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Preserving an Obsolete NATO

by Doug Bandow and Ted Galen Carpenter

The stunning events of the past year have transformed the political landscape of Europe, but they have had little discernible impact on proponents of the NATO alliance and America's military presence on the Continent. Many NATO partisans are so determined to preserve the cold war status quo that they now embrace an assortment of obsolete, implausible, and frequently contradictory policies. If they succeed, they will continue to saddle American taxpayers with an expensive military commitment despite the waning Soviet threat and the rush by Washington's West European allies to cut their own defense forces and cash in on the "peace dividend." Why NATO partisans seem willing to sacrifice America's well-being in that fashion is a study in the politics of institutional self-preservation.

Doug Bandow is a senior fellow and Ted Galen Carpenter is director of foreign policy studies at the Cato Institute.

Die-hard Atlanticists believe that, despite the political transformation of Eastern Europe, NATO and the U.S. military presence on the Continent should be permanent geopolitical fixtures. That is a curious assumption. Why should such arrangements be perpetuated if the Soviets relinquish their political grip on Eastern Europe—and especially if Moscow demonstrates a willingness to end its military occupation of the region? After all, the purpose of an alliance is not simply to have an alliance. Nor should the United States retain its troop presence out of a sense of tradition—especially when that commitment costs American taxpayers \$130 billion a year.

NATO advocates, including President Bush, either do not realize or do not care that the alliance's original reason for existence is rapidly becoming irrelevant. NATO was created four decades ago to protect a weak, war-devastated Western Europe from a rapacious Soviet Union that had already extin-

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guished liberty in Eastern Europe. The subsequent U.S. troop commitment that began in 1950 has continued to the present day, even though Western Europe long ago ceased to be a war-ravaged waif incapable of providing for its own defense. As long as the Soviet threat remained, however, enabling the Pentagon to periodically trot out its tables and charts showing overwhelming Warsaw Pact military superiority, American participation in NATO's security arrangements was viewed as indispensable.

But the Soviet threat is hardly what it was in Stalin's—or even Brezhnev's—day. Moscow's new tolerance of political pluralism in Eastern Europe, the de facto dismantling of the Warsaw Pact, and the accelerating pace of Soviet troop withdrawals are erasing the principal Western grievances that led to the cold war. As the *raison d'être* for NATO becomes obsolete, it would seem logical to begin planning for the day when the alliance—along with the Warsaw Pact, if it long survives the proliferation of noncommunist governments in Eastern Europe—can go into a well-

(Cont. on p. 10)



Henry Butler, George Mason University Law School associate dean; Robert J. Mackay, director of the Center for the Study of Futures and Options Markets; and Charles M. Seeger III, senior vice president of the Chicago Mercantile Exchange and author of a new Cato study on securities regulation, talk after Mackay's Cato Policy Forum talk in June on the risks of excessive regulation of futures markets.

On Federal Spending and Taxes

Chairman's Message



As a result of too much air travel I have lost some of my hearing. For that reason I have learned to complement my hearing by carefully watching a speaker's lips. During the 1988 presidential campaign, for example, I was sure that I saw George Bush say, "No new taxes." It now appears that he must have said, "No nude Texans." Bush may have had personal reasons for stating that pledge so forcefully and repeatedly, and it appeared to be broadly popular, but my own position on the issue is more selective.

But let me return to what most of us believed Bush said. The reason that his presumed opposition to any new taxes was so popular is that most of us believe that the share of our income spent through the federal budget is already too high. Moreover, that is not a new condition; analyses of presidential elections of the past century indicate that the popular vote for the candidate of the incumbent party has consistently declined in response to increases in federal taxes since the previous election. And nothing has happened since 1988 that would indicate a change in that pattern.

The collapse of the Soviet empire, combined with the continued growth of our military allies and economic rivals, reinforces the case for a major reduction in the U.S. defense budget from a level, adjusted for general inflation, that is still 10 percent higher than the peak spending level during the Vietnam War. Federal spending for medical care and agriculture, the other programs that increased so rapidly during the 1980s, should also be reduced. The federal liabilities from the collapse of the savings and loans have proved to be larger than the government previously acknowledged but are not a net new burden.

The Bush-Darman politics-as-usual budgets for fiscal years 1990 and 1991 did not address either the major fiscal opportunities or the problems. And a slowing economy and higher interest rates have led to a substantial increase in the federal deficit. Bush characteristically responded to those conditions by calling a new budget summit, of which the only results to date are Bush's being trapped into accepting some increase in taxes, offering the first specific tax proposal, and again extending the Gramm-Rudman deficit targets. That has already proved to be a political mistake that will lead most Republican candidates for Congress to run away from the president on the tax issue. And, depending on the details of the final budget agreement, it could also cause an economic problem: at the current ratio of total taxes to gross national product, real GNP would decline by about one-half the increase in tax revenues. To

counter that effect, the administration is pressuring the Federal Reserve for monetary stimulus. The developing economic policy for the federal government seems designed to revive the combination of slow growth and higher inflation—not a good start for Bush and his wunderkind budget director.

As I write this, consideration of all of these issues is being deferred by the congressional recess and the Iraqi invasion of Kuwait, and Congress is unlikely to approve a major budget agreement before the election. In the short run, Bush is best advised to abandon the budget summit, increase the deficit targets by the amount of the expected S&L costs (but without excluding social security), and implement the required sequester. That would force the next Congress to readjust spending priorities within a lower total budget. In the long run, this episode provides yet another example of the case for a constitutional amendment that would require a supermajority of Congress to approve an expected deficit or an increase in taxes.

In the meantime, there is a case for one new tax—on politicians who break their campaign pledges. That tax would have one or more of three favorable effects: It might produce more honest politicians (if that is not an oxymoron). It would probably yield some revenue. Or maybe, no one would run for federal office; in that case, my favorite fantasy would be realized—Washington would be turned into a historical theme park.

William A. Niskanen

—William A. Niskanen

Authors Provide Unique Perspective

Soviet Economy Nears Total Collapse, Says Cato Book

Despite the common knowledge that central planning has failed, many American observers do not grasp the gravity of the Soviet economic crisis. *Meltdown: Inside the Soviet Economy* is the first book to take the Western reader inside the Soviet economy. Written by economists Paul Craig Roberts and Karen LaFollette, *Meltdown* gives Americans a feel for what it's really like to be a Soviet consumer or factory manager.

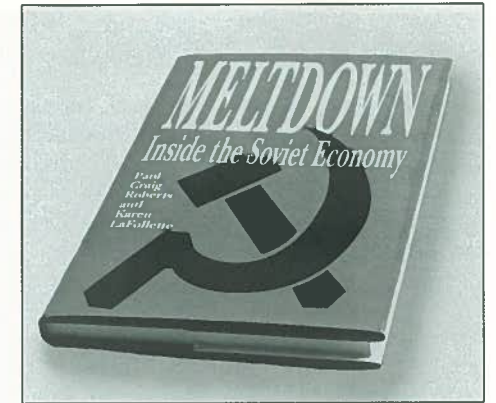
As a consumer, a Soviet citizen can expect to see long lines outside stores on the mere rumor that soap or toothpaste may be for sale. *Pravda* recently hailed a new line of television sets because "the possibility of the set catching fire is reduced to a minimum." As Roberts and LaFollette write, "The consumer has been last on the list with the Politburo since the Bolshevik Revolution."

Many of the Soviets' problems can

be traced to the plight of factory managers. Instead of seeking to make a profit by satisfying consumers, a manager must follow a blizzard of contradictory and impossible orders from the central planners. He meets his quota by producing 100,000 pairs of shoes, all the same size, because that's the way to produce the most shoes. Terror, not profit, is his incentive.

