POLICY REPORT

THE COMING CRISIS IN MEDICARE—p. 6

Volume VI Number 2 | A Publication of the Cato Institute | February 1984

Trade Barriers and Deficits: The Hidden Tax of Protectionism

by Michael C. Munger

Consumers in the United States pay a higher price for many products than international forces of supply and demand would dictate. The reason is the U.S. policy of protecting domestic industries. America has maintained a broad array of explicit and implicit barriers to imports for some time. However, the increase in protectionist policy during the Reagan administration is consistent with, and is in fact practically dictated by, the huge federal budget deficit. Although the argument is complicated, the point is simple. Deficits and trade barriers, which act as a hidden tax on domestic consumers, go together; the combination is damaging to our economy and standard of living.

My estimate of the costs of protection in 1980 (the most recent year for which figures are readily available) is summarized below.[1] In the table, the cost is underestimated. The figures are only the available estimates of total costs—especially in the "other restrictions" category. Few estimates are available in that category, especially in relation to the whole array of implicit regulatory barriers. But even though the cost is underestimated, it is still substantial: In 1980, U.S. trade restrictions imposed an average implicit tax cost of at least $255 per person. For the average family of four, the annual average cost was a hidden (but nonetheless real) tax burden of more than $1,000.

The Reagan administration was not the first to use restrictions on international trade as a means to cope with domestic economic problems. The early 1930s saw the notorious Smoot-Hawley tariffs and the intentional devaluation of the dollar by the United States, in response to widespread unemployment. Since then, the trade system has endured a series of increases and declines in the level of protectionism. However, in the years following the General Agreement on Tariffs and Trade, through several rounds of multilateral negotiations, we have seen a general trend toward lifting of trade barriers.

> **"In 1980, U.S. trade restrictions imposed an average implicit tax cost of at least $255 per person."**

Unfortunately this trend was reversed with the recession at the end of the seventies, which affected much of the world. Usually, business enterprises in the United States have objected to the government's interfering in their internal affairs. However, because of the unemployment and the idling of factories caused partly by import competition, both business and unions have been asking the government to intervene indirectly. Both the intents and the effects of the recent surge of protectionism can be put into perspective by considering trade barriers as an implicit tax on consumers. In fact, "protection" is really a misnomer. Tariffs, quotas, and various "voluntary" quantitative restrictions such as orderly marketing agreements are just a few of the many forms of "assistance" or subsidy that the federal government can provide to declining industries. But why do government and industry prefer protectionism to such explicit forms of assistance as preferential tax treatment, subsidies, and investment credits?

Subsidies versus Protection

The simplest answer is to examine two possible policy systems. The first is a system of tax-financed, explicit subsidies for industries that are competing with imports, and the second is a system of protectionism, or implicit taxation and subsidy.

Under the first system, the government could provide direct payments to troubled firms, allowing them to resume or continue production. Such payments, financed either out of the general fund or through earmarked taxes, exist in just this form in many European nations. In response to bur-

(Cont. on p. 3)

Cost of U.S. Protectionism in 1980 (in millions of dollars)

Type of Restrictions	Cost to Consumers In 1980 dollars	In 1983 dollars
Tariffs	$45,784	$55,766
Quantitative restrictions	11,532	14,046
Other	1,135	1,383
Total	$58,451	$71,195

Source: See note 1.

Michael C. Munger is a political economy fellow at the Center for the Study of American Business at Washington University of St. Louis.

EDITORIAL

Wage Cuts Surprise the Economists

Perhaps no phenomenon has so defied the conventional wisdom as the proliferation of wage cutbacks in major industries. For years economists thought that wages in a modern industrial democracy were "sticky downward"—that once they had been raised above market levels, they could not be reduced (at least in nominal terms). As it turns out, however, enough inflation followed by severe enough economic times made wages a good bit more flexible than economists had thought. The big story of our latest recession (if 10 percent unemployment can be called a mere recession) is workers' grudging acceptance of wage cutbacks at Greyhound, Eastern Airlines, and other firms.

Why have such wage cuts been necessary? The problem is that the effects of the past 15 years of rapid inflation are still working their way through our economic system.

The term "inflation," it must be noted, is used here with its proper meaning—an increase in the supply of money and credit in an economy.

A rising price level is the most obvious consequence of inflation. But as F. A. Hayek, one of the century's most distinguished analysts of money and inflation, says, "Even the effects every citizen experiences are not the worst consequences of inflation; this [point] is usually not understood because *it becomes visible only when the inflation is past*." The new money pumped into the economy (by the Federal Reserve Board in the case of the United States) flows into particular industries, distorts the capital structure, and encourages investments that are not based on true consumer demand. For a while this activity creates the appearance of an economic boom. But when price inflation gets too high, the monetary and political authorities stop or slow down the rate of inflation. That allows consumer demand, prices, and interest rates to adjust to their true market level. Many investments are then shown to be a result of false demand signals emanating from the new money's discrete points of entry into the economy—the so-called "injection effect." Businesses based on such malinvestments fail.

For the past 20 years the United States has been demonstrating the truth of this Hayekian analysis, as Joe Stilwell has documented in a paper for the Cato Institute. We have had economic booms created by inflation, followed by a cutback in inflation (specifically, by a reduced rate of monetization of government debt—that is, the purchase of government securities by the Federal Reserve) and a recession. Monetization fell from $6.4 billion in 1968 to only $700 million in 1969, and there was a 1969–70 recession. The 1973–75 recession was preceded by a reduction in monetization from $8.4 billion to $3.7 billion. Monetization reached a record $15.6 billion in 1978, creating a record inflation in 1979. This inflation scared the Fed into a sharp cutback: Monetization was a negative $200 million in 1979, and a sharp recession resulted in 1980. Monetization soared again in the 1980 election year, only to be cut back in 1981, causing the severe recession that began in late 1981.

Monetization remained low during 1981 and 1982, producing our recent lower rates of inflation. Unfortunately, the liquidation of the malinvestments created by the cumulative earlier rounds of inflation has necessarily entailed severe unemployment. As Hayek writes, "The present unemployment is the direct and inevitable consequence of the so-called full-employment [inflationary] policies pursued for the past twenty-five years."

For years free-market economists thought that since wage reductions were impossible, severe unemployment was the only way of working off the effects of inflation. In the recent recession, companies despaired of being able to cut wages, or unions refused to consider such concessions, and the only way to reduce labor costs at first was massive layoffs. More than half a million auto workers were laid off, and a similar situation blighted the steel industry. After seeing the reality of unemployment, however, workers and unions began negotiating wage reductions and "givebacks."

