year in dairy subsidies, add millions of dollars to the grocery bills of Americans and invite scorn from our trading partners. To further debunk the necessity of the U.S. dairy program, James says that Americans can take comfort in the example of Australia, whose government phased out dairy sub-

sidies and deregulated milk pricing. She explains how the Australian dairy industry cooperated with those reforms and remained prosperous.

Power Corrupts Chávez

Hugo Chávez became president of Venezuela claiming that he would govern in the interests of the common man. But in “Corruption, Mismanagement, and Abuse of Power in Hugo Chávez’s Venezuela” (Development Policy Analysis no. 2), Gustavo Coronel, former Venezuelan representative to Transparency International, argues that few people have benefited more under Chávez than high-level government officials and their cronies. Coronel presents a mountain of evidence that the government has abused the lack of transparency created by Chávez. For example, he explains that, while the average salary of an official is only \$5,000 a month, officials are often found spending lavishly and living in ritzy condos that most Venezuelans cannot afford. Also, 95 percent of all government contracts are awarded without public bidding. Coronel looks at President Chávez’s expansion of the state and finds another confirmation of Lord Acton’s observation that absolute power corrupts absolutely.

POLICY FORUM *Continued from page 19*

Rosneft IPO in July 2006 made it very clear that Rosneft is no longer owned by the Russian state. That means that almost \$100 billion in assets of the company has been transferred to unidentified non-government hands without even a penny going into the Russian budget.

4. *The G-8 Summit Affair.* The G-8 met in St. Petersburg just after the Rosneft IPO on the London Stock Exchange. Those two events turned out to be nothing more than the international legalization of ownership of the assets previously illegally acquired. Having destroyed basic legal and democratic institutions in Russia, the current Russian authorities searched abroad for the institutions that could protect their new assets. To secure their property, the Russian authorities needed to have

legal and political protection of those assets at a much higher and much stronger level than any Russian court or even the whole Russian legal system could provide. They searched for such protection and they found it—in the British legal system and the political arrangements of the G-8.

Therefore, I can conclude with a list of the most important milestones of Russian energy policy over the last seven years. They are monopolization of energy resources and infrastructure, confiscation of energy assets from Russian and foreign private owners, appropriation of those assets by groups of people currently in power, and, finally, international legalization of that through two of the most respected, influential, and powerful institutions of the Western world.

Cato Journal



Tax cuts have been some of the biggest political victories

for fiscal conservatives and libertarians in recent decades, but do they really reduce the size of government, as Milton Friedman predicted with his “starve the beast” strategy? In the Fall 2006 issue of *Cato Journal*, William Niskanen, chairman of the Cato Institute, and investor Jerry Tempelman present opposing arguments about whether tax cuts really do starve the beast. Niskanen recommends that fiscal conservatives focus on convincing voters that government services should be cut. Tempelman argues that spending and borrowing will always occur in response to demands of constituents, but cutting taxes can ensure that they occur at lower levels. Other articles in *Cato Journal* discuss U.S. economic policy toward China, regulation of tobacco consumption, and global warming.

“To Be Governed...”

IF ONLY ELIAN, THE BRANCH DAVIDIANS, AND THE PRESCHOOL TEACHERS HAD KNOWN SHE WAS SUCH A CIVIL LIBERTARIAN

Former attorney general Janet Reno has taken the unusual step of openly criticizing the Bush administration's anti-terrorism strategy—joining seven other former Justice Department officials in warning that the indefinite detention of U.S. terrorism suspects could become commonplace unless the courts intervene.

—*Washington Post*, Nov. 22, 2006

OR MAYBE A HALF CENTURY OF WAR AND SOCIALISM

Held back by a half-century of war and privation, [Ho Chi Minh City] is charging forward with gigantic plans for urban expansion and development.

—*New York Times*, Nov. 18, 2006

OFFENSIVE TO BUREAUCRATS?

Marquette University came under attack from a national free-speech organization on Wednesday after a university administrator refused to allow a quote from humorist Dave Barry to remain posted on the office door of four teaching assistants. The quote: “As Americans we must always remember that we all have a common enemy, an enemy that is dangerous, powerful, and relentless. I refer, of course, to the federal government.” . . .

But shortly after the quote went up, it was removed by the department's

chairman, associate professor James South. In a Sept. 5 e-mail to Ditsler and the other teaching assistants, South called the quote “patently offensive.”

—*Milwaukee Journal-Sentinel*, Oct. 18, 2006

CUCKOO FOR COMMUNISM

With its sweeping themes of freedom and social change, Warren Beatty's *Reds* (Paramount, \$20) is more relevant than ever. Nominated for 12 Oscars, the historical epic adventure, set during the Russian Revolution, also is a terrific love story.

—*Parade Magazine*, Oct. 22, 2006

OR COULD IT BE BECAUSE THEY MAKE TWICE AS MUCH MONEY?

Forget the stereotype of grumpy government workers—they are happier than the corporate types, a new survey shows. Some 77 percent of government workers say they're happy at work, compared with 70 percent of those who work in private enterprise, according to the monthly Hudson Employment Index. Hudson's pollster surveys 9,000 workers, including 1,800 in government. . . .

So what makes government workers happier? It could be more hiring by their organizations. Or perhaps they face fewer headaches than anyone at Hewlett-Packard or General Motors.

—*Washington Post*, Oct. 10, 2006

NIGHTMARE CONGRESS

Fantasy Congress, a Web site created by

four students at Claremont McKenna College in Southern California, made its debut three weeks ago. . . .

Just as in fantasy football or baseball, each player picks a team—in this case, 4 senators and 12 House members of varying seniority levels—and competes with other players in a league typically managed by a friend or a co-worker. . . .

Players accumulate points as the legislators they have chosen go about their business on Capitol Hill. A House member or senator earns five points for introducing a bill or an amendment, and more points for negotiating successfully each step in the legislative process. . . .

A list updated daily on the Web site shows the cumulative point rankings of each legislator. Representative Don Young, Republican of Alaska and chairman of the Transportation and Infrastructure Committee, is first in the House with 1,905 points.

—*New York Times*, Oct. 23, 2006

WHEN HE SAYS “A DEMOCRACY,” HE MEANS “A COMMUNIST COUNTRY”

At a time when the populations of Arab countries are seething with resentment against their own leaders, the rulers of Dubai don't hesitate to engage in self-indulgence on a gargantuan scale. They are unembarrassed that this money is derived from the natural resources of their country—resources that, in a democracy, would belong to the nation.

—*Andrew Beyer, Washington Post*, Oct. 31, 2006

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