

China's Quiet Property Rights Revolution

by Douglas Wu

Privatization" is still a taboo word in the official Chinese media, but the emergence of a growing private sector has been one of the most dramatic phenomena in China since Deng Xiaoping instituted his economic reform two decades ago.

As more of China's state-owned enterprises become insolvent under pressure of increasing market competition, the private sector is becoming more important than ever before; it is providing goods and services, creating jobs, and generating government revenues. There is widespread consensus among economists in China and abroad that this process will continue, and that not even the Chinese Communist Party can reverse it.

The key to China's changing economy is the privatization that has been unfolding in the rural areas, partly because privatization originated in the countryside and partly because the problems associated with rural privatization are some of the greatest challenges that Chinese leaders face.

Background: 1949 to 1966

Before the Communists took power in 1949, China was basically an agricultural society in which farmland was owned by the rich. The sale and purchase of farmland were permitted and protected by the Nationalist government, which was in power from 1911 to 1949. The land reform of 1949–51 deprived the landowners of their land and distributed it among the peasants—tenants who had little or no land of their own. At the same time, the landowners were politically ruined: they were declared to be the lowest social class in China; they

Douglas Wu, a senior contract administrator for Globecomm Systems Inc., is a native Chinese who worked for a major Chinese financial institution for 16 years.



Asian television stations film a press conference with Hong Kong central banker Joseph Yam and Richard Y. C. Wong, director of the Hong Kong Center for Economic Research, which cosponsored with Cato the conference "Globalization, the WTO, and Capital Flows: Hong Kong's Legacy, China's Future," on September 4. (See page 3.)

lost all their political rights and were treated like prisoners on probation. The new regime intended thus to secure the support of peasants and to legitimize its ruthless crushing of any opposition.

That not only gave peasants land but also enhanced their social status. Before long, however, their euphoria was replaced by the new concern that some of them were becoming rich while others remained poor or became even poorer. Obsessed with the traditional Chinese belief that inequality was worse than destitution and convinced by Marxist doctrine that private ownership of the means of production was the root of all social evils, the government under Mao Ze-dong did away with land reform by forcing Chinese peasants to organize themselves into millions of production units (known as collectives) and to pool their land and other significant means of production. Every member of a collective became a part owner of the pool and as such was entitled to a share of the collective's harvests.

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The World Wrestling Federation Comes to D.C.



There's a hot new restaurant in downtown Washington called the Caucus Room. Very chic. Power lunches abound as lobbyists, members of Congress, and media types sip from oversized wine glasses and cut into tender filets. Two of the major investors in the Caucus Room are Tommy Boggs and Haley Barbour. Boggs, son of the former Democratic House majority leader, is a principal in the powerful Democratic law and lobbying firm of Patton & Boggs. Barbour, former head of the Republican National Committee, is a principal in the powerful Republican lobby-

ing firm of Barbour Griffith & Rogers.

Hence, the Caucus Room. Turns out that, for all the partisan bickering that goes on in this town, most everybody gets along pretty well. Boggs and Barbour are pals, not enemies. Why should they be? Washington is, for the most part, about power, not ideology. And there's plenty of power to go around. Most of the partisan shouting matches that take place on Capitol Hill are for the benefit of the rubes outside the Beltway. Got to keep those contributions rolling into the RNC and the DNC.

But ideology? The "philosophical" battles between the Republicans and the Democrats these days remind me of nothing so much as the World Wrestling Federation. Get red in the face, question the integrity of the representative across the aisle, verbally body-slam him on C-SPAN, and then take him out for a nightcap at the Caucus Room. That's how Trent Lott can feign frustration that the Republican Congress can't work out a deal with the Democratic White House when "only \$30 billion in a \$2 trillion budget" separates the two. We don't have a Republican Party and a Democratic Party. We have an Incumbent Party.

The political system in Washington, particularly in the House of Representatives, is so rigged that, writing this the day before the election (honest), I can safely predict the percentage of incumbents seeking reelection who will win: 98 or 99. Only a handful of races are even remotely competitive. Which is a disgrace, because outside the Beltway people really do want the government to get off their backs. That's why more than two-thirds of Americans support Social Security privatization. It's why a Gallup Poll taken just two weeks before the election showed this remarkable result: When asked which posed the greatest threat to the future of the country, 7 percent said big labor, 22 percent said big business, and an overwhelming 65 percent said big government.

“We don't have a Republican Party and a Democratic Party. We have an Incumbent Party.”

Cato Board member Howie Rich came close to shaking up this incestuous situation with his group, U.S. Term Limits, but fell short by one GOP-appointed vote on the Supreme Court. Competitive House races are essential if we ever hope to see the common sense of the American people once again manifest itself in Congress. The single most effective way to do that today is to repeal the absurd limit of \$1,000 on contributions to federal candidates. Nothing disturbs an incumbent more than a well-funded challenger. To an incumbent, the ideal contribution limit is zero--the less money in the campaign, the better his chances. It's no coincidence that these sky-high reelection rates began when the Supreme Court ignored the First Amendment and upheld the contribution limits contained in the Federal Election Campaign Act Amendments of 1974. The Court did, however, strike down the draconian spending limits Congress tried to slip through. Still, the effect of contribution limits is spending limits.

We are told that the political system is awash in "obscene" amounts of money. This cycle we'll see close to \$3 billion spent on federal races. A lot? Not really. Considering the \$2 trillion budget Mr. Lott and Mr. Clinton have worked up, it's not a lot at all. In fact, it amounts to about \$15 per eligible voter. And if you consider money as a proxy for information, a strong case can be made that voters need more spent on these campaigns. A 1996 survey by the Establishment itself (the *Washington Post*, the Kaiser Family Foundation, and Harvard) found that two-thirds of those interviewed could not name their representative, and half didn't know whether he or she was a Democrat or a Republican. Three of four didn't know that a senator is elected for a six-year term.

Of course, the conceit is that money is not a proxy for information but rather a bribe for politicians. I asked a Senate committee chaired by Phil Gramm if someone could name a politician in Congress who was on the take. After all, if this corruption is so endemic that our First Amendment liberties should be in jeopardy, names should be named. But names are never named in this sham crusade.

There are two groups that benefit by keeping money out of politics. The first is the Incumbent Party. The second is the media. They become a much more important gatekeeper of information when private contributions are restricted. It is not for nothing that Washington politicians and the national media are the biggest cheerleaders for so-called campaign finance reform. They're probably raising their glasses to the idea right now over at the Caucus Room.

—Edward H. Crane

Hong Kong central banker wants China in WTO

Trade Focus for Cato Conference in Hong Kong

The short-term impact of the People's Republic of China's entering the World Trade Organization will be "unequivocally positive" for Hong Kong, said Joseph Yam, chief executive officer of the Hong Kong Monetary Authority, in the keynote address to a conference cosponsored on September 4 in Hong Kong by the Cato Institute and the Hong Kong Centre for Economic Research.

While conceding that the long-term ramifications are uncertain, Yam contended that Hong Kong stands to gain from China's accession to the WTO. He estimated that Hong Kong's economic growth rate would be boosted between 0.5 and 1 percent. Although the city's role as intermediary to trade with the mainland may be eroded, Yam said, the overall amount of Chinese goods passing through Hong Kong may increase as trade with China grows.