Roberts and LaFollette demonstrate that the Soviets' problems are a direct consequence of an attempt to implement Marxist-Leninist doctrine. "The Soviets live under such an irrational system because they took Marx seriously. They were intent on establishing a radically different form of economic organization that would be more productive than and morally superior to a market economy and that would provide the basis for a new society." The results speak for themselves.

The authors' indictment is not lim-



ited to the founders of the Soviet system, however. They detail how American and British observers defended communism and Stalinism for decades, from *New York Times* reporter Walter Duranty's cover-up of Stalin's terror-famine, to New Deal architect Rexford Tugwell's enthusiasm for the Soviet Union's "purposeful, intelligent control over economic affairs," to the modern CIA's absurd estimates of rapid Soviet economic growth.

Paul Craig Roberts holds the William E. Simon Chair in Political Economy at the Center for Strategic and International Studies and is an adjunct scholar at the Cato Institute. He is the author of *Alienation and the Soviet Economy* and *Marx's Theory of Exchange, Alienation, and Crisis* as well as *The Supply-Side Revolution*. Karen LaFollette is a research associate at the Institute for Political Economy.

Meltdown: Inside the Soviet Economy, published by the Cato Institute, is available in paper for \$9.95 and in cloth for \$19.95.



Paul Craig Roberts and Karen LaFollette are coauthors of *Meltdown: Inside the Soviet Economy*, just published by the Cato Institute and released at Cato's Moscow conference.



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Talks on Peace Dividend, S&Ls Highlight Recent Events

Cato Events

June 14: "Jurisdiction over Stock Index Futures: CFTC vs. SEC." Robert J. Mackay, a professor at the Virginia Polytechnic Institute and the director of the Center for the Study of Futures and Options Markets, discussed the ongoing jurisdictional battle between the Commodity Futures Trading Commission and the Securities Exchange Commission over stock index futures markets. He expressed fear that if the SEC attempts to impose higher margins on participants in the futures market, financial business currently conducted in the United States will be driven to overseas exchanges, threatening our current position as the world leader in commodities and futures contracts.

June 19: "The Health Costs of Air Pollution: Overrated or Understated?" James C. Cannon, author of the American Lung Association's monograph *The Health Costs of Air Pollution: A Survey of Studies Published 1984-1989*, argued that current levels of air pollution are unacceptable and that further controls



Ted Galen Carpenter, Cato's director of foreign policy studies, addresses a National Press Club briefing at which he and Rosemary Fiscarelli presented their study calling for a 60 percent reduction in U.S. military spending over five years to reflect the world's new strategic realities.

are needed. Fred Rueter, vice president of CONSAD Research Corporation and an adjunct professor of economics at Carnegie Mellon University, contended that Cannon's study did not take into account additional factors that affect health—diet, exercise, and personal health care; occupational hazards; and indoor air pollution. He questioned whether additional health improvements can be expected from new air quality legislation.

June 26: "NATO in the 1990s: Burden Shedding Replaces Burden Sharing." Rosemary Fiscarelli, a foreign policy analyst at the Cato Institute, summarized her new briefing paper. She stated that while the prosperous West European allies are reducing their defense expenditures, the United States is needlessly maintaining its commitment to NATO. Jed Snyder, president of the Washington Strategy Seminar, countered that some U.S. forces should remain in Europe to quell potential instability.

June 30–July 7; July 14–21: Summer Seminar in Political Economy. The Institute's 12th annual summer seminar, this time held at both Dartmouth College in New Hampshire and Dominican College in San Rafael, California, featured as speakers Charles Murray, Earl C. Ravenal, Ralph Raico, David Kelley, Leonard Liggio, Chandran Kukathas, Mario J. Rizzo, George H. Smith, Edward H. Crane, Ted Galen Carpenter, David Boaz, and Paul Weaver. More than 140 people, including students and professors from Mexico, El Salvador, Romania, the Soviet Union, and other East European countries, participated.

July 10: "The United States and the Middle East Peace Process Show: Is It Time to Switch Channels?" Leon T. Hadar, author of a forthcoming Cato Institute book on U.S. involvement in the Middle East, called for a more low-profile U.S. approach to the Middle East that would benefit all parties. He suggested that internal changes in both Israel and the Arab world are needed to create conditions conducive to agreement between the sides.

July 12: Book party for *Liberal Virtues: Citizenship, Virtue, and Community in Liberal Constitutionalism* by Harvard University professor Stephen Macedo, a Cato adjunct scholar. Macedo presented the central themes of his work, which identifies a commitment to public reasonableness as the moral core of the theory and practice of liberal constitutionalism. He stated that our politics is an exercise in reason giving, not the assertion of raw power. William Galston, a professor at the University of Maryland's School of Public Affairs, commented on Macedo's conclusions.

August 7: Policy briefing for "America's Peace Dividend: Income Tax Reductions from the New Strategic Realities." Over 100 policymakers, academics, and journalists gathered to hear Cato president Edward H. Crane and Ted Galen Carpenter, director of foreign policy studies at Cato, present the findings of the Institute's latest foreign policy paper that calls for a 60 percent reduction in the U.S. military budget over five years and a major income tax cut to return the "peace dividend" to the American people. Syndicated columnist Pat Buchanan commented on the study, saying that he agreed that Western Europe should take care of its own defense and that the study pointed in the right direction on the overall level of military spending.

August 8: Savings-and-Loan Crisis Media Briefing. More than 20 representatives from the media attended a briefing at the National Press Club featuring Catherine England, director of regulatory studies at the Cato Institute. She and other speakers criticized Bush's savings-and-loan bailout bill, signed one year ago, as not addressing the true cause of the crisis—federal deposit insurance.

August 8: In a roundtable discussion, **Malcolm McAlpine**, a managing trustee of the Institute of Economic Affairs in London, met with John Blundell, president of the Institute for Humane Studies; senior Cato staff members; and leaders of other classical liberal groups in Washington.

Speakers Call for Liberalization

Cato Conference Tackles Resurgence of Protectionism

If North America and the European Community halved their tariff and nontariff trade barriers, world income would be boosted by almost \$400 billion. That was the conclusion of a new study released by the Centre for International Economics, *Western Trade Blocs: Game, Set or Match for Asia-Pacific and the World Economy?* The study was released at a Cato Institute conference directed by Cato chairman William A. Niskanen and sponsored in conjunction with CIE and the Confederation of Asia-Pacific Chambers of Commerce and Industry.

Susan W. Liebeler, former chairman of the U.S. International Trade Commission, pointed out that in the imme-



Susan Liebeler, former chairman of the International Trade Commission, calls for a reduction in U.S. protectionism at Cato's June conference on trade policy.



Andrew Stoeckel of the Centre for International Economics in Australia asks a question at conference on international trade.



Gisela Bolte of *Time* magazine talks with Cato chairman William A. Niskanen at Cato conference on Western trading blocs and the cost of protectionism.

diated post-war era the United States tolerated protectionism abroad, but in the last two decades other countries have become wealthier and "there has been a resurgence of protectionism in the United States. Consequently, the time has come for the burden of trade liberalization to be shared more evenly." She urged the United States to drop its protectionist position on textiles, accept tighter restrictions on the application of anti-dumping and countervailing duty laws, and part with section 301 of the 1974 trade act (which authorizes the U.S. trade representative, subject to the discretion of the president, to take specific actions if the representative cannot obtain the elimination of certain unfair trade practices) in order to facilitate progress during the Uruguay Round of talks on the General Agreement on Tariffs and Trade. She called for the inclusion of services, foreign investments, and intellectual property in the GATT negotiations.

Presenting the findings of his group's study, Andrew Stoeckel, director of the Centre for International Economics, stated that "external trade liberalization by either the EC or North America is in their own interests irrespective

of what the other does. Simply, it pays each bloc to liberalize trade." An increase of \$740 billion, or 5 percent, in world income would result if all GATT states reduced their tariff and nontariff barriers by 50 percent. He predicted that the Uruguay Round talks would yield but a fraction of those gains—a reflection of the GATT's domination by vested interests in each member country. He concluded: "Measuring, assessing, and explaining protection remains one of the single most important steps that can be taken to secure an open multilateral trading system for the benefit of everybody."