Between 1975 and 1981, the average first-year wage increases for new contracts by unions in large companies ranged from 7 to 10 percent. In 1982 the figure fell to approximately 4.5 percent. And in 1983, major collective-bargaining agreements through November provided an average pay raise of only 1.7 percent—significantly lower than the rate of inflation—a considerable reduction from the 9.1 percent agreed upon the previous time the same parties bargained. About one-fifth of the workers affected took wage cuts, and another one-fifth got no specified wage increases.

Many observers were surprised by the wage-cut phenomenon, and predictions of a return to the upward wage spiral have occurred regularly. A *Newsweek* headline in November 1982 read, "Labor: No More Givebacks." Then, after more concessions from labor, an August 1983 *Business Week* headline proclaimed, "Many unions say 'enough' to companies pressing for more concessions." Then Greyhound workers, after first rejecting a new contract featuring wage cuts, realized that the company was serious and reversed their stand. As long as inflation remains low—which may not be very long—wage concessions seem to be here to stay.

Many workers are suffering today, from either unemployment or wage reductions. Shareholders are hurting, too, of course, with bankruptcies at record levels and profits being squeezed. As this is being written over the Christmas holidays, the truth of Hayek's words is quite relevant. "We do not have the choice between inflation and unemployment, just as we cannot choose between overeating and indigestion: Overeating may be very pleasant while we are doing it, but the day of reckoning—the indigestion—is sure to follow." Today's stockholders and workers are suffering the indigestion for yesterday's inflation. ■

Trade Barriers (Cont. from p. 1)

geoning imports, money is taken from consumers in the form of taxes and is transferred by the government to troubled firms in the form of direct government expenditures. American firms have resisted this type of explicit transfer because it looks like nationalization or socialization of production; they fear that government would interfere in business decisions; and there is political opposition to such "corporate welfare."

There is, however, another way to achieve almost the same result, and that is the course of protectionism. By preventing foreign imports from reaching consumers at world prices, protectionism effectively subsidizes domestic production. However, for both labor and management in the protected industries, protectionism is preferable to explicit assistance because of its several distinct advantages.

(1) No direct government spending or taxation is required, because the protectionist transfer is directly from consumers to producers. Producers prefer this way because government has no hand in disbursing the benefits, once the programs are in place. Elected government officials may prefer this as well, because the tax/transfer mechanism is much less obvious. Best of all, this very large-scale fiscal program does not even appear on the budget.

(2) From the firms' point of view, protectionist policies are easier to affect and benefit from. Instead of asking for assistance from the corporate dole, firms and unions can point to foreign firms as scapegoats. Foreign competition can be overcome by blaming the foreigners themselves. In a period of budget cutbacks, this advantage can be an important consideration. Whereas an explicit subsidy might be cut back or eliminated, a request for a quota or countervailing duty may be approved. Either one would allow industries to increase the benefit they enjoy, even in periods of fiscal austerity, because the benefits are given to small, politically organized groups, while the costs are borne by the large, unorganized group of consumers.

(3) Because the costs are so hard to identify, the policies themselves appear cost-free. However, although much of the cost simply appears as increased consumer prices, an important segment of the costs must eventually be paid for by the protected industry itself. By devoting resources and management expertise to lobbying for protection, industries insulate themselves from the forces that foster innovation and growth. Then as time passes, protected industries may become more and more unable to meet free foreign competition, so that they become dependent on protection for their continued existence. These long-term dynamic costs are seldom considered, but we see their effects in the present situation of the domestic steel industry, among others.

It is for these reasons that protectionism has recently flourished and pressures for yet further trade restraints are continuing to rise. In contrast to the earlier mercantilist arguments that emphasized national strength, public supporters of protectionism today (including the Reagan administration) couch their views in terms of solicitude for the jobs of the workers left unemployed by "unfair" foreign competition. To be sure, the prodigious numbers of the unemployed in the automobile and steel industries show that unemployment is a legitimate and pressing concern.

From a policy perspective, however, the present practice of awarding trade assistance through the system of willy-nilly lobbying for particular protectionist programs generates far more costs to the American public than benefits to the protected groups. First of all, although protectionist policies (at least in the short run) do preserve jobs in the protected industries, the cost to consumers is many times the income earned by those whose jobs are "saved." Estimates of the costs of protecting U.S. producers of televisions, footwear, steel, and automobiles prove that consumers pay higher prices amounting to more than four times the salary and benefits going to each protected worker. Consumers would be better off if they could somehow pay the worker his or her present salary (with fringe benefits) to do nothing, and thereby allow free import of the restricted product—a striking embodiment of the economic inefficiency of protectionism.

To interpret the data in this way, however, is to ignore the importance of jobs

(Cont. on p. 4)

In This Issue

Trade Barriers and Deficits
The Hidden Tax of Protectionism 1

Editorial:
Wage Cuts Surprise the Economists 2

Policy Forum:
Solving the Medicare Crisis 6

Policy Report Reviews:
Dangerous Currents: The State of Economics 10

Free Market Zones: Deregulating Canadian Enterprises 10

Controlling Money: The Federal Reserve and Its Critics 11

"To be governed . . ." 12

POLICY REPORT

ISSN: 0190-325X

Published by the Cato Institute, *Policy Report* is a monthly review that provides in-depth evaluations of public policies and discusses appropriate solutions to current economic problems.

David Boaz . . . . Editor
Tyler Cowen, Daniel Klein, Tom G. Palmer, R. Richard Geddes . . . Contributors

EDITORIAL BOARD

Yale Brozen . . . . . University of Chicago
Karl Brunner. . . University of Rochester
Friedrich A. Hayek. . . . . . . University of Freiburg
Israel M. Kirzner. . New York University
Gerald P. O'Driscoll, Jr. . . . . Federal Reserve Bank of Dallas
Edwin G. West . . . . Carleton University
Leland B. Yeager. . . . . University of Virginia

Subscriptions and correspondence should be addressed to: *Policy Report*, 224 Second Street SE, Washington, D.C. 20003. The annual subscription rate is $15.00 (12 issues). Single issues are $2.00 per copy. *Policy Report* is published monthly by the Cato Institute, 224 Second Street SE, Washington, D.C. 20003. Second-class postage paid at Washington, D.C.