In addition to examining the impact of China's accession to the WTO, the conference, "Globalization, the WTO, and Capital Flows: Hong Kong's Legacy, China's Future," also considered the impact of technology, trade, and capital flows on the scope of government and how China can tap new sources of capital by adopting a Chilean-style pension system.

While many view with alarm China's huge trade surplus, foreign reserves, and foreign direct investment, Yasheng Huang,



Hong Kong securities regulator K. C. Kwong discusses the impact of the information revolution on financial markets in Hong Kong and China.

an associate professor at Harvard Business School, said that those indicators, especially China's absorption of large amounts of foreign investment in the early 1990s, are "not a sign of the strengths of its economy, but of its fundamental weakness." Because China-based firms had such difficulty attaining capital internally, they had no choice but to look abroad. Huang noted that it is easier for Chinese companies to find a market for their goods on the other side of the world than the other side of the country, and that it is also easier to procure investment from overseas than credit through a domestic financial institution. "There is something fundamentally wrong with [China's] internal trade and capital movement," he said, adding that "capital has been allo-

cated according to a political pecking order."

David Li, associate professor at the Hong Kong University of Science and Technology, said corporations and businesses in China suffer from "financial repression." He called for a "divide and reform" policy for the nation's state-controlled banking giants, arguing that smaller banks would be easier to reform and less likely to be manipulated politically.

Mark Groombridge, research fellow at Cato's Center for Trade Policy Studies, and Fred Hu of the Goldman Sachs Group differed on when China would float its currency. Hu predicted that Beijing would do so in five years or less, arguing that "capital liberalization is a natural extension of

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Cybercash chairman William Melton discusses "the great new wealth creation factors" in the 21st century.

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Seminars held in Houston, San Antonio, and Hong Kong

Welfare Experts Debate Reform after Four Years

◆ **August 22:** The landmark 1996 welfare reform law has been only moderately successful, said Lisa Oliphant at a Cato Policy Forum, “Welfare, Work, and Four Years of Change: Where Do We Go from Here?” Oliphant, entitlements policy analyst at Cato and author of a Cato study released the same day, applauded the dramatic caseload reduction that has occurred over the last four years but said few gains have been made in helping welfare recipients to achieve self-sufficiency. Ron Haskins, staff director of the Subcommittee on Human Resources of the House Committee on Ways and Means, said the most remarkable aspect of welfare reform is that the number of unmarried mothers in the workforce has greatly increased. Wendell Primus of the Center on Budget and Policy Priorities argued that reducing the number of welfare cases has become more of a priority than helping those most in need. Charles Murray, author of *Losing Ground*, observed that liberal intellectuals and policymakers have only recently begun to admit that it is better for children to grow up in two-parent house-

holds. This change, Murray said, will make it easier to make further reforms that actually help the poor.

◆ **August 29:** The creation of an independent European defense organization is a good idea from the standpoint of American interests, said Christopher Layne at a Policy Forum, “Creating a European Security and Defense Identity: Fact or Fantasy?” Layne, a visiting fellow at the Cato Institute, added that Washington appears to be sabotaging the initiative to preserve its own dominance in Europe. John Bolton, vice president of the American Enterprise Institute, argued that an invigorated European defense capability within NATO could represent a threat to the alliance, while John C. Hulsman of the Heritage Foundation doubted the ability of Europeans to create an effective EDSI.

◆ **September 4:** Leading policymakers, scholars, entrepreneurs, and journalists discussed future economic and political relations between China and Hong Kong at a conference in Hong Kong cosponsored by the Cato Institute and the Hong Kong Centre for Economic Research, “Globalization, the WTO, and Capital Flows: Hong Kong’s Legacy, China’s Future.” Joseph Yam, chief executive officer of the Hong Kong Monetary Authority, delivered the keynote address. Raymond Ch’ien, chairman of Chinadotcom Corporation, delivered the luncheon address. Other speakers included James A. Dorn, vice president for academic affairs at the Cato

Institute; Y. C. Richard Wong, director of the Hong Kong Centre for Economic Research; and K.C. Kwong, chief executive of Hong Kong Exchanges and Clearing, Ltd.

◆ **September 6:** At a Cato Policy Forum titled “A Robust United Nations in the 21st Century: Benefit, Danger, or Fantasy?” Alan Tonelson, senior fellow at the U.S. Business & Industry Council, chastised supporters of a beefed-up United Nations for using vague language and not being more forthright about their long-term goals for the organization. Stefan Halper, former deputy assistant to the secretary of state, argued not only that the UN lacks the ability to manage the affairs of nations but that the scandal-ridden organization is unable to manage even its own operations. Calling the United States the “top dog in the international kennel,” William Durch, senior associate at the Henry L. Stimson Center, contended that the U.S. role in the UN is good for America.

◆ **September 13:** Two books examining “American Exceptionalism, Past and Future” were featured at a Cato Book Forum. Seymour Martin Lipset, coauthor of *It Didn’t Happen Here: Why Socialism Failed in the United States*, examined the cultural and political reasons for the triumph of limited government in this country. Lipset, a professor at George Mason University, contended that socialism developed in countries where statism was already legitimate—which historically it has not been in America. Aaron L. Friedberg, author of *In the Shadow of the Garrison State: America’s Anti-Statism and Its Cold War Grand Strategy* and a professor at Princeton University, argued that American devotion to limited government prevented undue limits on individual freedom during the Cold War.

◆ **September 13:** At a Cato Book Forum, *Ten Things You Can’t Say in America*, talk-radio host, syndicated columnist, and the self-described “sage from South Central” Larry Elder offered his outlook on a wide range of hot-button topics including racism, media bias, illegitimacy, gun control, and the war on drugs.



At a Policy Forum on the fourth anniversary of the 1996 welfare reform bill, Charles Murray (above) says that the bill was a major step in the growing understanding that welfare has tended to break up families and trap the poor in dependence. Wendell Primus (right), who resigned from the Clinton administration over the welfare reform bill, worries that the focus has become reducing the number of welfare cases rather than helping the poor.



Robert McTeer, president of the Federal Reserve Bank of Dallas, addressed Cato's City Seminar in Houston on September 20.



At an August 29 Policy Forum Christopher Layne, visiting fellow in foreign policy studies at Cato, argues that Europeans should assume more responsibility for European security.



Ian Vasquez (right), director of Cato's Project on Global Economic Liberty, shows his new book *Global Fortune* to author Hernando de Soto, who discussed his own new book *The Mystery of Capital* at a lunch with Cato scholars.



Judge Alex Kozinski defends the death penalty at a Policy Forum.

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Ten Things You Can't Say in America

September 13 was a big day at the Cato Institute, with two lively Book Forums featuring three provocative speakers. At noon the speaker was Larry Elder, a talk-show host on KABC radio in Los Angeles, the judge on television's new Moral Court, and the author of *Ten Things You Can't Say in America*. Excerpts from his remarks follow.

Larry Elder: There is absolutely no question that there is liberal bias in the media. That doesn't mean that the media don't get the facts, and it doesn't mean that they are evil. It doesn't mean that they are out to oppress people. But the media bias can't be refuted.

Gannett News Service, which no one would call a right-wing organization, back in 1996 commissioned a poll that asked Washington, D.C., journalists, "For whom did you vote in 1992?" Forty-three percent of the American people voted for Bill Clinton. Eighty-nine percent of Washington reporters did. Thirty-eight percent of the American people voted for George Bush. Seven percent of Washington reporters did. About a third of Americans call themselves moderate, about a third conservative, and about a third liberal. Two percent of Washington reporters described themselves as conservative.