Ken Court, president of CACCI, presented 12 policy recommendations based on the benefits of trade liberalization. Outlined in a CACCI statement, they emphasized countering nontariff barriers, temporary import relief measures, agriculture, "new" areas such as intellectual property, and enhancement of the GATT.

Other speakers included Gary Saxonhouse, professor of economics at the University of Michigan, and Gary Clyde Hufbauer, Wallenberg Professor of International Financial Diplomacy at Georgetown University.

Why Socialism Collapsed in Eastern Europe

Every summer the Cato Institute sponsors a week-long Summer Seminar in Political Economy featuring lectures on philosophy, economics, history, and current affairs. This year two seminars were held, one at Dartmouth College in Hanover, New Hampshire, and the other at Dominican College in San Rafael, California. One of the speakers at the California seminar was Tom G. Palmer, director of student affairs and director of East-West outreach at the Institute for Humane Studies at George Mason University, who has traveled widely in Eastern Europe during the past year.

Tom G. Palmer: Why now? Why has Eastern Europe's liberation happened in just the past year? Why not 10 years ago, or 25, if socialism was such a tremendous failure? Let me suggest several reasons.

Above all the other reasons is a sort of meta-reason, the Gorbachev factor. Gorbachev is no classical liberal; in fact, the origins of perestroika were immensely anti-liberal. Perestroika was an attempt to revive socialism, beginning with the law on unearned income, which was an attempt to smash the few elements of a free market there were in the Soviet Union, and a reduction of vodka production, which caused a massive sugar shortage as the Russians began making moonshine. But finally, it seems, Gorbachev and his advisers have figured out that you need market forces to make an economy work. They are now in the process of learning that you cannot have a market without property rights.

Gorbachev did not just decide to be a nice guy—to let Eastern Europe go and to allow people to speak freely. Instead, there was a realization that there was a very deep crisis in communism. In the case of Central and Eastern Europe, the empire was simply too expensive to maintain, and a kind of political decision was made—Moscow had to let those countries go. It could no longer afford to maintain the empire. Consequently, restraints were loosened and the communist leaders in Central Europe were told that they would get no further support from Soviet tanks and soldiers. The Czechs had a bit of good luck in that the major

events of the Czechoslovakian revolution took place when Presidents Bush and Gorbachev were meeting in the Mediterranean; the story is that Gorbachev didn't want to have a blood-bath on his hands during his meeting with Bush, so the word was sent to Prague to lay off.

Several factors combined to force the Gorbachev leadership to let Eastern Europe go. The first was exhaustion of the capital stock. The capital accumulated over hundreds, indeed thousands,



Tom G. Palmer: "The seeds of liberal intellectual and political ideas that have been planted in Eastern Europe may sprout; produce mighty trees; and if we are lucky, drop seeds back into our own societies to reinfuse us with excitement about liberty."

of years has been used up. Through the 1960s and the 1970s there was near unanimity among Western economists that the rate of growth in Soviet-style economies was not only positive but higher than in Western Europe or the United States. Clearly, a positive rate of growth, over a period of 40 years or so, should produce wealth, but it didn't. The mistake that was made, and pointed out by a few economists such as G. Warren Nutter, was to measure capital investment, the amount of inputs, not wealth creation. That was a big mistake. It led to what the Hungarian philosopher Michael Polanyi, a great critic of communism, called "conspicuous production"—production for the sake of production. Steel was produced to make a factory to make more steel to make more factories, but the whole process never produced any real consumer

goods. It did not translate into an increase in the standard of living. And, indeed, it was often politically motivated.

The industrial proletariat was to be the new universal class, which would subsume all other classes and resolve all previous conflicts among them, according to the Marxian system. So the communists had to create an industrial proletariat, even where there had been almost none. In Romania, for example, during the forced industrialization that followed the Second World War, almost all the horses were killed because, after all, in a modern society no one would need them anymore; everyone would have a tractor. Well, the tractors were never produced, so people began to breed horses in secret. Today horses are the most common means of transportation in the countryside.

Instead of growing, the capital stock of socialist countries has been declining. They've been consuming it. Most of the textile mills in eastern Czechoslovakia were built before the First World War. They still operate with the original machinery. In East Germany, many of the buildings seem not to have been painted since 1945. In some cases, no one even painted over the old and faded Nazi slogans on the walls. In the Soviet Union, there are chemical factories built 110 years ago that are still producing the same chemicals in the same way. It is a general principle that under socialism no factory is ever closed.

The capital stock inherited from previous generations has been largely worn out, and there are real declines in the standards of living of many East European countries. Those declines would have taken place sooner had it not been for the enormous amount of Western capital that was pumped in by the International Monetary Fund, the World Bank, and other international lending institutions and used largely to finance current consumption.

A second factor that led to the revolutions of 1989 was the difficulty of controlling information. I mean not just political news but also the kind of information about how people live in other countries that you get from watching Western movies. The VCR and the Walkman have had a tremen-

dous impact on life in socialist countries. Radio Free Europe was certainly important, especially in countries such as Romania that didn't have much access to VCRs, but Radio Free Europe could always be discounted as propaganda. In other countries, principally Poland and Hungary but also the Soviet Union, there was a massive influx of electronic devices. Initially, the state tried to control or outlaw them because it knew how subversive they could be. But their suppression was simply impossible.

Western movies show people a picture of Western life—a very funny and distorted picture, but still a view of Western clothes, homes, and the like. When we watch movies, that kind of information just washes over us, but to people of a different society it can be very revealing. In Moscow last fall, for example, the Swedish movie *Fanny and Alexander* was showing, and a scene of a Christmas banquet had a big impact on viewers. There is a long table with wonderful food on it, and the camera begins at one end and very slowly, lovingly goes down the table, showing us turkeys, sauces, vegetables, and all sorts of fantastic things. At that point, the Soviet audiences stood up and applauded. Perhaps the silent heroes in the revolutions of 1989 were Sony and Mitsubishi and others who keep making more powerful and fantastic devices that convey more information in smaller packages at lower cost.

A third cause of the revolutions was virtual ecological collapse in many of the countries of Central and Eastern Europe. Many Western ecologists have argued for years that the causes of pollution are property rights and capitalism. That is an interesting hypothesis, and it is subject to an empirical test. Let us find an economy with no private property and no capitalism. The theory says that there should be no pollution or, at least, less pollution. But in fact, where there are no private property rights or capital markets, pollution is a nightmare. Some places in the Soviet Union have infant mortality rates that are higher than the rate in Burkina Faso, the poorest nation in Africa. Silesia in Poland has one of the highest rates of birth defects in the world.

The ecological movement that has arisen in socialist states quite naturally

is supported by people who want to defend their homes and their children against being poisoned. And that has had several effects. One is simply the growth of political movements, which in some cases have been very important. In Bulgaria, the first public demonstrations against the regime were called by Ecoglasnot, an ecological movement. A major realization of the movement is that not only does the ruling class not have the people's interests at heart, but central planning is to blame for a lot of their problems. When the order comes from the Central Planning Bureau to produce so much cotton, the head of a collective farm will do anything to meet the dictated quota for this year. Next year can take care of itself. If the way to meet the quota this year is to pour herbicide on the earth or exhaust the soil, that is what he does. In economic terms, there is no residual claimant, no one who profits if the capital value of the resource is maximized. Among intellectuals and academics there is a growing discussion of the value of property rights in solving environmental problems.

