Exploring policy's crystal ball

The Cato Institute Predicts the Future

In the third of a century since its founding, the Cato Institute's scholars have issued a wealth of predictions about the likely effects of government policies and programs. While sometimes ignored or belittled, these predictions have often proved prescient.

Most famous was Joe Stilwell's Policy Analysis published in 1982. In "The Savings & Loan Industry: Averting Collapse," Stilwell warned that, "regardless of changes in the economic climate, numerous S&Ls will be unable to meet their financial obligations." Few in government listened then. Through the remainder of the decade, Americans would have been better off if they had, before the taxpayers had to come up with a $500 billion rescue plan.

In 1982, Cato founder and president Edward H. Crane wrote about his recent visit to the Soviet Union. "It is a society that appears to be crumbling from within," Crane wrote. He added, "If we can avoid confrontation with the Soviets over the next 20 years, their system should collapse of its own bureaucratic weight." Such a prediction sounded crazy at the time. And indeed Crane's estimate was off target. The Soviet Union vanished, in not 20 years, but 9.

Stanley Kober, a research fellow in foreign policy studies at the Cato Institute, warned in a 1996 paper that "the terrorist attacks in Saudi Arabia, Israel, and other countries suggest that the trend in the Middle East is not nearly as hopeful as it appeared just a few years ago," and he identified Osama bin Laden as a particular terrorist threat to the United States.

In a study he published in February 2001, Daniel Griswold wrote, "A domestic recession would reduce the trade deficit, as it has in the past, but at great cost to U.S. workers and their families." A month later, the U.S. economy slipped into recession and the trade deficit declined in 2001 compared to 2000, after having risen in each of the previous five years. Then came the Great Recession, beginning in 2008. The trade deficit in 2009 was $300 billion smaller than in the pre-recession year of 2007.

In few areas have Cato scholars been more consistently correct and more consistently outside the mainstream consensus than the Iraq war. In 1999, Ted Galen Carpenter argued that "removing a thug like Saddam…is extremely ill-advised. It will make Washington responsible for Iraq's political future and entangle the United States in an endless nation-building mission beset by intractable problems." William Niskanen wrote in the *Chicago Sun-Times* in December 2001, "Another war in Iraq may serve bin Laden's objective of unifying radical Muslims around the world in a jihad against the United States." In 2002, Doug Bandow warned that, "If Iraq's forces don't quickly crumble, the U.S. might find itself involved in urban conflict that will be costly in human and political terms." And in March 2003, Christopher Preble argued America's experiences with nation-building in Germany and Japan advise against attempting the same with Iraq. "If these 'success' stories reflect the model for post-war Iraq," Preble wrote, "we should expect the U.S. to remain in this troubled region for many years."

Returning to domestic affairs, in March 2007, Jim Harper said in congressional testimony: "Mr. Chairman, the REAL ID Act is a dead letter. All that remains is for Congress to declare it so." More than three years later, REAL ID, an attempt by the federal government to establish a national personal identification system, has gone nowhere, and two major implementation deadlines have passed.

In February 2009, when President Obama's approval rating was in the mid-60s and most political opinion makers thought he was on the cusp of radically remaking America, Gene Healy published his first weekly column in the D.C. *Exam-*

iner. Healy wrote, "When he fails to fully heal our financial troubles, fix health care, teach our children well, provide balm for our itchy souls, and so forth, his hope-addled rhetoric will seem all the more grating, and the public will increasingly come to see him as the source of all American woes." By July 2010, according to Gallup, President Obama's approval rating had fallen to 44 percent, the lowest of his presidency, and his party was fearing considerable losses in the upcoming congressional elections.

As Healy predicted, President Obama did fail to fix health care. Instead, he ushered through Congress the ill-considered legislation known as ObamaCare. Michael Cannon predicted in September 2009, six months before the bill's passage, that ObamaCare's individual mandate would force as many as half of all Americans with private insurance to switch to a more expensive plan. At the time, the administration insisted this was fantasy. In June, it all but admitted Cannon was right, prompting the *New York Times* to write that "the rules appear to fall short of the sweeping commitments President Obama made while trying to reassure the public in the fight over health legislation."

Even earlier was Michael Tanner's 2006 paper, "Individual Mandates for Health Insurance: Slippery Slope to National Health Care." Later that same year, Massachusetts enacted health care legislation that included an individual mandate. The results have followed Tanner's script exactly. RomneyCare's individual mandate took effect in 2006, along with health insurance exchanges. Subsequently, 16 mandates have been added to the original list of benefits that health insurers must provide in the Bay State. Massachusetts now has the most rapidly increasing premiums in the nation. The most recent attempt to control costs, as Tanner predicted, was to simply prohibit insurers from increasing premium rates, leading insurance companies to predict that they will suffer from hundreds of millions of dollars in losses this year. In addition, wait times have increased to see both primary-care physicians and specialists, just as Tanner's paper said they would.

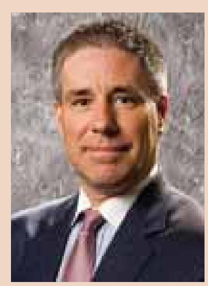
The fact that policymakers failed to take Cato scholars' warnings of the last 30 years to heart, makes it only more crucial that they do so in the next 30.

Cato News Notes

LINDSAY LOHAN ♥S THE CATO INSTITUTE

A Cato Institute article on criminal sentencing found an unexpected new audience when actress and gossip magazine regular Lindsay Lohan tweeted a line from it to her 850,000 followers. The essay, by Erik Luna, scathingly critiqued federal sentencing guidelines which, as Lohan quoted in her tweet, results in "scores of federal defendants sentenced under a constitutionally perverted system that saps moral judgment through its mechanical rules."

DAN MITCHELL AND HILLARY CLINTON SHARE A CONTINENT



In June, Cato senior fellow Dan Mitchell shared the Latin American fiscal policy stage with none other than Secretary of State Hillary Clinton. Clinton, speaking in Ecuador, called on "the wealthy across the Americas to pay their 'fair share' of taxes in order to eliminate poverty and promote economic opportunity for all." In sharp contrast, Mitchell, in speeches to the Fundacion Libertad in Panama and the Chamber of Commerce in El Salvador, offered the moral case against increasing taxes, especially in a region as prone to state tyranny and corruption as Latin America.