Some people argue that reporters are capable of setting aside their feelings and writing a fair story. I don't pretend to be able to set aside my emotions. And I think it is pretty unrealistic to think that reporters can write fair stories about gun control when in fact they are in favor of gun control. And there are lots of examples of that.

The Media Research Center studied the coverage of the Brady bill debate by ABC, CBS, NBC, and CNN. The center looked at hundreds of hours of shows and found out that people like Sarah Brady were routinely referred to as "advocates." Brady is the head of Handgun Control, Inc., a non-profit organization, just like the NRA. Wayne LaPierre, Charlton Heston, and the NRA were routinely referred to as "lobbyists." Now, either they are all advocates or they are all lobbyists, but pick one. Obviously the term "advocate" has a much more

refreshing sound, a much more noble sound, than the term "lobbyist."

TV news accounts go to "talking heads" to illustrate a point or to give some background. How often were pro-gun control talking heads used compared to anti-gun control talking heads? The networks used pro-gun control talking heads twice as often as anti-gun control ones. That is a form of media bias.

Look at what happened with George W. Bush recently. His mike was open, you will remember, and he made some rather unguard-



Larry Elder: "America's number-one problem is children, who cannot feed, clothe, and educate a child, having children."

ed remarks about a *New York Times* reporter, Adam Clymer. Bush shouldn't have said what he did. Any smart politician should be aware that, whenever there is a mike in front of you, be it hot or cold, you should shut your mouth.

But does Bush indeed have reason to be irritated with the *New York Times*? It published a series of articles critical of his record as governor—fair enough. But it also published a number of articles critical of his intellectual firepower. One of the articles referred to him as an "airhead."

In our judicial system, we have what we call peremptory challenges. A lawyer can use them to reject a certain number of potential jurors. Often, lawyers reject jurors they believe to be incapable of rendering a fair decision. We recognize that certain people, despite what they say, cannot be fair. I think that applies here.

I don't know how human beings who are in favor of gun control are going to write fair articles about gun control. I don't

know how human beings who are in favor of affirmative action are going to write fair articles about affirmative action. Certainly many do, but some cannot.

America's greatest problem, however, is not media bias. America's greatest problem is not bad schools, although they are very important; not drugs, although they are very important; not crime, although that is very important. America's number-one problem is illegitimacy. By that I mean children having children. I'm not talking about Murphy Brown or any other woman who has the resources and decides, for whatever reason, that she wants to have a child on her own or about single people who want to adopt.

I am talking about children, who cannot feed, clothe, and educate a child, having children. We have provided incentives for that very thing through our welfare state. My 85-year-old father grew up in the South and was a child of the Depression. When I was a child, he worked two full-time jobs as a janitor, cooked for a white family on weekends, and went to night school three nights a week to get his GED. He does not, by the way, know who his biological father was.

My father told me that welfare is probably the worst thing that ever happened to this country and the worst thing that ever happened to black people. There was a time, after slavery, when a black man was as likely to have a child within the confines of a marriage as was a white man. Look at census data. The information we have indicates that, at the beginning of the 20th century, a black child was as likely to be born in a nuclear, intact family as was a white child. What happened? We launched Lyndon Johnson's War on Poverty, essentially going door to door and encouraging people to get on welfare.

Daniel Patrick Moynihan, back in 1965, wrote a book called *The Negro Family: A Case for National Action*. At the time, 25 percent of black children were born out of wedlock. He considered that to be a call to arms. Fast forward to the year 2000: nearly 70 percent of today's black children are born out of wedlock.

Do you want to know why there is a drug problem in the inner city? Do you

want to know why there is a crime problem in the inner city? Do you want to know why schools are bad in the inner city? Start with illegitimacy.

I'd like to tell you a story I read in a book by James Robeson, *My Father's Face*. In the first chapter, he talks about a federal prison chaplain who decided to increase

morale. He went to one of the major greeting card companies and said: "Look, Mother's Day is coming up. Why don't you, as an act of goodwill and PR for you, give us 500 free Mother's Day cards?"

The company thought that was a good idea, and it was extremely successful. Every single inmate filled out a Mother's Day card

and sent it to good old Mom.

Father's Day rolled around. The chaplain thought he would duplicate his success. He went back to the card company and got 500 Father's Day cards. Not a single inmate, not one, wanted to send one to his father. Are there any questions about the extent of the problem? ■

The American Anti-Statist Tradition

On the afternoon of September 13, participants gathered for another Book Forum. Seymour Martin Lipset, the Hazel Professor of Public Policy at George Mason University and coauthor of *It Didn't Happen Here: Why Socialism Failed in the United States*, and Aaron L. Friedberg, professor of politics and international affairs at Princeton University and author of *In the Shadow of the Garrison State: America's Anti-Statism and Its Cold War Grand Strategy*, discussed "American exceptionalism." Excerpts from their remarks follow.

Seymour Martin Lipset: The term "American exceptionalism" was coined by Alexis de Tocqueville in his justly celebrated *Democracy in America*. Tocqueville talked about America's being exceptional, by which he meant "different," qualitatively different in all kinds of ways from Europe, particularly France.

When I talk about "American exceptionalism," I sometimes get objections or criticisms from two sources. On the one hand, some conservatives say that there's a lot of socialism here—government ownership, control, taxes. On the other hand, socialists don't like the notion that somehow socialism couldn't have developed in the United States and won't develop here in the future.

The major obstacle to the possibility of socialism or statism is the fact that this is an anti-statist country. It is a country that is suspicious of the state. Anti-statism goes back to the American Revolution, which was a revolution against a strong state. The Declaration of Independence is a libertarian document. The man who wrote it, Thomas Jefferson, once said that that government governs best which governs least.

Well, this tradition of the United States that flows from its politics was reinforced by its religious tradition and institutions, because there again America has a unique pattern. Christianity in this country is quite different from Christianity in any other country. Tocqueville was struck by the strength of religion in the United States. He said religion was much stronger here



Seymour Martin Lipset: "The major obstacle to the possibility of socialism or statism is that this is an anti-statist country."

than in Europe, and it was and is. And in America religion was always anti-statist.

The American religions—the Methodists, the Baptists, the Quakers, and others—in Britain were referred to as the nonconformists, or the dissenters. They were nonconforming with or dissenting from the Church of England, the state church, and they were persecuted by the state, and hence they were very much against the state. So the American religious tradition has been an anti-statist tradition, whereas the religious tradition in Europe, and even to a considerable degree in Canada, has been a state-related, a state-supporting religious tradition.

So, you have these factors—the religious tradition, the political history and values, and the political institutions—that all sustain what I call the libertarian orientation of the United States. You know, on the political side we have checks and balances. We talk about gridlock in this country because one party has the presidency and another party the Congress, but this is precisely what the Founders would have liked. Basically, you can say they didn't want an efficient government. They wanted a government that was gridlocked. They may not have thought it through in party terms, but they wanted the sectors, the politicians, the political forces to check each other, to make it difficult.

Socialism and socialist parties developed in other countries where statism was legitimate, where both the conservatives and the left were statists. In the United States, statism was illegitimate, or at least not part of the dominant culture, and hence the socialists were terribly disadvantaged.