The final cause of the revolutions was the virtual collapse of socialist ideology and of the legitimacy of the ruling class. Mere power is usually not enough to sustain a tyrannical regime; in most cases there also has to be, on the parts of both the ruled and the rulers, some sense that the ruling class has the right to rule, that it has moral legitimacy. In the Soviet Union, the rulers claimed to act on behalf of the proletariat. Of course, their primary motivation was power and privilege, but an important additional element was their own sense of legitimacy. The rulers thought that they were morally justified, that they were acting in the interests of the working class, so it was reasonable to ask the people for just a few more sacrifices. I don't think anyone really believes that anymore, but the people accepted the illusion for a very long time.

That illusion is gone for two reasons: One, according to Ibn Khaldun, a historian of the Islamic world, it takes about two generations for fanatical ideas to lose their steam. It has been about that long since communism was imposed on most of Eastern and Central Europe; in the Soviet Union, it has

been longer, but we have to take into account the shot in the arm that Soviet communism got from the Great Patriotic War against fascism. Two, it is typically the ruling class that travels outside the country, and the communist rulers have been to a large extent demoralized by the experience. Rich and powerful people travel to America or Germany and realize that their standard of living is lower than that of the average industrial worker in a Western country. So the ruling class has been more demoralized, in a sense, than the average person, who has never seen the West. The rulers still want to hold on to power, but they have lost the sense of their right to rule.

The socialist ideology promised equality, fraternity, and prosperity. Did it keep its promise? Did it deliver equality? The answer is no. Many people in the West will say, although they say it less often now, "Well, yes, of course they wait in lines in Poland or the Soviet Union, but they have a sense of solidarity; they are more equal; there is less income disparity." That's nonsense. If you compare the standard of living of the average citizen of East Germany, the richest of the fraternal nations of the socialist camp, with that of the party members who lived in Wandlitz, the neighborhood of the party elite, you find incredible disparities of income—but until recently they were kept secret. Similarly, if you look at the 22 palaces of the Ceausescu family in Romania, or the sports complexes in Bulgaria that were only for members of the Zhivkov family, or the dachas of the Soviet party elite, you find more inequality than in the market societies of the West.

The second promise of socialism was fraternity: everyone would live together as one big, happy family. But in fact, the fight over a shrinking economic pie generates a lot more hostility than is found in a system with property rights and market exchange. Often after waiting in line for hours for a bar of soap, clothing, shoes, and so on, would-be consumers in Moscow get to the front of the line only to have the window closed on them and be told, "Go away; we have no more." Among the first things one sometimes hears is grumbling about the "goddamn Jews"—they are the ones who get all the goods—or the Armenians, or the Azerbaijanis, or

Cato Studies Examine NEA, Farm Subsidies, Education

Recent Cato Institute studies have exposed the wastefulness and counterproductivity of many federal military, regulatory, and entitlement programs.

Aircraft Carriers Overrated, Expensive

Questioning the U.S. Navy's plan to expand to a 15-carrier fleet, foreign policy analyst David Isenberg writes that carriers should not be the focus of the Navy's Maritime Strategy, because "their financial cost is staggering, and their cost to the Navy in both resources consumed and other ships not built is considerable."

In Policy Analysis no. 134, "The Illusion of Power: Aircraft Carriers and U.S. Military Strategy," Isenberg points out that current Maritime Strategy is based in part on the debatable assumption that the defense of Europe is a critical obligation of the United States.

Given the burden of defending carriers and their extremely costly yet unreliable weapon systems, Isenberg proposes that no more than nine, and perhaps as few as six, carriers be maintained. He proposes an alternative naval strategy that would rely more on attack submarines and sea control than on power projection.

Shedding the NATO Burden

Cato foreign policy analyst Rosemary Fiscarelli points out in the first paper in Cato's new Foreign Policy Briefing series that various NATO members have been cutting their defense budgets "with a view to reaping a peace dividend in this new era of lowered tensions," while the United States has been maintaining its commitment to European security.

Fiscarelli notes that the Europeans "are adamantly opposed to significant U.S. reductions," because such reductions would make their own military reductions more painful. Questioning the wisdom of the present arrangement, she concludes: "If U.S. policymakers allow the Europeans to engage in preemptive reductions, while Washington 'stands fast' as NATO's loyal guardian, there will be no peace dividend for Americans to enjoy. If the American people are to reap the benefits they deserve from their in-

vestment, we must not perpetuate a security strategy designed for a cold-war world that has ceased to exist." "Nato in the 1990s: Burden Shedding Replaces Burden Sharing" is no. 1 in the Foreign Policy Briefing series.

Farm-Welfare Cadillacs

Cato associate policy analyst James Bovard estimates that "farm programs are currently costing roughly \$20 billion a year plus \$10 billion in higher food prices," in Policy Analysis no. 135, "Farm Bill Follies of 1990."

Revealing the numerous absurdities of U.S. agricultural policy, Bovard writes: "The U.S. Department of Agriculture will reward farmers for idling almost 60 million acres this year—the equivalent of shutting down all the cropland in California, Colorado, Kentucky, Louisiana, Montana, and Wisconsin."

This study generated a great deal of media attention, including op-eds in the *Wall Street Journal* and other papers, an appearance on the "MacNeil/Lehrer NewsHour," and a *New York Times* editorial that relied heavily on Bovard's argument.

Artists Who Don't Want Subsidies

Explaining that art and politics don't mix, novelist Bill Kauffman denounces government subsidies to artists in Policy Analysis no. 137, "Subsidies to the Arts: Cultivating Mediocrity." Noting the recent controversy over a few grants conferred by the National Endowment for the Arts, Kauffman states: "The debate . . . begged a very basic question: should the NEA even exist?"

Kauffman exposes the fact that federal subsidies largely benefit the best educated and most affluent Americans. Such subsidies are "an income transfer from middle-class taxpayers to affluent museum goers." He concludes that "American artists do not need a ministry of culture. Our writers and painters and dramatists and musicians have flourished when government has ignored them. We don't want subsidy. We don't want censorship. We just want to be left alone."

More Money, Less Education

The influx of federal funds into

higher education since 1945 has shifted the emphasis from the education of undergraduates to research by faculty, says Charles J. Sykes, author of *Prof-Scam: Professors and the Demise of Higher Education*. In Policy Analysis no. 136, "Uncle Sam, Rock 'n' Roll, and Higher Education," Sykes finds a "central paradox of American higher education in 1990, in which more and more is being spent for less and less."

Since most federal money is earmarked for research, it "has shifted the loyalties of the faculties from their own schools and students to their disciplines, and from their disciplines to the research agenda dictated by the bureaucrats who increasingly set the research agenda of the academy." Meanwhile, "tuition has risen far faster than inflation, far outpacing the growth in family income."

Sykes proposes restoring "a semblance of a rational market system, in which colleges feel an obligation to provide value in return for tuition," as a solution to the problems of undergraduate education.

Stock Market Regulation

In the first paper in Cato's new Briefing Paper series, Charles M. Seeger, senior vice president and government counsel for the Chicago Mercantile Exchange, argues that the stock market is no more volatile today than it has been historically and that there is no evidence that lower margins in the futures markets add to their volatility. He therefore rejects calls for the Securities Exchange Commission to obtain jurisdiction over the stock index futures markets.

"SEC efforts to limit downturns by raising margins on stock index futures will only create thinner markets at home and drive many market participants to overseas exchanges. Stock prices will still continue to move up—and down," Seeger explains in his study, "Market Squabbles: SEC vs. CFTC."

The Latest Protectionist Threat

Recent calls for a managed-trade policy—"substituting government intervention and market-share goals for market forces and multilateral rules"—

(Cont. on p. 13)

Cato Journal Focuses on Federalism and Economic Order

The connection between federalism and the economic order is the major theme of the latest issue of the *Cato Journal* (vol. 10, no. 1). Seven papers explore the nature of American federalism, how it has changed over time, and the impact of intergovernmental competition on efficiency and economic growth.