Copyright © 1984 by the Cato Institute

Trade Barriers (Cont. from p. 3)

to workers, whose self-esteem and feeling of value to society is also important. The real goal of an enlightened policy is not to simply pay workers off (although it would be cheaper than the present program!) but rather to allow workers to keep their jobs, and create new ones, in the most efficient way. What is called for is a basic change in the orientation of U.S. policy on trade, from protection assistance to adjustment assistance, from propping up inefficient firms to helping workers with legitimate needs. Existing so-called trade-adjustment assistance programs do not work this way. Mostly the workers tend to stay—in fact, are given incentives to stay—in industries that are not internationally competitive. Job change would make more sense. As one expert in the U.S. regulation of trade has stated:

> **"Trade barriers appear to have become an institution of the American business environment in many areas, with firms depending on protection for their very survival."**

> The emphasis in trade adjustment policy should be just that: adjustment, not preservation of an uncompetitive industrial structure. A healthy, dynamic economy is a flexible economy, where more businessmen, consumers, and workers have a continuing opportunity to invest their capital, tailor their budgets and find employment in response to market forces unaffected by artificial government barriers or props. Thus, while there may be a role for government assistance to individual workers who have lost employment because of import dislocations, this assistance should be temporary, and oriented toward facilitating their search for new employment in other industries and, conceivably, in other locations. The general rule in trade adjustment situations should be to help individuals, not industries per se.[2]

In some cases, it might be necessary to allow industries to reduce their output capacity, which would cause jobs to disappear (perhaps forever) in some areas. Displaced workers who received adjustment assistance would be trained for new work in their geographic area, or counseled as to where they might move for work in the job they already know. If it is decided (as a matter of national security or for some other reason) that an ailing industry must stay as large as it is or stay in a depressed economic area, explicit subsidies would be the cost-efficient method to achieve those goals. Subsidies create less distortion in relative prices, both nationally and internationally, than trade barriers do. Furthermore, these subsidies are easily pinpointed, in contrast to the labyrinth created by tariffs, quotas, orderly marketing agreements, and various regulatory barriers.

The Reagan Administration

Contrary to what it claims, the Reagan administration is raising taxes on a wide variety of products and activities by imposing protectionist barriers. Since 1980, the United States has imposed or negotiated trade restrictions on such products as bolts, screws, and other industrial fasteners; cement and other road-construction materials; an array of standard and specialty steel products, Japanese light trucks and motorcycles, and textiles and apparel from mainland China. Last summer, new barriers were raised against hardened alloy steel products, as well as stainless steel. The domestic-content bill, which would require cars sold in the United States to be largely produced in the United States, seems to be gaining active support from both houses of Congress, even over President Reagan's threat to veto the measure. In order to understand the reason for the resurgent popularity of these measures, one must first understand the fundamental interdependence of the world economy and consider the ramifications of the current U.S. federal budget deficit.

The deficit for 1983 may exceed $200 billion; there is little hope that the figure will be below $150 billion by 1986 unless there are major budget changes. The long-term effects of the huge annual deficits are being debated within the administration itself. Council of Economic Advisers Chairman Martin Feldstein asserts that prospects of continued Treasury forays into private credit markets imply higher interest rates, while Treasury Secretary Donald Regan claims that there is not necessarily any link between high interest rates and deficits. Interest rates are the "price" of credit; if they respond to the supply-and-demand forces of the market in the same way that other prices do, one conclusion at least is sure. While there may be no necessary link between sustained "high" real interest rates and deficits, the expectation that the federal government will be forced to absorb hundreds of billions of dollars of new credit every year and reduce the supply of money available for private borrowers means either that real interest rates in the United States will be higher or that inflation (and thus nominal interest rates) will be forced upward.

> **"Although protectionist policies (at least in the short run) do preserve jobs, the cost to consumers is many times the income earned by those whose jobs are 'saved.'"**

The effects of increased interest rates on domestic consumers are well understood. Fears that upward pressures on rates will prevail have unsettled the financial markets. Such pressures are often cited as posing a danger to the expansion we now enjoy. A less understood, or at least more rarely cited, effect of relatively high U.S. interest rates is on international currency markets. Since mid-1980, the dollar has strongly appreciated compared to most other major currencies. This upward trend in the value of the dollar has corresponded with the increases in U.S. budget deficits. So even though nominal U.S. interest rates have declined since 1980, they have not fallen in real terms. After adjusting for the decline in inflation, most rates in the United States have actually increased. This fact has created incentives for foreign investors to buy dollar-denominated assets. Between 1980 and 1982, foreigners purchased more than $220 billion in U.S. assets, including private stocks and bonds and securities of the U.S. Treasury. To buy these assets, foreigners need dollars; increased demand forced the dollar up more than 40 percent over the past two years. Today the dollar buys 42 percent more German and Dutch goods, 69 percent more French goods, 31 percent more Swiss goods, 20 percent more Japanese products, and 70 percent more Italian goods than it did in 1980.

However, as much as the dollar's rise should have helped consumers, it has hurt U.S. exporters and producers who must compete against foreign imports. For the most part, exporters have simply had to bite the bullet and compete with products whose relative prices have suddenly become lower than before. Similarly, producers of products that compete against imports have seen the prices of the imports fall as the dollar rose against the national currencies in question. The U.S. trade balance on current account has fallen into deficit, and imports have increased along with U.S. unemployment. One response of U.S. industries has been to turn to political pressure for increased trade barriers to solve their difficulties. The Reagan administration has repeatedly given in to these pressures.

The implicit tax thus imposed on consumers, while not an intentional policy of the Reagan administration, is a necessary result of its deficit spending: Increased deficits have increased U.S. real interest rates, thus raising the value of the dollar. The dollar's rise translates into lower import prices, which generate pressure for political leaders to raise barriers of protectionism against the flood of cheap foreign products. But consumers end up paying for that protection: Restrictions on cheap foreign goods, instead of allowing Americans to enjoy the benefits, raise those prices substantially above prevailing world levels. In light of this reasoning, the Reagan administration's recent ambivalence toward free trade is hardly surprising. Deficits, working through international currency markets, create political pressure for assistance to import-competing industries. The most palatable form of assistance, both to the administration and to industry, is protectionism. Thus, the administration is "free trade" in theory (and in public), but strongly protectionist in practice.