One of the forces that was involved in founding socialist parties and still supports them in other countries has been the trade union movement. Some of the socialist parties, like the British Labour Party and others, were founded by the trade unions. Well, in this country, the dominant trade union movement, the American Federation of Labor, opposed the socialists. It and the radical Industrial Workers of the World were anti-statist. There were a lot of socialists in the labor movement, but they never were able to get majority control.

If it weren't for the collapse of communism, the big political story of the last decade or two would have been the end of social-

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What to do about national missile defense and the Biological Weapons Convention?

New Studies Look at Microsoft, “Open Access”

The landmark 1996 welfare reform law has been only moderately successful, says the author of a new Cato Institute study. In “Four Years of Welfare Reform: A Progress Report” (Cato Policy Analysis no. 378), the most comprehensive analysis of welfare research since the passage of the 1996 law, Lisa Oliphant applauds the dramatic caseload reduction that has occurred. She notes, however, that little progress has been made in helping welfare recipients to achieve self-



Lisa Oliphant

sufficiency. Oliphant, entitlements policy analyst at Cato, points out that at least two-thirds of former welfare recipients remain dependent on some form of government assistance—from Medicaid and housing subsidies to food stamps and daycare. Even so, Oliphant says, it is clear that welfare reform has improved the well-being of people who formerly received cash assistance. Far from driving people further into financial hardship, the welfare law has reduced poverty among those who comply with the rules and claim the transitional benefits and tax credits for which they qualify. Welfare reform’s chief flaw is that it fails to address the central cause of dependence in the first place. As Oliphant puts it, “The system continues to encourage dependence by providing generously for young women who give birth out of wedlock.” Trying to counter welfare dependence after it has occurred will never succeed in freeing families and future generations from reliance on the state, she argues.

◆Close the Door on “Open Access”

Forcing cable television companies to share their broadband networks with Internet service providers (ISPs) is unjustified, writes the author of a new Cato Institute study. In “Open Access, Private Interests, and the Emerging Broadband Market” (Cato Policy Analysis no. 379), William E. Lee of the University of Georgia argues that proponents of “open access” cannot make a good case that new broadband networks

justify antitrust-style intervention. Nor can proponents get around the fact that the First Amendment bars the government from dictating which voices should be carried on new broadband networks. Claiming that cable modem service providers hold a monopoly on an “essential facility,” ISPs have demanded equal access to the cable infrastructure. But Lee says that the use of the term “essential facility” masks an effort “to use government power to advance private interests.” Open-access rules also violate the First Amendment, says Lee, who warns Internet companies against seeking to use political power to compete. “Just like more established media, Internet firms are now seeking to influence politicians through Washington-based associations, government relations departments, and political action committees,” he says. “Anyone who thinks this process will benefit the Internet need only examine the history of broadcasting and cable regulations to see how regulators deform the marketplace.”

◆Leave Korea to the Koreans

The future of inter-Korean relations “should be determined by the two Koreas,” not Washington, concludes a new Cato Institute study. Doug Bandow, a senior fellow at the Cato Institute and the author of *Tripwire: Korea and U.S. Foreign Policy in a Changed World*, examines the rationale behind the U.S. military presence on the peninsula in “Korean Détente: A Threat to Washington’s Anachronistic Military Presence?” (Cato Foreign Policy Briefing no. 59). At the very least, Bandow argues, the United States should do nothing that might disrupt the improvement in inter-Korean relations. As those relations have improved beyond all expectations, “Washington’s objective appears to be to preserve the U.S. military presence in Korea at all costs,” Bandow writes. Washington shows no willingness to withdraw its forces even if the current détente leads to a significant and permanent reduction in tensions. Indeed, U.S. officials suggest that the troops should remain even if reunification of the two Koreas takes place, arguing that a U.S. military presence is needed to preserve “stability” in Northeast Asia.

◆Social Security Disability Fraud

The Social Security Administration is currently handing out a flood of benefits under the Social Security Disability Insurance program to persons who are not disabled and thus have no legitimate reason to receive those benefits, reports a new Cato Institute study. Current SSDI payments account for 14 percent of all Social Security distributions. In 1999 alone, the Social Security Administration handed out a staggering \$57 billion in disability benefits. To qualify for disability payments, a person needs to be incapable of performing any meaningful work in the national economy. But in “Facilitating Fraud: How SSDI Gives Benefits to the Able Bodied” (Cato Policy Analysis no. 377), James M. Taylor documents 43 cases in which people who qualified for disability benefits were simultaneously filing lawsuits under the Americans with Disabilities Act—even though the rationale for ADA suits is that individuals are being discriminated against for jobs they are clearly capable of performing. Taylor asks, “How can a person be simultaneously able and unable to work?” The 43 cases cited “do not even come close to capturing the mass of hidden abuses that occur within the system,” says Taylor, managing editor of *Accommodating Disabilities Business Management Guide*. He thinks the fraud is much more widespread, noting that the nation’s population grew by only 7 percent between 1991 and 1998 while the number of people receiving Social Security disability payments surged by 47 percent.

◆Microsoft’s Illusory Barrier to Entry

The central claim made against Microsoft—that 70,000 software programs for Windows create an “applications barrier to entry” into the operating-system market—is entirely baseless, says a new Cato Institute study. In his ruling against Microsoft, Judge Thomas Penfield Jackson alleged that the company is a monopoly because no competitor could surmount the hurdle created by Microsoft’s 70,000 Windows-based software programs. Jackson reasoned that the maker of a competing operating system would have to create a similar number of its own software programs at a cost that would be “prohibitively large.” In “Microsoft’s

‘Applications Barrier to Entry’: The Missing 70,000 Programs” (Cato Policy Analysis no. 380), Cato Institute adjunct scholar Richard B. McKenzie explains that “the overwhelming majority of the 70,000 Win-



Ron Rotunda

dows applications that make up the supposed impregnable barrier to entry either never existed as unique products, no longer exist, or are totally out of date.” If the “applications barrier” does not exist, Jackson’s logic for dismembering Microsoft falls apart, says McKenzie. But even if there were 70,000 programs, a survey conducted by McKenzie reveals that many computer users rely on just a few dozen applications. A competing operating-system vendor could challenge Microsoft and capture significant market share by offering about 300 well-chosen programs, he says.

◆Change U.S. Policy toward India

The United States must start taking India seriously as a world power, a new study from the Cato Institute says. Ignoring or antagonizing India is shortsighted and could lead to an anti-American alliance of India, Russia, and China, warns independent security policy analyst Victor M. Gobarev in “India as a World Power: Changing Washington’s Myopic Policy” (Cato Policy Analysis no. 381). Gobarev argues that the U.S. government has consistently underestimated India’s power and its usefulness as an American friend in Asia. “The United States still sees India as a Third World, poverty-stricken giant,” Gobarev writes, even though India has a nuclear arsenal, a large military budget, a sophisticated space program, and a booming high-tech sector. How India uses its growing power can either enhance or undermine U.S. interests, Gobarev argues. But U.S. clumsiness has led India to pursue a “Russia-India-China nexus aimed at preventing U.S. global domination.” The backbone of this triangular alliance is military collaboration. If the United States wants to have India as a friend, Gobarev says, it must accept India into the club of

nuclear states and enthusiastically endorse New Delhi’s bid for permanent membership in the UN Security Council. “Making U.S. relations with India truly beneficial to America will require political wisdom, courage, and vision,” he argues. “The current bankrupt U.S. policy will merely extend stagnation in relations to the point of irrevocably losing India.”