In the lead paper, economist Peter H. Aranson of Emory University shows how a series of Supreme Court decisions changed the meaning of federalism from "constitutional decentralization" to "contingent decentralization"—with the presumption that the distribution of powers was to be decided by Congress regardless of the impact on private rights.

He traces the process by which American federalism has been undermined by judicial decisions that have lost touch with the Framers' principled approach to federalism and its constitutional grounding in liberty and concludes that ultimately the people need to regain the liberal republican virtues that were evident at the founding of our compound republic.

Other contributors to the theme of federalism and economic order include Aaron Wildavsky, a professor of political science and public policy at the University of California, Berkeley, and Bernard H. Siegan, distinguished professor of law at the University of San Diego.

A number of other important policy topics are treated in this issue. Melanie S. Tammen, director of the Cato Institute's Global Economic Liberty Project, takes a critical look at the Brady Plan—"the new policy of officially subsidized reduction of the private debts of less developed countries"—through a historical survey of the precarious nature of sovereign lending. Following a centuries-old tradition, LDC debts to private creditors are being periodically renegotiated on ever-easier terms and stretched out across decades. The Brady Plan, Tammen contends, has "served only to choke off much of the private sector's debt-reduction activity."

Economist James D. Gwartney of Florida State University presents evidence that "the current education effort is yielding a scandalously low



return because the organizational structure of our educational system is unsound." Pointing to studies that show a weak relationship (at best) between educational expenditures and student performance, he explains that a noncompetitive, political system of production

by its very nature results in poor products and services.

He proposes providing families with educational vouchers redeemable at any school, either public or private, as the easiest method of promoting competition. "Under a voucher plan, schools would compete for students, and parents would be free to choose among schools. The best schools—those providing quality education at an economical cost—would thrive and expand."

Other contributors to this volume include Charles W. Baird of California State University at Hayward on labor law reform, Tyler Cowen of George Mason University and Randall Kroszner of the University of Chicago on mutual fund banking, and George A. Selgin of the University of Georgia on monetary equilibrium and price-level policy. ■

CATO INSTITUTE CALENDAR

Transition to Freedom: The New Soviet Challenge

Cosponsored with Academy of National Economy, Academy of Sciences of the USSR, Central Economic-Mathematical Institute, and Moscow State University
Moscow • September 10-14, 1990

Speakers will include Gavriil Popov, Anatoly Sobchak, Nicolai Petrakov, Fyodor Burlatsky, Abel Aganbegyan, George Gilder, Roger Pilon, Paul Craig Roberts, Peter Bauer, Charles Murray, Earl Ravenal, Ted Galen Carpenter, and James M. Buchanan.

Distinguished Lecturer

"Is There a Right to Health Care?"

H. Tristram Engelhardt, Jr.

Cato Institute • Washington, D.C. • November 8, 1990

The Expanding Criminal Law

Grand Hyatt Washington • Washington, D.C. • November 15, 1990

Speakers will include Gordon Crovitz, Bennett Gershman, and Joel Cohen.

Third Annual Benefactor Summit

The Boulders • Carefree, Arizona • February 7-10, 1991

Speakers will include Hernando de Soto, Warren Brookes, P. J. O'Rourke, and Milton Friedman.

Money, Macroeconomics, and Forecasting

Ninth Annual Monetary Conference

Capital Hilton • Washington, D.C. • February 21-22, 1991

Speakers will include Rep. Stephen L. Neal, Bruce Kovner, Jerry L. Jordan, Allan Sinai, Bennett T. McCallum, Eduard Bomhoff, Donald McCloskey, Paul Craig Roberts, Robert J. Barro, Alan Reynolds, and Leland B. Yeager.

Making Sense of Safety

Second Annual Regulatory Conference

Madison Hotel • Washington, D.C. • March 21-22, 1991

Speakers will include John Graham, Kip Viscusi, Paul Rubin, Henry Grabowski, Joann Siegel, Lynn Weiner, Lester Lave, and Margaret Maxey.

NATO (Cont. from p. 1)

earned retirement. That cannot be done in the next six months, perhaps, but it should be easily attainable before the end of the century.

Yet retiring the alliance, or even seriously reducing the scope of the U.S. military role, is certainly not on the mind of President Bush, who, for instance, told the nation before the Malta summit that "the American role may change in form but not in fundamentals." The "utopian day when there might not be" a need for NATO "hasn't arrived," he later added, "so the United States must stay involved." Bush's determination to preserve the U.S. military presence was also evident following his proposal in the January 1990 State of the Union address to reduce superpower forces in Central Europe to 195,000 on each side. National Security Adviser Brent Scowcroft quickly squelched speculation that even larger cuts might be forthcoming. The 195,000 figure was a ceiling for the Soviet Union but a floor for the United States, Scowcroft emphasized.

A Public Choice View

NATO partisans, in a practical demonstration of the public choice economic theories that won James Buchanan the Nobel Prize in 1986, have circled the wagons in a desperate attempt to preserve their beleaguered institution. They have also been astonishingly creative in coming up with new reasons not only to maintain NATO but to keep U.S. troops in Europe.

The first rationale is based on outright denial of changes in the Eastern bloc. Gorbachev's internal reforms and Moscow's repeal of the Brezhnev Doctrine are said to be simply a sophisticated Leninist ruse to lull the West into a false sense of security. Soviet expansionist objectives remain fundamentally unaltered, so naturally NATO must be maintained or even strengthened. That school of thought was more prominent before the breathtaking developments in the last half of 1989. Now it seems confined to the political fringe and a few unreconstructed cold warriors, primarily in the armed services leadership.

One must give such defenders of the status quo credit for tenacity. It is diffi-

cult for them to keep the faith in the face of mounting evidence that threatens to make them look as quaint as their ideological forbears who still argued in the late 1960s that the Sino-Soviet split was a sham. Probably for that reason most NATO defenders have moved on to a more sophisticated and plausible response: "nothing's permanent."

Members of the "nothing's permanent" faction concede that the changes in Soviet foreign and domestic policies are genuine and significant, but they doubt their durability. Gorbachev might be overwhelmed by the ethnic turmoil and economic problems in his country and revert to Stalinist tactics to restore order, or his conservative adversaries might stage a palace coup. Conse-

"NATO partisans have been astonishingly creative in coming up with new reasons not only to maintain NATO but to keep U.S. troops in Europe."

quently, the West must keep up its guard, which naturally requires maintaining NATO with only minor alterations, until it is certain that the changes in the Eastern bloc are permanent.

That view has a number of advocates, including former secretary of defense Caspar Weinberger, who contends that "even if Mr. Gorbachev should be completely honest and sincere in all that he has said, we have no indications whatever of how long he may remain in office, and we do not know who or what his successor would be. Under those circumstances, it would be folly for us to reduce the strength of our military." Within the administration, National Security Council deputy director Robert Gates—a reluctant convert from the "nothing's changed" camp—and, until recently, Secretary of Defense Richard Cheney have been

prominent adherents.

Their argument is more plausible because it does contain an element of truth: a reversal of trends in the Soviet Union and Eastern Europe could take place. But even Central Intelligence Agency director William Webster does not believe that such a reversal is likely. Even if it did occur, it would not mean a complete resurgence of the Soviet military threat. Objective economic and political conditions in the Soviet Union will create serious constraints on external adventurism for the foreseeable future. And even an expansionist Soviet regime would find it exceedingly difficult to put the fragmented Warsaw Pact back together as a military organization capable of offensive operations.

Furthermore, the whole argument is insidiously deceptive. Proponents never bother to answer the question of how the permanence of Eastern bloc reforms is to be measured. Will five years of uninterrupted progress be enough? Ten? Twenty? Nor do they acknowledge the ability of the prosperous and populous West European nations to defend themselves should a Soviet military threat reemerge.