Effect on Domestic Firms

Unfortunately, this policy does more than cause short-run costs to consumers—although those costs are indeed substantial. In the long run, insulating domestic industries from competitive pressures makes those industries less able to compete internationally, by reducing their incentives to innovate and to improve their efficiency. Far from being temporary measures designed to remain in place only until the affected industry gets back on its feet, trade barriers appear to have become an institution of the American business environment in many areas, with some firms depending on protection for their very survival. As time goes by, the ability of such diverse industries as steel, apparel and textiles, footwear, and transportation equipment to compete on an international basis may be completely eroded—a consequence that would endanger the health of broad sectors of our economy and impose even greater costs on consumers and taxpayers in the future.

> **"By devoting resources to lobbying for protection, industries insulate themselves from the forces that foster innovation and growth."**

Abstract comparisons of the benefits of free trade versus protective trade restrictions are unimportant. The key question is whether or not the U.S. government is determined to maintain immense domestic deficits that will induce a companion policy of restricting imports. The present policy of eschewing formal tax increases while actually raising the implicit taxes associated with protectionism is self-defeating. "Successful" protection only maintains the dollar's artificially high international value. We cannot possibly remove the existing structure of trade restrictions without addressing the budget deficit. Eliminating or substantially reducing the deficit, on the other hand, might also help to solve the problems of protectionism by reducing the underlying political pressures that create trade barriers.

The situation now is a watershed in the course of trade relations and international economic development. The developing Third World nations and the developed nations in Europe and Asia look to the U.S. economy and to our trade policy as a bellwether. And our own long-run economic security is at stake. Our policy must emphasize helping American business, and serving American cnsumers, by reducing government interference with normal market forces. In the final analysis, there is still no substitute for competition to restore vigor to the private-enterprise system. Offering protection to faltering industries has tended to prolong the lives of individual firms for a short time, but in some cases the "protection" may have already ensured the industries' ultimate decline. ■

---

[1]Michael C. Munger, "The Costs of Protectionism: Estimates of the Hidden Tax of Trade Restraint," Washington University, Center for the Study of American Business, working paper no. 80, July 1983.
[2]Murray L. Weidenbaum, testimony before the Senate Banking and Finance Committee, 9 July 1981, p. 12.

Coming in *Policy Report*:

Tyler Cowen on international debt

Solving the Medicare Crisis

Every month at its Washington headquarters, the Cato Institute sponsors a Policy Forum in which distinguished analysts present their findings to an audience drawn from government, the public policy community, and the media. A recent Forum featured John Goodman as major speaker and Robert Helms commenting. Goodman is the president of the National Center for Policy Analysis in Dallas and the author of several books on medical care and Social Security. Robert Helms is the deputy assistant secretary for health policy at the Department of Health and Human Services and the former director of health policy studies at the American Enterprise Institute.

John Goodman: In this age of budget deficits amounting to $200 billion, Congress is supposed to be scrutinizing each of the items in the federal budget very carefully. Some items in the federal budget are intended to help the needy. Other programs are designed to help some minority groups, or to promote the national defense, or to further the general welfare. Medicaid, for example, is designed to help the poor. The Veterans Administration Hospital system is tangentially related to national defense. And you could argue that in some sense, programs for medical research improve the general welfare.

Medicare fits into none of those categories. Yet how much are we spending on it? About $57 billion right now, and in the next five years that amount is expected to double. The federal spending under Medicare is growing at twice the rate of total spending on health care. There are estimates that for the 12 years between now and 1995, the cumulative budget will range between $200 billion and $400 billion.

The question is, Why do we have this program? Not because the recipients are needy and the subsidizers are rich. The after-tax income of the elderly is higher than the after-tax income of the non-elderly. In 1980, the elderly had an average of $6,300 in after-tax income per capita, whereas the non-elderly had only $5,910 in after-tax income. The elderly also have more assets. If such people receive Medicare, it is no poverty program. It is also not the case that these benefits have in some sense been earned or paid for by their recipients. Medicare is basically a health-insurance policy for people over 65 years of age.

What is this policy worth? Its value is about equal to what a recipient would have to pay in the private market for a similar policy. On the average it is worth whatever amount of money Medicare is paying out. So if Medicare is paying between $1,400 and $1,500 per beneficiary, then that is the amount a comparable health-insurance policy would cost in the private market. The people who are receiving this health insurance paid far less than the cost of private premiums. Take a man who is earning the average income for his group and is now retiring at 65. Within two years, the benefits he will draw out of Medicare will exceed the amount of taxes he paid into the system during his working life. Even under the extremely conservative assumption that health-care costs will not rise, that worker can expect to receive about $27,000 more in benefits than he ever paid in taxes. And if he has a dependent spouse, the benefits will approach $60,000—a sum far exceeding any taxes paid. In essence, the American public is writing a $60,000 check to this worker just because he is turning 65.

A Cato Institute Policy Forum

Why are we doing this? Certainly not in order to benefit minorities. The newest life-expectancy statistics from the National Center for Health Statistics show that a black male born today has a life expectancy of only 64.8 years. Although he will pay taxes into the system throughout his working life, he will die before he reaches the age of eligibility—approximately two years before, if the retirement age is raised as recommended by the advisory council on Social Security. In a 1983 study by the National Center for Policy Analysis, we predicted that the increase in the retirement age under Social Security would be devastating to minorities. The Medicare recommendation, though, is much worse than the one on Social Security. For Medicare it is recommended not only to raise the age of eligibility from 65 to 67 but to index it as well. In effect, that proposal means that whenever there is a general improvement in life expectancy, the retirement age would go up. But no matter what medical advances the hospitals and the researchers come up with, blacks and Hispanics will never catch up. They will never be able to reach a point on average where they could expect to receive net benefits from the system. About 14 percent of the taxpaying population is nonwhite, but fewer than 9 percent of Medicare beneficiaries are nonwhite.

Medicare is a system that takes billions of dollars from the working population and hands it over to people who by and large are not working. It gives billions of dollars in medical benefits to people who did not earn those benefits and have no reason to claim entitlement to them. It takes taxes from the working poor to pay the medical bills of retired millionaires. This system is basically unfair—it distributes costs and benefits in a highly arbitrary way. This system is costly—and it is going to get more costly. The time has come to reform this system.

The first thing that impresses us when we look at Medicare is that it needs major reform, not minor alterations. The problem with the advisory council on Social Security, which is also studying Medicare, is that it is taking the same approach that the National Commission on Social Security Reform took toward Social Security. That assumption is that the system should be salvaged. But when we look at the long run, we see that this system cannot remain intact into the next century.