◆Supporters of Sea-Based National Missile Defense Off Course

Shortly before President Clinton decided to leave the decision on a national missile defense (NMD) system to his successor, opponents argued that a sea-based system would be more effective and less costly than the president’s land-based approach. A Cato study released then argued that the numerous drawbacks of sea-based missile defense are so severe that such a system should be removed from consideration. In “From the Sea: National Missile Defense Is Neither Cheap Nor Easy” (Foreign Policy Briefing no. 60), Charles V. Peña, an independent consultant on missile defense, notes that the chief advantage of sea-based missile defense is its supposed ability to shoot down enemy missiles during their boost phase, shortly after liftoff. The problem is “building a fast enough boost-phase interceptor for existing ships,” he says. Then there’s the inability of sea-based NMD to destroy missiles launched along certain trajectories. For example, even though North Korean missiles are the most frequently cited threat to the United States, a sea-based system “would have little or no capability against a shot from North Korea to the United States along a polar trajectory,” Peña says. With all these problems, why does sea-based NMD enjoy support? Peña thinks the answer has little to do with effective missile defense and much to do with the outdated Cold War mindset of those who seek to build a global missile defense system. “Some proponents of the system would like to defend friends and allies around the world, not just the United States,” Peña says.

◆Enforcing Biological Weapons Convention Would Be Unconstitutional

The 1972 Biological Toxins and Weapons Convention (BWC), which bars signato-

ries from producing or using lethal biological agents, is so fraught with constitutional problems as to render efforts to enforce it futile, according to a new Cato Institute study. In “Constitutional Problems with Enforcing the Biological Weapons Convention” (Foreign Policy Briefing no. 61), legal scholar Ronald D. Rotunda notes that, while the United States should continue to renounce the production and use of biological weapons, “the proposed enforcement protocol’s implementation threatens important constitutional rights: the right to privacy reflected in the Fourth Amendment, the separation of powers principle found in the appointments clause, and the right to intellectual property found in the Fifth Amendment.” The Constitution invests the executive branch of government with the power to appoint all “officers of the United States.” International inspectors under the BWC protocol “would have police power over

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Cato Calendar

Privatizing Social Security: Beyond the Theory

Washington • Cato Institute
February 6–7, 2001

Speakers include José Piñera, Michael Tanner, Martin Feldstein, John Zogby, and Peter Ferrara.

13th Annual Benefactor Summit

Cancun • Ritz-Carlton
February 21–25, 2001

Speakers include Hernando de Soto.

James Madison and the Future of Limited Government

Washington • Cato Institute
March 1, 2001

Speakers include Alex Kozinski, James Buchanan, Joyce Malcolm, Bruce Bueno de Mesquita, Stephen Macedo, and Walter Berns.

Space: The Free-Market Frontier

Washington • Cato Institute
March 15, 2001

Updated information on Cato events, including Policy Forums and Book Forums not shown here, can be found at www.cato.org/events/calendar.html.

ism in Europe. Socialist parties still exist in Europe, they govern, and they still try to represent the less-privileged parts of the population, but their goal is no longer some kind of utopian planned, or socialist, society; they all favor the market.

Aaron L. Friedberg: Professor Lipset and I ask rather different questions, but I think in the end give very similar answers. The question I would pose is, Why isn't America a garrison state? Why, especially in the earliest and the most intense years of the Cold War, didn't the United States become an armed camp, in which all authority was ultimately concentrated at the top and all societal efforts and societal resources were directed toward the production of military power and preparation for total war?

Those are not entirely idle or purely speculative questions. If you look back at the period, say, from roughly 1945 to the late 1950s or 1960, it's clear that there really were, I think particularly in the early years of this period, very real possibilities for movement toward a garrison state. The onset of the Cold War had real effects on the size and the role of government in American life. But those effects turned out to be comparatively modest. Why?

The answer is American anti-statism. Strong, deeply rooted, characteristically American suspicion of and resistance to excessive concentrations of governmental power exerted a restraining, countervailing influence and helped to see the United States safely through the Cold War.

How do states create military power? They extract societal resources, principally money and manpower, and direct them toward activities that are intended to enhance immediate and long-term military capabilities: the manufacture of arms, the production of materiel essential to making arms and fighting wars, and the conduct of what is believed to be strategically significant scientific research.

Now, for most of its history, down through the middle of the 20th century, the United States did not have a permanent, highly developed institutional capacity for performing those power-creating functions.

Indeed, it didn't have much of a central state at all. And this was not, as Professor Lipset has indicated, an accident. It was, rather, at least in part, a product of deliberate design. I would suggest that this design has to be understood in the particular fortunate geopolitical context in which the United States found itself.

Creating military power involves extensive intrusions and interventions by the state into society and the economy. And the Founders were intent on limiting the capacity of government to impose precisely those kinds of burdens on citizens. They



Aaron Friedberg: "Why, in the earliest and most intense years of the Cold War, didn't the United States become an armed camp, in which all societal resources were directed toward the production of military power?"

did this by constructing certain kinds of governmental institutions, institutions in which authority and decisionmaking power were widely dispersed, and also by promulgating a particular ideology, a set of beliefs in the virtue of equality, liberty, individualism, constitutionalism, and democracy.

The situation after the end of WWII appeared markedly different from that which had existed after previous wars. America's European allies were seriously weakened and so there was no buffer, as there had been in 1914 or 1939, to absorb the first rush of an enemy's aggression and give the United States time, in effect, to build itself a more powerful state.

Moreover, technological change—long-range aircraft, ballistic missiles, atomic weapons, and so on—made things seem even worse. The continental United States itself was now, or would be soon, directly vulnerable to attack. And these political

and technological changes appeared to increase the need for large permanent standing military forces and for the establishment and maintenance of substantial and possibly permanent power-creating mechanisms to support those forces.

I think that the history of the early Cold War period can best be understood as involving a collision between these new externally induced pressures for expansion and an opposing set of anti-statist forces. So, what was the result of this collision?

There is, I think, a prevailing answer to that question, at least in much of the scholarly literature, and it would be something like this: By 1945 anti-statist influences were substantially diminished if not entirely eliminated. The onset of the Cold War led quickly to a national security state or a garrison state, a big powerful permanent central state apparatus with extensive power-creating capabilities.

This view is not entirely false. Certainly, the American state was bigger and stronger, by any measure, in the 1950s than it was in the 1930s. But I think this view also mischaracterizes the outcome of the early postwar period, in large part because it overlooks what might have happened and also because it understates the persistence and power of American anti-statist influences, especially in the first critical early decade of the Cold War.

In 1945, although admittedly much had changed, the basic American political institutions and values remained the same. Moreover, there was a postwar, post-New Deal counter-reaction against the successive expansions in the size and power of the federal government. The expansion of the American state associated with the onset of the Cold War was therefore much more tightly constrained than it might otherwise have been.

A final thought: In retrospect, the Cold War may appear as one in perhaps a 300-year series of contests between increasingly liberal, increasingly democratic states and a succession of monarchical, autocratic, authoritarian, ultimately totalitarian, rivals. And perhaps, if we're lucky, future historians will look back on 1989, the fall of the Berlin Wall, as the end of this process of competition and political evolution. ■

“Being a part owner of a collective didn’t arouse much enthusiasm in practical Chinese peasants, whose dream had always been to farm a piece of land they could call their own.”