The most revealing aspect of the "we can't be sure the reforms are permanent" argument, though, is the marked unwillingness of most Atlanticists to consider phasing out NATO even if the Eastern bloc changes *do* prove enduring. President Bush, for one, posited approximately a century before "the utopian day" might arrive when NATO would not be needed. That assumption raises doubts about whether the professed apprehension concerning the permanence of Soviet bloc reforms is genuine or merely a more sophisticated excuse for maintaining the status quo.

Alternative Missions for NATO

As the magnitude of the changes in Eastern Europe and the Soviet Union has undermined the lack-of-permanence ploy, NATO supporters have fallen back to the final Atlanticist redoubt—finding an "alternative mission" for the alliance. Robert Zoellick, Secretary of State James Baker's counselor, cheerfully acknowledges that the department's policy planning staff is working with the European Affairs Bureau "to look at how you transform established institutions, such as NATO, to serve

new missions that will fit the new era." That is not an easy task, however, for NATO has been the quintessential anti-Soviet security arrangement. NATO was established to defend Western Europe against either Soviet blackmail or an all-out Warsaw Pact invasion. The latter danger has now receded into the realm of paranoid fantasy; even such cold war hard-liners as Richard Perle and James Schlesinger concede that the Warsaw Pact is an empty shell with no military significance. And the prospect of Soviet blackmail seems increasingly improbable as Moscow gropes toward a market economy and a multiparty political system. If NATO is no longer needed to counter such threats, one must ask what on earth its purpose should be.

The creativity of Atlanticists in formulating alternative missions is boundless. Robert Hormats, vice chairman of Goldman Sachs International, writes in *Foreign Affairs* that Western leaders must "expand the range of issues on which NATO engages the common efforts of the European and North American democracies—from student exchanges, to fighting the drug trade, to resisting terrorism, to countering threats to the environment." Hormats is not alone in believing that a military alliance can be transformed into a combination student exchange placement agency and public-sector version of Greenpeace. Former U.S. ambassador to NATO David Abshire also insists that NATO "could coordinate the transfer of environmental-control and energy-conservation technology to the East, thereby benefiting the global ecology."

In the frantic search for new tasks, however, three have emerged as the most prominent candidates. The first, propounds the *Economist*, is to respond to security threats in other regions. But NATO has never been an effective instrument for power projection outside Europe; in fact, the United States has consistently met resistance from its NATO allies to its policies toward Central America, Libya, and the Mideast. The lack of a looming Soviet threat will undoubtedly make such cooperation more rather than less difficult.

That difficulty has become evident in the Persian Gulf crisis. Although the European members of NATO followed Washington's lead in securing a United

Nations' condemnation of Iraq's takeover of Kuwait and agreed to support international economic sanctions against Baghdad, the reaction was far different when it came to providing more tangible assistance. For example, the Europeans politely but firmly rebuffed Secretary of State Baker's bid to enlarge NATO's scope of geographic responsibility to include portions of the Middle East. Baker contended that because a NATO member (Turkey) borders on Iraq, the alliance should formulate a collective response to Baghdad's breach of the peace. The European governments responded that it was inappropriate for NATO to take such action.

NATO's general uselessness for out-of-area missions was made even clearer

"The prosperous, freedom-loving Germans have apparently reverted to being the rapacious Hun, and avuncular Helmut Kohl is the new Kaiser Wilhelm."

by the paltry European contribution to the U.S.-led "multinational" force in the Persian Gulf. Britain and France initially provided small contingents of air and naval forces but pointedly declined to send in ground units to join the tens of thousands of U.S. troops pouring into Saudi Arabia. Even their token deployments vastly exceeded those of the other NATO powers. Germany, in particular, insisted that its constitution prohibits sending forces outside the NATO region, despite the arguments of many German constitutional scholars to the contrary. The Persian Gulf operation increasingly looks like a repeat of the multilateral intervention in Korea during the early 1950s in which the United States provided more than 90 percent of the troops and absorbed more than 90 percent of the casualties.

The second alternative role, men-

tioned prominently by high-level NATO officials, is to "manage" the political transition in Eastern Europe. How a predominantly military association would be able to make a productive contribution to what is a political and economic process has been left, shall we say, a trifle vague. The notion of NATO as an effective political vehicle is especially dubious when one considers the debilitating disagreements that have plagued the alliance over the years. In recent years the members have not even agreed on the seriousness of the Soviet threat, let alone the proper response. The acrimonious U.S.-West German controversy over nuclear modernization in the spring of 1989 was only the most visible manifestation of such discord.

Policing Europe

A third possible task for a "new NATO" is to promote stability in Europe. Put bluntly, Europeans have spent centuries killing each other. Only when the United States (and some would argue the USSR as well, though that point is disputed) deigned to occupy the continent did peace reign. Therefore our troops should stay. (A more subtle version was the *New Republic's* formulation: "There simply is enough change going on in Europe now without introducing new and unpredictable forces.") President Bush has stressed that theme, asserting that NATO and the U.S. military presence will be needed in the future not to deter a Warsaw Pact invasion (which he concedes is now highly improbable) but to guard against "instability and unpredictability."

But the prospect of greater instability, especially in Eastern Europe, is an argument for a lower U.S. military profile on the Continent. It is difficult to argue that the United States should be unduly concerned about disputes between small European states, since such quarrels would rarely impinge on vital American interests. Indeed, it would be better to insulate the United States from a conflict between, say, Hungary and Romania over the status of Transylvania than to preserve security arrangements that might entangle American troops in it.

Many Americans as well as Europeans have narrowed the stability argument to apply to just one country: Germany.

(Cont. on p. 12)

NATO (Cont. from p. 11)

The United States, it is argued, must maintain troops in Europe (namely West Germany) to contain German power. The *New York Times* reports that members of the State Department's policy planning staff assume that NATO will be needed "more than ever" as a mechanism for "alleviating friction among the allies, and, in its bluntest form, to help constrain German influence and keep Germany under a Western umbrella." Far blunter was former U.S. Army chief of staff E. C. Meyer who propounded a new version of moral equivalence: a reunified Germany (along with a more assertive Japan) will replace Soviet aggression as the major threat to Western security. (That was not the first time NATO was viewed as anti-German; Lord Ismay, NATO's first secretary general, once remarked that the alliance existed to "keep the Russians out, the Americans in, and the Germans down.")

The cynicism of the convenient re-emergence of a "German threat" is astonishing. Not long ago the Federal Republic was being hailed as NATO's brave front-line state and the West Germans as dedicated allies in the struggle to contain the Soviet menace. Now those prosperous, freedom-loving burghers have apparently reverted to being the rapacious Hun; avuncular Helmut Kohl is projected to become the new Kaiser Wilhelm; and the 495,000-member Bundeswehr, facing cuts of one-fifth by the mid-1990s, is deemed capable of threatening a Soviet military nearly 10 times its size backed by thousands of nuclear warheads.

Atlanticists have really entered the conceptual Twilight Zone when they think it reasonable for NATO's primary mission in the 1990s to be the containment of the alliance's most vibrant European member. While history can never be forgotten, it also cannot justify obsolete alliances. (Else we would need a mechanism to constrain a potential Napoleonic revival in France.) The German containment thesis seems more the product of a desperate search for a "necessary enemy" to justify NATO's continued existence than of any reasonable geopolitical analysis. Ironically, some East European leaders,

who would supposedly be the most uneasy about German reunification, have been the first to denounce the hypocrisy. Czech foreign minister Jiri Dientsbier dismissed the containment of German power rationale as "a new argument developed just for the occasion" to justify a continued U.S. troop presence.