In the first place, Medicare has the same kind of problems that Social Security has. About a year ago, A. Haeworth Robertson, who is a former chief actuary of the Social Security Administration, made some calculations on what the payroll taxes would be seven years from now, under various sets of assumptions. Under the pessimistic assumption, he calculated that payroll taxes for Social Security and Medicare may have to be between 40 and 50 percent of taxable income to finance that package of benefits. Yet these projections by no means represent the worst case, because Robertson didn't take into consideration the likelihood that life expectancy could be dramatically increased.

On top of that general problem, Medicare is fraught with special problems that do not affect Social Security. For instance, medical costs soar because of multifarious medical inventions. We've told the medical researchers that if they can find a way to cure a disease, we the public will buy it. We don't promise ahead of time to bankroll advances in any other area of our economic life. But we give medical research a blank check. Consequently researchers are inventing new things every day, and that is driving costs up, up, and up.

Another financial burden that does not afflict Social Security plagues Medicare. Because payments do not go to the consumers directly or in fixed increments, Medicare benefits are open-ended and potentially limitless. Social Security money goes in predetermined amounts directly to the pensioner, who decides how that money will be spent. But with Medicare, the money goes to third-party providers—physicians, hospitals, and nursing homes. Hence the people who make the decisions on allocation do not bear the costs of their bad decisions, nor do they reap the benefits of their good ones. They have no incentive to contain costs. That situation breeds enormous inefficiency. The lack of cost-effectiveness and attendant inefficiency form a good argument for relying on individual choice and allowing individuals to spend their own money.

Another crucial distinction to be drawn is that whereas Social Security is a retirement plan, Medicare is not. First only the elderly were covered; but then we cover people who are disabled, and then people with in-stage renal disease—and now apparently Cuban refugees can get coverage under Medicare. Pressures from various groups for inclusion will continue to mount, and the middle-income taxpayer will continue to be squeezed. Something like this happened in every developed country that started out with a poverty program: It just grows and grows, and finally the middle-income earners want to get on the gravy train. When that happens, it is bad for the poor and bad for the elderly.

At the University of Dallas, we started collecting statistics about two years ago on what happens to the elderly under national health-insurance programs in other countries. We found evidence that the elderly are discriminated against. Statistics on treatment rates for kidney disease, for example, show how many kidney patients received dialysis or a transplant. In the 45-to-55 age group in Germany, the treatment rate is about 59 people per million. For people near age 75, the rate drops to about 8.6 people per million. For kidney sufferers aged 45 to 55 in France, the treatment rate is 60 per million, but for those near 75, the rate is only 17 per million. For kidney patients in the 45-to-55 age group in the United Kingdom, the treatment rate is 43.5 per million. That rate drops to 22.7 when kidney patients reach ages 55 to 65. For people between 65 and 75, the treatment rate drops to 3.5—and virtually nobody in the United Kingdom who is older than 75 can get treatment for chronic renal failure. Yet the incidence of chronic renal failure rises as people grow older. So a dramatic drop in treatment rates for kidney disease as age increases can mean only one thing—a lot of discrimination against the elderly applicants. Clearly in Europe the elderly aren't handed any marvelous deal at all. By contrast, in the United States, coverage for kidney disease is about the same for those over 65 as it is for those under 65; and under Medicare, virtually everyone is covered. But it looks like we are moving toward national health insurance and the government rationing that will inevitably accompany it. The elderly would be the biggest losers from that.

John Goodman: "Medicare needs major reform, not minor alterations."

One thing at least is certain: There will be change in Medicare, and there are only two possible directions. The choice is—a private alternative or more government. On the basis of two principles, I uphold the private option. One principle is that people should be responsible for their own medical bills, unless they are medically and financially very needy. The second principle is that the people who make the decisions should be responsible for the consequences, bearing the cost of their bad decisions and reaping the benefits of their good ones. Those goals require that we design a private alternative to Medicare.

To my knowledge, Britain is the only developed country that allows a private contracting out of Social Security. Several years ago, I wrote a book for the American Enterprise Institute on the British system. This may sound like a conservative idea, but it was the British Labour Party that passed the latest act to put the newest system into effect in 1978.

Under the plan I am proposing, people would have the option of setting up "health-bank IRA's." People would put money into such an account and they would have a fund to draw on upon reaching the age of 65. Under this plan, people could buy a health-insurance policy, or they could simply pay for their medical bills right out of that account. But expenditures on health-care will be up to the individual and the government will step in only if there is some catastrophic medical expense. The higher that threshold, the better, so as to limit the government's role. People would choose such a plan if they were given a tax incentive to do it. We could create a tax differential, just as the British did in their Social Security system. Those who opted for the private alternative would pay a much lower tax, with the tax differential calculated so that it would be to the worker's financial advantage to opt out. This kind of opting-out plan has

(Cont. on p. 8)

Medicare (Cont. from p. 7)

worked with Britain's Social Security. An IRA plan for Social Security is also working in Chile.

Robert Helms: The Department of Health and Human Services takes no position on health IRAs. It is one of the topics brought up by the Social Security advisory committee. My remarks reflect only my personal views. I shall comment on three separate issues: First, the health insurance (HI) trust fund, then IRAs for health, and then politics.

First, the HI trust fund. The Social Security advisory committee, or the Bowen Commission as it is called, estimated the range of the future deficit: By 1995, it may be as large as $200 to $400 billion. That estimate is very tentative. Why is the deficit in the Medicare trust fund expected to be so enormous? When we talk about the fundamental health-cost problem—dealing with projections about the future, second-guessing the size of the projected deficit, asking when the HI trust fund will go bankrupt—we must recognize that the major factor in the problem is the general rate of inflation. The increase in general inflation has accounted for more than half of the increase in health-care expenditures during the past 15 years. The estimates from the Congressional Budget Office are the most alarming in this regard, predicting a deficit in 1995 of about $310 billion. But those estimates do not only assume a market-basket increase in health costs. They also presume that after the limits mandated by the TEFRA provisions expire in 1986, a rate of increase typical of health costs in the years before 1982 will resume. Since I still claim to be a member of this fraternity of people called economists, I want to remind you that even economists haven't worked out very good ways to predict the future rate of inflation. If the rate of inflation stays down, the effect on health costs would of course be very salutary.