CHINA *Continued from page 1*

Under the new arrangement, individual peasants no longer possessed any means of production, and no collective member could do anything about his or her share of the pool, which was indivisible.

In the urban areas the Communist government assigned a job to every adult who was able to work and provided workers with all job-related benefits: salary, medical care, housing, and a pension at government-stipulated rates. But China was very poor and had a rural population of nearly 500 million, so the government assumed no such responsibility in the rural areas. To stick to its principle of “no private ownership of means of production” and to be realistic, the government threw the burden onto collectives and made it an unwritten law that each infant born to a member of a collective automatically became a member of the collective entitled to the benefits that the collective would provide. Whether the collective was able to provide any benefit at all, however, would depend on such factors as natural endowments, climate, and the efforts of the collective members.

By unwritten law, the government was not the owner of the collective and, therefore, had nothing to do with maintaining the income level of collective members. The government might reduce agricultural taxes to avoid starvation, but nothing more was to be expected in most cases.

Mao was pleased with the new arrangement, which some of his followers extolled as his “great contribution to the Marxist theory of public ownership.” According to orthodox Marxism, to eliminate private ownership of the means of production, the state must take responsibility for organizing production and looking after all the workers. Under the new arrangement, private ownership of the means of production was effectively eliminated, but the government had no direct responsibility for either production or peasants’ welfare.

Contrary to government propaganda, the new arrangement was unpopular in the countryside from day one. Being a part owner of a collective didn’t arouse much enthusiasm in practical Chinese peasants,

whose dream had always been to farm a piece of land they could call their own. The peasants also felt that the new arrangement had rendered them inferior to urban residents, whose welfare was provided for under the government budget while theirs was at the mercy of the weather or the quality of the land.

Nevertheless, the peasants did not offer any open opposition to the new arrangement. What they did instead, because every collective member got more or less the same share of the harvests, regardless of differences in individual contributions, was to shirk and to be very careful to do no more than others did. Consequently, agricultural productivity was low and the resultant food shortages haunted the government.

The government tried to inject a spirit of collectivism into the peasants’ minds, without much success. To diminish the threat that starving peasants might rebel—almost the exclusive cause of political upheavals in China’s 5,000-year history—the government reluctantly agreed that a small piece of the collective land could be used by each farming household to plant crops of its own choice and that the harvest from that land could be retained by the household. (Those small pieces of land became known as private reserved land.)

To justify its policy change, the government emphasized that the private land could not be more than a small fraction of the collective land and that peasants should not be allowed to farm their private land until they had finished their daily work for the collective. Despite those restrictions, the new policy brought wealth and life to China’s countryside. The enthusiasm with which Chinese peasants worked their private land and the resultant high productivity were in such sharp contrast with what was happening on the collective land that the official Chinese media frequently complained that, “if we fail to do a good job of educating peasants properly so as to free them from selfishness and narrow-mindedness, capitalism will prevail in China.”

Although the private reserved land policy saved Chinese peasants from starvation after 1963, most of the country’s farmland was still in collective hands, and the time peasants were permitted to work on their

private land was very limited. Meanwhile, the government’s persistent efforts to re-educate peasants failed to show positive results. Consequently, the low productivity of the agricultural sector remained a big headache for the government at a time when the population was doubling. There seemed never to be enough to eat, so food had to be rationed again and again in urban areas. Despite the fact that people had been working hard under Communist rule for nearly 30 years, their standard of living had not improved much.

At last, complaints against the government policy were voiced, disenchantment with Mao’s ideology grew, and people began to dream of better lives, not just empty promises. Mao perceived all such developments as evidence that some of his fellow Communist leaders were trying to undo his accomplishments. He couldn’t tolerate such subversive efforts. The Cultural Revolution was instituted in 1966 with a view to sweeping away all that was in Mao’s way.

Cultural Revolution and Economic Reform

The Cultural Revolution dominated China for 10 years, during which millions of

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“Deng and his followers were pretty sure that Chinese peasants would be able to create economic wonders if and only if they were given back what had belonged to them and allowed to farm their own land.”

CHINA *Continued from page 11*

Chinese families were plunged into tragedy and the economy was pushed to the verge of collapse. The actual effects of that catastrophe were to tear to pieces Mao's mystique (which had been the pillar of his rule), to expose fully the fatal diseases inherent in China's Soviet-style social and economic structures, and to lead the Chinese to seek different solutions to their problems.

Mao's death in 1976 presented China with a chance to break with its past. The Chinese elite led by Deng seized that chance, terminated the Cultural Revolution immediately, and after about a year launched “economic reform,” the original aim of which was to raise the people's living standards by liberating the economy from the fetters of the Soviet model and by introducing market mechanisms to solve some of China's economic problems.

The economic reform started in the countryside, the chronic low productivity of which made it increasingly difficult for China to feed its 1 billion people. Thanks to the experience with the private reserved land, Deng and his followers were pretty sure that Chinese peasants would be able to create economic wonders if and only if they were given back what had belonged to them and allowed to farm their own land. The leaders knew that the reform would not cause any loss to or require any new investments from the government, as the government was not the owner of the collectives. The solution was simple and straightforward. But before anything could be done to implement it, the reformists, while insisting that the system of collective land ownership was not being dismantled, had to develop a “socialist” theory by which peasants could effectively reclaim their land. In the years right after the Cultural Revolution, although most people were convinced of the inefficiency of the state sector, their support for “socialist” ideals was not diminished. Their fear of private ownership was deep-rooted. Without justification by a theory that sounded definitely “socialist,” any reform would be viewed as an attempt to deviate from the right path and thus could not succeed.

Fortunately, there existed in the West the practice of leasing, which the reformists found readily usable. They lost no time in transforming it into a set of policies (later known as the household responsibility system) aimed at launching the Chinese countryside into a new production system that would solve the problem of food shortage once and for all. Under the household responsibility system,

- the collective remained the owner of the collective land and other means of production used by collective members; therefore, the system was still “socialist”;
- if so desired by collective members, however, the collective land and other means of production could be leased to any household in the collective;
- the quantity of the object to be leased to each household could not exceed the quantity that the lessee had contributed to the collective at the time of its formation almost 30 years earlier;
- the terms of leases might be as long as 50 years;
- during the term of a lease, the lessee did not need to pay any rent to the collective but had to pay taxes to the government in proportion to the quantity of the object leased; and
- the object so leased could be re-leased among collective members during the term of the original lease, subject to the consent of the collective.

The household responsibility system spread through the countryside almost overnight. The peasants seized their chance with such vigor that soon all the collective belongings fell into private hands and the collectives existed in name only. That unexpected development embarrassed the reformists for a while but was soon forgotten because “economic wonders” were appearing in the countryside. Virtually free from any interference from either the collective or the government, the Chinese peasants devoted their hearts and souls to the land under their control and made every effort to provide whatever consumers were demanding. Very soon, bumper harvests

led to flourishing peasants' markets, where nearly every kind of food that can be grown in China was in abundant supply. Food shortage became a problem of the past, and the government found itself called upon to address a new issue: food oversupply.

The whole nation benefited so much from what the peasants were doing that the virtual disappearance of the collectives aroused little political opposition. Deng drew some important insights from that. In later years, whenever he intended to introduce a new “reform policy” that might give rise to a new ideological battle in the Communist Party, Deng would launch the policy first and let it become popular with ordinary folks before his opponents could block the policy.