NATO's Vested Interests

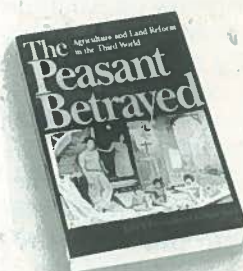
But then, necessity is the proverbial mother of invention. There are innumerable vested interests that are jeopardized by any significant change in NATO. The American military, and especially the U.S. Army with its 764,000 personnel, faces the prospect of deep cuts—and the resulting loss of institutional prestige and power. Before the formation of NATO the United States had never fielded a peacetime army of more than 200,000 men. Even the Army's most imaginative defenders would be hard pressed to find a plausible mission for large numbers of armored and infantry divisions if the European commitment comes to an end. The defense-industrial establishment is also at risk whenever military spending slows. And so is much of the intellectual establishment, the think tank scholars, academics, and government consultants who have built their careers around the issues associated with the continued division of Europe. Someone who has spent his career counting NATO and Warsaw Pact tanks and artillery pieces will probably feel like the East German border guard who, after his government opened the Berlin Wall, complained: "It's not good. We will lose our jobs."

If NATO's original mission of protecting Western Europe from the USSR has been fulfilled, then the alliance—in contrast to American political, economic, and cultural engagement in Europe—is no longer needed. We should celebrate its success and enjoy the financial benefits of reduced military obligations. But the tenacious efforts of NATO partisans to preserve the alliance suggest that obsolete institutions are even more durable than old soldiers, who, intoned Gen. Douglas MacArthur, "never die, they just fade away." NATO is not fading away; it is trying to achieve organizational immortality. ■

NEW BOOKS FROM THE CATO INSTITUTE**Meltdown: Inside the Soviet Economy**

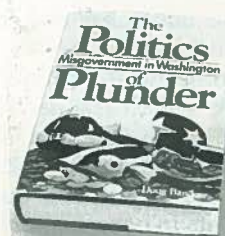
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Eastern Europe (Cont. from p. 7)

whomever. Communism was supposed to subsume such malicious forms of nationalism, but it clearly failed.

And the third promise, prosperity? Socialism not only did not produce prosperity, it produced mass poverty.

So socialism is virtually gone as an ideology. Two other ideologies are emerging to replace it. First, nationalism, which takes two forms: very broadly, there are malignant nationalism and benign nationalism. Malignant nationalism, or chauvinism, is the desire to impose your culture, your religion, your language on another group. And, unfortunately, we see a lot of that in the countries of Central and Eastern Europe. There is another kind of nationalism, however, that has been very important: the desire not to be ruled by foreigners, which is quite understandable and consistent with liberal principles. Overall, I found in Central Europe very little hatred of Russians per se. Central Europeans just want the Russians to go home and leave them alone.

The other ideology is liberalism, in many cases aligned with the benign form of nationalism and, indeed, in explicit opposition to chauvinism. The one name that you hear more than any other throughout Central and Eastern Europe is Friedrich Hayek. Underground, or samizdat, editions and rare English copies of *The Road to Serfdom* are widely read.

It should be no surprise that that influential and powerful book was written by a Central European, who spoke to his readers' condition most forcefully. Marx had failed. He had predicted something that didn't happen. Hayek predicted something that did: that the effort to implement socialism would lead to tyranny and serfdom. And he offered an alternative—liberty, a market economy, prosperity, and the rule of law.

Now, having gone through a kind of exercise in political economy, I'd like to mention a historical thesis that might explain some of the most recent occurrences. I'm borrowing this from a Hungarian scholar, Istvan Bibo, who propounded a thesis about the three parts of Europe: Western, East-Central, and Eastern. According to Bibo, East-Central Europe is more or less the region

east of the Elbe. Western Europe is identified with Roman or common law and the emergence of civil society from "little circles of liberty"—associations, groups, neighborhoods, clubs, farms, markets, cities, and so on—from which political authority flowed upward in a limited way. Eastern Europe is identified with the Byzantine and Ottoman systems in which the state was at the top and enforced its will downward.

The big difference between Eastern and Western Europe is the relative separation of church and state in the West, where it came to be recognized that the empire had secular authority and the church spiritual authority. They were separate forms of authority that even had separate court systems. Under the Byzantine system, the emperor remained the head of the church, so such a separation never took place. Also, because of its feudal inheritance and German folk law, political authority in the West broke up much earlier than it did in the East.

The countries of Western Europe are fairly obvious—Britain, Germany, Switzerland, France, and so on. Eastern Europe can largely be identified by the sway of the Orthodox church. Hungarian political scientist Laszlo Urban has pointed out that liberal parties have done well recently outside the areas long dominated by the Orthodox church. Liberal parties have not done so well in Russia, Romania, Bulgaria, and Serbia. The division even cuts across a country in the case of Yugoslavia where Catholic Slovenia and Croatia identify with the Roman West but Serbia is Orthodox and less liberal.

Studies (Cont. from p. 8)

have prompted Susan W. Liebler, former chairman of the International Trade Commission, and Michael S. Knoll of the University of Southern California Law School to examine some of the difficulties inherent in such a policy.

In a new study they point out that advocates of an interventionist trade policy have yet to address serious questions about policymakers' ability to determine key sectors, availability of the knowledge needed for setting and at-

The mixed countries, or Central Europe, include Poland, Lithuania, to some extent Czechoslovakia, Hungary, and perhaps the Ukraine and Belorussia. Throughout their tempestuous history, those countries have been dominated or influenced by both the East and the West. Hungary was under Ottoman rule for quite a long time. Big pieces of Poland were once part of the Russian empire.

Thus there may be cultural factors that will make the transition to freedom easier for those countries than for the Eastern European countries. As Bibo points out, political developments that took place in Western Europe—liberation of the serfs and so on—usually hit East-Central Europe about 200 years later and took even longer to reach Eastern Europe. With our help and with the growth of technology, we could accelerate that process, but the liberals in those countries have a harder job.

One of the reasons that I am so excited about what is happening in Central and Eastern Europe is that I see a very real chance that in the next 10 to 20 years an intellectual and political culture that is more liberal than the one we now have in Western Europe or North America will develop in those countries. I don't mean necessarily a more liberal system; we must remember that Central and Eastern Europe are starting from a different base. The seeds of liberal intellectual and political ideas that have been planted there may sprout; produce mighty trees; and, if we are lucky, drop seeds back into our societies to reinfuse us with the spirit of liberty. ■

taining policy goals, and reactions of foreign governments.

"Policymakers would find it difficult to remain independent and base their decisions on economic considerations alone. They would also find it difficult, if not impossible, to know when federal government intervention was in the interest of the nation, not just the affected industry, and what form intervention should take," they conclude. The study, "The Perils of Managed Trade," is no. 138 in Cato's Policy Analysis series.

The above studies are available from the Cato Institute for \$2.00 each. ■

Cato Holds Conference on U.S.-South Korean Alliance: Sen. Wirth Cites Total U.S. Withdrawal as Ultimate Goal

Maintaining America's \$13 billion to \$14.5 billion annual commitment to defend South Korea is unnecessary, argued most of the speakers at the Cato Institute's June conference, "The U.S.-South Korean Alliance: Time for a Change." The conference was organized by Cato's director of foreign policy studies Ted Galen Carpenter and Cato senior fellow Doug Bandow.

Sen. Timothy Wirth (D-Colo.) called for a negotiated settlement under which the United States and South Korea would use troop cuts "as leverage to bring about concrete improvements in North-South Korean relations." He maintained that "the ultimate objective would be to withdraw all U.S. forces permanently stationed in South Korea

in the context of a marked reduction of military confrontation between the two Koreas."