But I would be the first to admit that even with zero inflation, there will still be a cost problem in health care because of the lack of incentives and the third-party-payment problem that John discussed. Taking an optimistic view of the private market, we can still hope that CBO's bleak forecast concerning the trust fund will be off target. I do think that the CBO estimates of payment per case may be unrealistically high. For years and years, insurance companies didn't worry too much about containing the costs of claims. But now that situation is changing. Insurance companies are becoming stricter with hospitals and doctors; there are projections of large increases in the supply of physicians; and in the new preferred-provider organizations, physicians are beginning to look for group arrangements in which they can give discounts. These innovations in the marketplace may justify some optimism about containing costs in the future. Therefore perhaps the projections of future increases in health-care prices above the general rate of inflation will become more sanguine. And the actual deficit in the Medicare trust fund may

Robert Helms: "The actual deficit in the trust fund may turn out to be lower than the dismal prediction."

turn out to be lower than the dismal prediction.

Now the outsize, thorny problem of intergenerational transfers is one that John's proposal might take sufficiently into account. We need to solve not only the 10-year problem with the HI trust fund, but also the longer-term problem that will face us after 1995. Between 2005 and 2010, many people—the baby boom—will be turning 65. From an actuarial viewpoint, that will be a big headache. In 1950, there were 16.5 workers for each beneficiary in Medicare. By 1980 the proportion had declined to 3.3 workers per beneficiary; by the year 2025, the proportion may have dropped to 2 workers per beneficiary. In other words, regardless of what we do with the HI trust fund right now, we are saddled with a long-term problem of great magnitude. One of the analysts at HHS calculated that the ratio of the present value of HI benefits to the taxes now paid in is approximately 28 to 1. The present value of the future benefits for a couple turning 65 in 1982 is estimated at $62,790. These computations embody the enormity of the intergenerational-transfer problem.

Concerning IRAs for health care, if there were a tax incentive for people to put money into such accounts, it would give them more of a stake in their own health-care system. There are several proposals around that would set up some IRA-type private savings accounts, give people tax incentives to get into those, and then have people responsible for purchasing their own health insurance. John has proposed this type of voluntary option. It is somewhat similar to the voluntary-voucher proposal that HHS has proposed to the administration. We would allow people to use an actuarially adjusted voucher from the government to buy medical insurance from a private carrier instead of staying in Medicare. The IRA proposals deserve serious study, which I urge the policy-research community and legislators to undertake. John may be on the right track in proposing privatizing HI, especially in view of that long-term problem that I just discussed, the one that will confront us at the turn of the century. Theoretically speaking, IRAs with a tax policy that encourages people to use this private savings vehicle would have the advantage of increasing the savings available to the economy. However, from an economic perspective, there is some question—a controversy—as to whether IRAs have increased people's real savings. I believe that to make health-care IRAs viable would require either a great reduction in taxes to give people enough incentive, or a large increase in the real rate of savings, or both.

Now the third issue: a few closing remarks about politics. I'm somewhat pessimistic about the politics of health care. I thought the administration made a very strong case for limiting the tax deductibility of health insurance. Political opposition to such a limit has been very strong, and Congress has not really considered it. I still hope that when Congress takes tax reform seriously and develops a budget, it will consider such limits. Ironically, that kind of proposal probably has a better chance if it is perceived as raising revenue than if it is perceived as changing health-care incentives. Nevertheless our purpose in proposing it would be to change incentives. People certainly won't go to the trouble of setting up and investing in any private health-insurance plan, IRAs or not, as long as they perceive that there is a giveaway program that will take care of their health totally after they have turned 65, regardless of what they have done for their own benefit. So we face considerable political difficulties in trying to change the system. Even though I don't think the HI trust-fund deficit is as extreme as some have claimed, I do think that Congress must deal with the component issues, and that the next five or six years will bring a very interesting, but tough, political battle.

Representatives from hospitals, medical associations, federal agencies dealing with health, and public policy institutes were in the audience at the Cato Policy Forum.

John Goodman: When it comes to Medicare there are three political realities that I am willing to accept as unalterable in the foreseeable future. The first reality is that we can only minimally reduce the benefits that we have promised to people who are now past the age of 65. Promises have been made and people made plans based on those promises, and the country won't let the politicians change those.

The second political reality is, to make any opting out (whether it concerns Social Security or Medicare) a success, it will have to be voluntary. The public will not stand still for the government to force people out of the system, so they must be presented with an attractive choice.

The third reality of politics is just a consequence of the first two. To retain the benefits and to make the private option a free choice, there must be a differential tax rate—substantial enough to induce people to choose the private alternative.

Now, how can major change be achieved? There must be politicians who are willing to take the lead. But Washington doesn't lead, Washington follows. When politicians see that the public is ready and willing to accept major change, then Washington will act.

I think the problem with people in the administration who tell us we can't do anything is that they haven't explored the options. Naturally, if we write off this group, and we write off that group, then all that is left will be the people at the country club. Of course, that's not enough to get a majority on any issue, so politicians throw up their hands and say we can't do anything. Nonsense!

If we want to get major reform, we should go first to the groups being hurt by the current system, the people who will be the victims of the kind of band-aid approach that is being suggested by the Bowen Commission here. We could surely use some leadership from the Republican and Democratic politicians on these issues. ■

PLANNING AMERICA: GOVERNMENT VS. THE MARKET

A CATO INSTITUTE POLICY CONFERENCE
APRIL 27-28, 1984
THE CAPITAL HILTON
WASHINGTON, D.C.

More than twenty leading economists and policy analysts will examine the critical issues of free markets versus central economic planning. Speakers will include Paul Craig Roberts, Wassily Leontief, Leland B. Yeager, Alvin Rabushka, Svetozar Pejovich, Bruce Bartlett, Richard B. McKenzie, Don C. Lavoie, and Gordon Tullock.

Registration is $250 ($100 for non-profit organizations). It includes all speeches, two luncheons, a reception, and banquet.
Cato Institute, 224 Second St., S.E., Washington, D.C. 20003. (202) 546-0200.

CATO INSTITUTE

Economics and the Real World

Dangerous Currents: The State of Economics, *by Lester C. Thurow (New York: Random House, 1983), 247 pp., $16.95.*

Thurow's insightful and provocative book is an attack on the pretensions of economics. He asks several questions. Can the neoclassical price-auctioneer model satisfactorily explain real-world prices? Can the economic injuries of inflation be incorporated into orthodox, flexible price models? Is econometric explanation meaningful in a world of uncertainty? Can standard general equilibrium deal with unemployment?