With increasing productivity, greater purchasing power, and accumulated capital, some of the peasants gave up farming and started their own industrial enterprises (known as township enterprises). By the early 1980s, thanks to the success of the economic reform, the official attitude toward private ownership of the means of production had changed substantially. As a result, the township enterprises were granted formal status as part of a legitimate private sector, the existence and growth of which, according to the official line, are not ideal but are necessary to the country's efforts to “lift itself to a higher level of a truly socialist society.”

The past two decades have seen great changes in China's countryside: virtually all means of production have been shifted from the state to the private sector, and efficient markets for agricultural products and equipment have been created. Given that some 80 percent of China's population live in the rural areas, nearly all the rural economy is effectively in private hands, and most of the working adults in the countryside are employed by the private sector, it is difficult to accept the official claim that “socialism” is still dominating China's countryside.

Under the household responsibility system, peasants were permitted to re-lease their land to others. As a result, a market for farmland has been in active operation since the early 1980s. However, it is a market for which the government has failed to

“What has taken place in China’s countryside is one of the largest and most successful privatizations the world has witnessed.”

provide any clear guidance. More often than not, there is no written contract for land re-leasing. Even if there is one, it is not legally enforceable, because, in accordance with the official rule, any land re-leasing must have the prior consent of the collective, which is long gone in most cases. Nevertheless, the government is unwilling to officially admit this fact, as such admission would be equivalent to saying that China’s countryside is no longer “socialist.” However, the government has neither the intention nor the resources to change the status quo, so peasants are the de facto owners of the land under their control and, as such, are buying and selling land as they wish. One can anticipate that the peasants will feel frustrated when they have problems involving their re-leased land and cannot go to the government for justice.

The Present Challenge

Although the Chinese government has been fully convinced of the effectiveness of privatization in solving the country’s economic problems and has implemented privatization bit by bit whenever politically feasible, it still has great difficulties in officially accepting it. There are two main reasons for this dilemma. First, nobody doubts that China has gone a long way in transforming itself into a market economy. But people still fear the social conflict that Karl Marx warned would be the result of private ownership of the means of production. Under such circumstances, any open advocacy of privatization is likely to be very unpopular with the majority of the population until they have been fully convinced in theory that Marx’s analysis is outdated and that privatization, if properly structured and implemented, can bring economic benefits to most people without causing social conflict.

The second (and perhaps more important) reason is that, if the government lifted the taboo on privatization now, it might well encourage people to demand an end to the one-party system, which is far easier than privatization to justify under orthodox Marxist theory. So, any official pronouncement about privatization would be likely to lead to a review of the mandate to rule, something the Chinese leaders are

not yet ready to face.

What has happened in China’s countryside during the past two decades can be characterized as de facto privatization, in the sense that the process has resulted in virtually all of the means of production of the agricultural sector being transferred to private hands.

At the same time, it is definitely different from the privatization we have seen in other countries. Although the transfer has involved nearly 1 billion people, it has not caused any changes in the government’s financial accounts. (Under the new arrange-

ment, the government did not acquire either the collectives or any of their property. As a result, when the peasants reclaimed what had belonged to them, the government did not lose anything.) Indeed, privatization cost the government nothing and brought it large tax revenues.

The Chinese peasants still have a long way to go before they have proper legislation and institutions for protecting their legitimate property rights. Nevertheless, what has taken place in China’s countryside is one of the largest and most successful privatizations the world has witnessed. ■

Leaving a Legacy of Liberty

Thomas Jefferson admonished, “Eternal vigilance is the price of liberty.” As Ed Crane explains in his introduction to the Cato Institute’s new Planned Giving brochure, support for Cato is your means of staying “eternally vigilant,” because the Institute’s area of specialization in a complex world is protecting your liberty.

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Cato University Successful in San Diego, Montreal

Cato is about ideas," said P. J. O'Rourke at the Cato Institute's 20th anniversary celebration on May 1, 1997. To spread those ideas, Cato launched Cato University in 1998 under the direction of Tom G. Palmer.

Cato University allows busy adults, students, Cato Sponsors, retirees, and others interested in the ideas of liberty and limited government to hear lectures by and par-



Cato University director Tom G. Palmer lectures on the historical roots of law and private property.

ticipate in discussions with leading scholars on American history, law, economics, and philosophy. In addition to the seminars, Cato University offers a 12-month home-study course that uses audiotapes, books, and an integrated study guide.

This year Cato University hosted two major sessions: the Cato University Summer Seminar from July 29 to August 4 at the Rancho Bernardo Inn in San Diego and the Cato University Fall Seminar from October 19 to 22 at the Hotel Omni Mont-Royal in Montreal. More than 250 participants attended the two seminars.

At the Summer Seminar *Reason* magazine editor-at-large Virginia Postrel discussed 21st-century challenges after the fall of socialism; Barbara Branden, author of *The Passion of Ayn Rand*, lectured on the ideas and influence of Rand; University of Alabama professor David Beito lectured on American history, focusing on the African-American struggle for liberty and the displacement of mutual aid societies by the welfare state; Boston University law professor Randy Barnett discussed the finer points of constitutional law and themes of his upcoming book, *The Constitutional Presumption of Liberty*; Charles Mensa, director of an influential libertarian think

tank in West Africa, explained the predicament—and promise—of liberty in Africa; and Stephen Davies of the University of Manchester compared the histories of Europe and Asia.

Professor Alan Charles Kors of the University of Pennsylvania guided Fall Seminar participants through the history of individual liberty; Palmer gave two talks on the history of the institutions of freedom (property and limited government); Professor Steven Landsburg of the University of Rochester, author of *The Armchair Economist*, used serious economic reasoning and logic to explain problems that baffle the economically uninformed; Charles Murray, fellow at the American Enterprise Institute and author of *Losing Ground*, examined the relationship between liberty and the social sciences and showed how liberty is related to human flourishing and excellence; Ted Galen Carpenter, vice president for defense and foreign policy studies at the Cato Institute, examined recent Amer-

ican foreign policy blunders and showed the relationship between limited government and foreign policy; and Roger Pilon, director of Cato's Center for Constitutional Studies, discussed constitutional rights and the outlook for liberty.

In addition to hearing from leading lecturers on liberty, participants in the seminars are just that—participants. Not only are there numerous opportunities to engage in extended Q&A periods; participants are also able to engage in dialogue during breakfast, dinner, and lunch sessions, as well as impromptu late-night discussions. One participant from the 1999 seminars, Madeleine Pelmer Cosman, Professor Emerita at the City University of New York, entertained the crowd at a barbecue with an engaging lecture on the criminalization of medicine.

To get information about Cato University, as well as about the 2001 seminars—including a week, August 4–10, near San Diego—check the Web site at www.cato-university.org or call 202-789-5296. ■



Cato Benefactor Sponsor Richard Kossman (right) talks with lecturer Charles Murray at Cato University in Montreal.



Benefactor Sponsors Meg and Jack Williams and their grandson Jed Swanson give their rapt attention to a Cato University session in San Diego.

HONG KONG *Continued from page 2*

domestic reforms.” Groombridge contended that “the Chinese government has a lack of commitment to bankruptcy,” adding that allowing firms to go under is an essential part of a successful capitalist economy.

In delivering the luncheon address, Raymond Ch’ien, chairman of the Hong Kong-based Chinadotcom Corp., criticized Hong Kong’s local leaders for failing to do enough to bring the city into the “new economy.” He argued that the mantle of economic leadership had passed from Great Britain to the United States and Hong Kong but warned that, “if Hong Kong is not significantly digital, the mantle may pass again.” Ch’ien spoke of the importance of embracing the Internet, saying, “Fighting it and resisting it will ultimately be futile.”

The papers presented at the conference will be published as a book in 2001. ■

CATO STUDIES *Continued from page 9*

private parties but . . . would not be subject to appointment and removal by any U.S. official in the normal manner,” says Rotunda, visiting senior fellow in constitutional studies at the Cato Institute. “The Supreme Court has made clear that the framers created and limited the appointment power to ‘ensure that those who wielded it were accountable to political force and the will of the people.’” BWC inspectors would be subject to no such accountability. Because the BWC protocol would give international inspectors access to private companies on the cutting edge of technology, “intrusive inspections create a serious risk of industrial espionage by foreign inspectors—many of whom come from nations that often do not respect intellectual property rights,” says Rotunda. If the U.S. government, under the Fourth Amendment, “cannot constitutionally search a garage, a kitchen, a factory, or a storage area without a search warrant and probable cause, then it cannot authorize foreign inspectors to engage in such searches. The United States cannot delegate to foreign officials a power that it does not possess,” Rotunda concludes. ■

Books from the Cato Institute



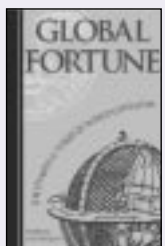
Cheer up. Despite Clinton, Gore, Bush, and all the rest, life continues to get better for most people. In a new book that will put the gloom-and-doom industry out of business, the Cato Institute says more human progress has been achieved in the last 100 years than in all of the previous centuries combined. No matter what the variable—life expectancy, wealth, leisure time, education, safety, gender and racial equality, freedom—the world is a vastly better place today than it was a century ago, say coauthors Stephen Moore and the late Julian Simon in ***It's Getting Better All the Time: 100 Greatest Trends of the 20th Century***. More than 100 full-color charts and figures illustrate their argument.

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In its political agenda, its legal briefs, and its executive actions, the Clinton administration has systematically abused the Constitution, common law, statutes, and legal institutions. ***The Rule of Law in the Wake of Clinton***, edited by the Cato Institute’s vice president for legal affairs Roger Pilon, contains 15 essays by scholars, lawyers, lawmakers, and cultural critics that chronicle Clinton’s utter disregard for “a nation of laws, not of men.” But unlike other recently published books on related issues, the principal focus of this book is on basic rule-of-law questions, not scandal. After reading the manuscript, Carter administration attorney general Griffin Bell remarked: “This collection of essays on the Clinton-Gore use of executive power demonstrates that our constitutional system is in disarray. The rule of law is severely damaged. Our only hope to preserve the constitutional system vouchsafed to us is the dismissal of the present executive department, root and branch.”

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After two world wars, the Great Depression, and experiments with socialism interrupted the liberal economic order that began in the 19th century, the world economy has recently returned to the level of globalization that it previously enjoyed. Peruvian novelist Mario Vargas Llosa embraces that development, saying, “It is liberalism—more than any other doctrine—that symbolizes the extraordinary advances that liberty has made in the long course of human civilization.” In ***Global Fortune***, experts from four continents examine the financial turmoil that has accompanied the return to a global economy and address the accusation of its critics that markets spread instability and poverty. Capitalism, these authors say, made the 20th century one of unrivaled prosperity, enabling unprecedented improvements in the living standards of billions of people around the world.

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◆ **Would it sound any different if he said “20 percent of the global population produce 80 percent of the world’s wealth”?**

“We live in a world scarred by inequality,” said World Bank President James D. Wolfensohn. “Something is wrong when the richest 20 percent of the global population receive more than 80 percent of the global income.”

—*Washington Post*, Sept. 27, 2000

◆ **A \$200 billion imprint**

Joel Klein, the head of the Justice Department’s antitrust division who led the government’s case against Microsoft, plans to resign at the end of the month....

“I think he’s made an imprint,” said Andy Gavil, an antitrust professor at Howard University Law School.

“He’s clearly one of those heads of the division that came in with purpose and showed leadership,” he said....

Since reaching a 52-week high of \$119.93 in December, [Microsoft] shares have lost nearly half their value.

—*Cnetnews.com*, Sept. 19, 2000

◆ **Follow the bouncing logic**

It does seem that Juan Miguel Gonzalez is going to be granted the right to raise his son where and how he likes, and those who are troubled by the prospect of Elian returning to a country ruled by an unsavory head of state would do well to remember that the official observance of Father’s Day was inaugurated by Richard Nixon.

—Rebecca Mead in the *New Yorker*, June 19 & 26, 2000

◆ **Getting the price just right**

Women who donate their healthy eggs to infertile women are ethically entitled to be paid for their services, but should only rarely be paid more than \$5,000 and never as much as \$10,000, according to a new report by an influential medical ethics committee.

—*Washington Post*, Aug. 4, 2000

◆ **Good thing they stay out of politics**

Secretary of State Madeleine K. Albright likes to say that when she became a diplomat, her “political instincts were surgically removed.” So you won’t find her at the Democratic National Convention this week....

Tradition holds that the secretary of state and defense secretary steer clear of political events....

Albright is actually in Los Angeles to attend the annual meeting of the National Democratic Institute think tank, which she addressed yesterday. She was scheduled to introduce Clinton, who will address the group tomorrow....

National security adviser Samuel R. “Sandy” Berger is also on vacation, though he’s spending part of it in Los Angeles (he took a commercial flight out), and he may stop by the convention tonight to hear Clinton speak. But he is not, aides say, officially attending the gathering.

—*Washington Post*, Aug. 14, 2000

◆ **There’s a drug to cure this, but the FDA banned it**

Marthe Kent, OSHA director of safety standards and the top regulator on the

ergonomics rule, was quoted in a trade publication as saying, “I was born to regulate. I don’t know why, but that’s very true. So long as I’m regulating, I’m happy.”

—*Washington Post*, Aug. 8, 2000

◆ **Elián was lucky**

An 11-year-old Modesto [Calif.] boy was fatally shot early Wednesday morning when police SWAT team officers on a federal narcotics sweep raided his parents’ home. Police said the shooting was an accident.

—*Modesto Bee*, Sept. 14, 2000

◆ **If we had more faith in government, we’d be moving there**

Renowned for its breathtaking scenery, pine trees, rocky coastline and a clear blue Mediterranean sea, the Riviera town of Le Lavandou is drawing headlines for a new local law that makes dying a grave offense.

The town’s only cemetery is full....

Facing the lack of cemetery space, Le Lavandou, 25 miles east of Toulon, on Tuesday passed a law: “It is forbidden without a cemetery lot to die on the territory of the commune.”

—*Associated Press*, Sept. 21, 2000

◆ **Not much return on \$50,000**

[At the Democratic convention,] Democratic National Committee donors who gave \$50,000 enjoyed a private reception and shop-op at the Giorgio Armani clothing boutique on Rodeo Drive, receiving \$100 gift certificates as they entered.

—*Washington Post*, Aug. 21, 2000

CATO POLICY REPORT

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