His answer to all these questions is no. Thurow never challenges the internal consistency of any of these frameworks; his complaint is that the frameworks do not fit the real world and do not fit together. Either the economic agents in the models do not resemble human beings, the parameters of the models do not accurately account for the conditions of reality, or the models contradict one another. Thurow stresses that people are not strict income-maximizers; the actual array of goods and services will not fit neatly into single markets for which you can draw supply and demand curves; microeconomic equilibrium cannot coexist with macroeconomic unemployment; the preferences of individuals are partially determined by the economic activity that takes place, rather than vice versa. All these facts clash with mainstream economic frameworks.

The trouble with Thurow's book is that he is not skeptical *enough* about the current state of economics. The pretensions are much greater than he realizes, and as a result, he has some of his own.

Thurow says that economic science can be put to five uses: "1) Economic models can be used to describe and organize events or ideas. 2) They can be used to understand what would happen in a controlled environment. 3) They can be used to predict what will happen in the real world. 4) They can be used to design policies to influence and control economic events. 5) They can be used as normative models to indicate how a perfectly rational Homo economicus should act." Thurow's complaint is that mainstream models do not properly suit these purposes, so we have to develop better theories. The real complaint to be made, however, is that economics cannot serve all of these ends, although people try to make them do so. Use 1 is proper to economics, when modestly done. This activity encompasses economic history and general economic theory and is what economists quietly started out doing centuries ago. There is little general economic theory that genuinely sheds light on reality. Today economic theory is overloaded with superformalized and mathematicized models that Lewis Carroll could never have dreamed of. These triflings, which bear no resemblance to reality, cram the area of use 2. Use 3 might be desirable to certain businesses, but economic forecasting has been notoriously flawed and it is generally ignored by the academic community. Use 4 is really the major impetus for tomes on economics. Economists try to justify an ideology by piling layers of "objective" theory and facts on top of it. But to advocate or to enact a policy means to take action, and the responsibleness and worth of an action are based strictly on ethics. All the "economic evidence" in the world does not add up to one iota of ethical justification for the action in question. Use 5, again, is strictly of Lewis Carroll value; very few economists (if any) have a genuine interest in it.

Economists put economic ideas to all of these uses, for various reasons: intellectual interest, fame, professional advancement, money, political ideology, and others. The point, though, is that economics is not really good for all the purposes people try to make it serve, and what it is good for is not as grandiose as many people think it is.

In his last chapter, "Rebuilding the Foundations of Economics," Thurow suggests some directions to take in making economics suitable to the uses mentioned above. He thinks "some real theory of preference formation has to lie at the heart of the rebuilding effort in economics." He also thinks economics should deal not only with consumption demand but with the demand for "economic power" as well. He wants to pay closer attention to social interactions and institutional settings when explaining the real world by means of economics.

Thurow does not develop any of these ideas, but it is clear that his logic would lead to integrating economics with other disciplines. He is asking for studies that will combine economic ideas with history, psychology, and sociology, and for economic research that can serve as a final justification for taking action. His request for studies is insignificant, because valuable work of that sort is being done all the time. To fulfill the second request is impossible: Economic analysis cannot supply criteria for just action. The solution to today's crises in economic theory is not to develop new ideas but to strip off the pretensions that have become grafted onto the old ones. As Frank H. Knight said, economic science "can tell us little in the concrete, and its chief function is negative—to offset as far as possible the stupid theorizing of the man in the street."

Policy Report Reviews

Free Market Zones: Deregulating Canadian Enterprise, *by Herbert Grubel (Vancouver: The Fraser Institute, 1983), 140 pp., $7.95.*

Grubel proposes the limited use of free-market zones in Canada. Free-market zones, often known as enterprise zones, are designated geographic areas in which government regulation and taxation are to some degree suspended. They are often used as a last resort to revitalize blighted urban settings. More than 80 nations have put the idea into practice, including the United States, Great Britain, and India. The experiments have proven to be a great success. The largest of four free-market zones in the Peoples' Republic of China, Shenzhen, has registered a fivefold increase in its annual revenue and a quintupling of its population during the three years of its existence. During the three years the Miami zone has existed, the value of goods passing through it has rocketed from $170 to $500 million. Many zones are now planned for depressed areas in the United States such as the South Bronx in New York City. Canada, the target of the study, has no free-market zones—and the Trudeau government has shown little interest in the idea.

By means of cost/benefit analysis, Grubel tries to demonstrate that Canada will be made better off by establishing free-market zones in certain commercial sectors. He focuses on housing, gambling, health treatment, banking, investment, and insurance. In his discussion of the drug and medical industry, for example, Grubel points out that regulation has delayed the introduction of new drugs and new treatment procedures in Canada. Hospital regulation has forced Canadians to seek certain types of medical care abroad. A free medical and drug zone would allow new drugs and medical procedures to enter Canada. Grubel asserts that protection from malpractice in the zone would be assured by competition and provided by self-interested individuals. Health care would improve; and because of competition, its cost would fall.

While Grubel's propositions are refreshing, his schemes nevertheless retain a role for government. For instance, in the medical zone, doctors would be required to record treatments for each patient and to videotape initial consultations, to document that "all the risks" of treatment were made clear. Furthermore, there would be a board of doctors charged with assuring that ethical and professional standards were maintained. Doctors or clinics found guilty of violations would be penalized. Grubel claims that free enterprise can organize the industry if it is permitted, but ironically he includes certain regulations that preempt this possibility and leave the specter of bureaucracy pervading the structure of the industry.

Perhaps Grubel is simply trying to make the idea politically palatable in order to improve its chances of becoming a reality. Theoretically, however, he is simply inconsistent. As Grubel himself notes, "It is not possible with present tools of analysis to produce reliable estimates of the social and economic costs of over-regulation of the drug industry." Actually, the whole notion of economic cost/benefit analysis is spurious. Prices do not account for the "costs" and "benefits" that are part of human affairs. Each individual perceives events differently, and individuals' impressions can in no sense be added or subtracted. Despite the continual efforts of economists, this subjective gap can never be bridged.

Instead, knowledge of society in general must answer the question of what role of government is ultimately best for society, and from the conclusion the solutions to smaller single issues must be derived.

Controlling Money: The Federal Reserve and Its Critics, *by Ralph C. Bryant (Washington, D.C.: Brookings Institution, 1983), 154 pp., $18.95 ($7.95).*

Bryant's book illuminates important and often-ignored logistical problems in Federal Reserve procedures. He focuses on the belief that the Federal Reserve should publicly announce a target time path for the money stock and then try to make the actual stock closely follow that path. By shedding light on what is and what is not actually possible in executing this strategy, he hopes to make the controversy over the issue more tractable. Bryant investigates three sources of confusion over the Federal Reserve and its processes.

First, in determining month-to-month variations in the stock of money, nonpolicy factors tend to be ignored. Unexpected changes can occur in float, in the government's deposit balance, in required and excess reserves, in discount-window borrowing, demand for currency and deposits, and in the nominal value of economic activity. Depending on how the money supply is defined, these factors can individually have varying effects on the stock of money.

Second, too little is understood about both the differences in alternative operating procedures that are available to the Federal Reserve and the consequences of choosing one set of procedures instead of another. Along with the discount rate and the reserve-requirement ratio, the Federal Reserve can choose only one of five other potential variables to use as a primary instrument for implementing policy, namely the short-term interest rate (a financial "price"), the Federal Reserve security portfolio, total reserves, unborrowed reserves, and the monetary base (the last four being financial "quantities").

Bryant explains why close control of any one of these five variables precludes close control over the others. The role of each in the economy is different; therefore Federal Reserve policy must choose among different goals.

Third, there is misunderstanding of what Bryant calls the "two-stage decision process." This process is implicit in the use of a target path for money as a means of achieving the ultimate aims of monetary policy (e.g., reducing unemployment, reducing inflation). The money-target approach rests on the two assertions that the money stock is reliably linked through behavioral relationships to the ultimate aims, and that policy makers can control the stock of money. Bryant notes, however, that the two assertions point in opposite directions, because the more reliable an aggregate is in its links to the ultimate aims, the less closely it can be controlled. Conversely, the more closely an aggregate is tied to policy instruments, the more complex and numerous the behavioral relations between it and the ultimate aims. Thus, targeting the stock of money is sure to keep the impact of the Federal Reserve intermittent and its policies ineffective.

The book points up the difficulties involved in adopting strict money-targeting rules because of the lack of control over economic factors and the lack of information about them. This brings to mind Hayek's critique of government control in general. One realizes that no matter how its structure and procedure may be improved, the Federal Reserve is bound to be inefficient and burdensome. Bryant suggests that the Federal Reserve needs to keep its eye on prices and quantities, just as "operas require a libretto and a score."

Although many people will find Bryant's careful analysis useful, a growing number of economists may be impelled to ask what desirable ends require the Federal Reserve to exist in the first place. ■

"To be governed . . ."

And now for this year's forecasts

"How the forecasters went wrong in 1981"

—headline in *Business Week*, Dec. 28, 1981

"Why forecasters really blew it in 1982"

—headline in *Business Week*, Dec. 27, 1982

"Last year's economic forecasts: few hits, many errors"

—headline in *Business Week*, Dec. 26, 1983

So it always comes out right?

"On the Modeling and Analysis of a National Economy": New mathematical methodology (Adomian's decomposition method) for the solution of complex dynamical systems involving coupled nonlinear stochastic algebraic, differential, delay-differential, or partial differential equations is applied to the national economy. The generality of the theory allows the model to be changed as economists see fit.

—Heritage Foundation *Insider Newsletter*, January 1984

. . . well, maybe not always

The private forecasters were not alone in their gross misjudgment of the gross national product. . . . Almost all of the econometric-model builders were in the same hole as their human counterparts.

—*Business Week*, Dec. 26, 1983

A rising tide of mediocrity?

[Former United Auto Workers President Douglas] Fraser [now teaching at the University of Michigan] graded the papers himself after seeking advice from his wife, who is a Wayne State University professor, and from a slew of other academics. All of them told him to assume that honors students would do at least B work and grade up from there.

—*Wall Street Journal*, Dec. 1, 1983

The Reagan Revolution

[White House Counselor Edwin] Meese said that, even though he doesn't think the [agricultural] marketing orders are a good idea, they are in place and, thus, should not be abolished.

—*Washington Post*, Dec. 18, 1983

The return of the imperial presidency

In 1980, the Carter administration experimented with a new [security] classification: "Royal," for intelligence so sensitive that only the president and eight members of the congressional intelligence committees could see it.

—*Washington Post*, Dec. 14, 1983

What is this anyway, some sort of democracy?

Chris Grant, a State Department legal adviser, said the legal basis of the department's action was "in the Foreign Service Manual, or perhaps the U.S. Code," but said he could not be more specific.

"My personal view is that it's not a good idea to share that with you," he said. "It's not clear to me that there's much of a dispute here, and there is no point in setting up parallel lines of communication."

—*Washington Post*, Dec. 2, 1983

Looking on the bright side

A full-scale nuclear war would mean about one hundred million Americans dead. Those hundred million are going to die one of these days without nuclear anaesthetic, and they will in almost every case die more painfully.

—William F. Buckley Jr., in *National Review*, Dec. 23, 1983

Besides, it flies through snow, rain, heat, and gloom of night

Postmaster General William Bolger Thursday defended his decision to lease a private jet—at $47,000 a month—as a way to save "executive time." . . .

Bolger acknowledged he can't justify the lease "on the basis of cost" but said "pure economic justification is not the measure by which the true value of efficient transportation should be judged."

—*USA Today*, Dec. 16, 1983

What are friends for?

Del. Walter E. Fauntroy (D-D.C.) urged yesterday that no disciplinary action be taken against a D.C. police official who, at Fauntroy's request, dispatched a helicopter to Baltimore-Washington International Airport to rush a passport to one of Fauntroy's friends.

—*Washington Post*, Dec. 6, 1983

It could be worse; bureaucrats could be working there

The General Services Administration missed out on potential savings of more than $10 million by continuing to pay rent for Washington area office space the government wasn't using, according to a draft report by the GSA's office of inspector general. . . .

The report says that as of last February, the amount of unused office space had grown by 400,000 square feet, or 31 percent, and GSA had repeatedly rerented space that was already unused.

—*Washington Post*, Dec. 14, 1983

POLICY REPORT
224 Second Street SE
Washington, D.C. 20003

SECOND CLASS
POSTAGE PAID
AT WASHINGTON, D.C.

CATO
INSTITUTE