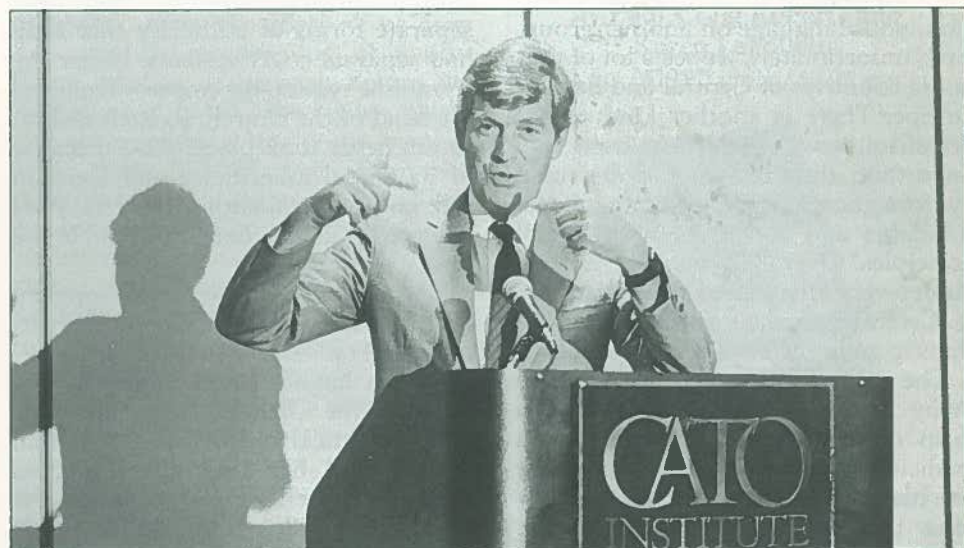
Bandow argued that "the American security guarantee was extended in another era, a time when Seoul was an impoverished, war-torn land, helpless in the face of an aggressive North Korea aided by China and the USSR." But now, he said, "The U.S.-ROK military alliance no longer has a *raison d'être*."

He called for an unconditional phased withdrawal of U.S. troops over five years and an end to the Mutual Defense Treaty. Bandow contended that with a per capita income at least four times and a population base more than twice that of the North, South Korea should be capable of defending itself.

Selig S. Harrison, senior associate with the Carnegie Endowment for International Peace, charged that the



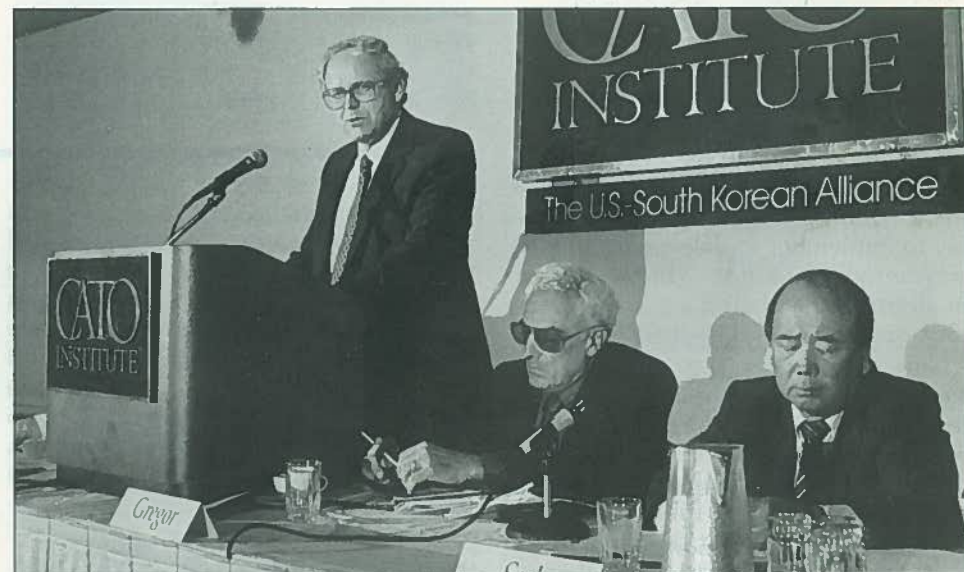
Kim Changsu of the Korean Institute of Defense Analyses talks with Cato foreign policy director Ted Galen Carpenter at Cato's June conference on U.S.-Korean relations.



Sen. Timothy Wirth calls for the eventual removal of all U.S. troops from South Korea. Wirth was the luncheon speaker at Cato's conference on the U.S.-Korean military alliance.



The proposals for U.S. troop withdrawals from South Korea made at Cato's conference on U.S.-Korean relations received widespread media coverage in both the United States and South Korea.



A. James Gregor and Dae-Sook Suh listen as William J. Taylor addresses Cato's conference on U.S.-Korean relations.

American military presence in Korea increases anti-Americanism and impedes democratization in the South and strengthens xenophobic hard-liners in the North. He called for a negotiated reduction of military tensions between the United States and the Soviet Union in East Asia as a first step toward Korean reconciliation.

Dae-Sook Suh, director of the Center for Korean Studies at the University of Hawaii, discounted fears of a North Korean attack on the South by pointing out that North Korea's closest military allies have increased commercial and diplomatic contacts with South Korea in recent years. A complete withdrawal of U.S. troops is a precondition to improving Korean relations, Suh emphasized.

Taking the opposite view, William J. Taylor, Jr., vice president for international security programs at the Center for Strategic and International Studies, supported a continued, if not greater, U.S. military presence in the region. Taylor pointed to instability on the Korean peninsula and American economic interests in the region and emphasized that a total withdrawal of American troops might provoke a North Korean attack. Citing the need for allied confidence in U.S. power and resolve, he stated: "Even in the absence of the North Korean and Soviet threat, U.S. interests in the Far East mandate that Washington maintain a strong presence in Asia well into the Pacific Century."

Carpenter countered the idea that South Korea is a vital U.S. security interest. Disruption of trade with South Korea would not devastate America's economy, and South Korea's position as a strategic asset is part of an outmoded doctrine of forward defense against the Soviet Union, he argued.

Other conference speakers included Stephen D. Goose, legislative assistant to Rep. Robert J. Mrazek (D-N.Y.); Kim Changsu, senior researcher at the Korean Institute for Defense Analyses; Edward A. Olsen, professor of national security affairs and Asian studies at the Naval Postgraduate School; A. James Gregor, professor of political science at the University of California, Berkeley; and Daryl Plunk of the Heritage Foundation.

The conference was widely covered by the Korean and American media. ■



More than 140 participants—from around the United States as well as Moscow, Prague, Bucharest, Lisbon, San Salvador, and Aix-en-Provence—heard social policy analyst Charles Murray lecture at Cato's two 1990 summer seminars.



Historian Ralph Raico was once again one of the most popular lecturers at Cato's 12th Annual Summer Seminar in Political Economy.



David Brooks of San Francisco and lecturer Chandran Kukathas of Australian National University take time out from philosophical discussions at the Dominican College summer seminar for a game of chess.

"To be governed..."

A proper handout

Susan Bright... vice president of the National Family Farm Coalition... said she believes family farmers are... able to make a good living and produce "all the food we need" as long as they get a proper hand from the government.

— *Washington Post*, June 18, 1990

The effect, on the other hand,...

Drought-plagued Southern California's major water wholesaler will use satellite photographs to detect overwatering of large tracts of land, officials said yesterday.

"The intent is not to be some kind of a water Big Brother," said Bob Gomperz, spokesman for the Metropolitan Water District.

— *Washington Post*, June 16, 1990

Your tax dollars at work

[Carole Bland] Jackson said she was at the social gathering in the summer of 1986 where Project Me was born. The contract for the summer youth program paid [Rasheeda] Moore, Miss Jackson and Miss Moore's sister Mertine at least \$180,000 to teach young people "self-esteem, self-awareness and skin care," she said.

— *Washington Times*, July 6, 1990

Do it voluntarily or else

Impressed by the success of voluntary conservation efforts, the City Council on Friday defeated Mayor Tom Bradley's proposal to impose mandatory water rationing in Los Angeles this summer....

"I think this sends a clear message to the people. As long as they continue to save as they have been doing, there will be no penalties and no punishment," said council member Joan Milke Flores. "But if they backslide, the program will move forward."

— *Los Angeles Times*, July 15, 1990

The story of capitalism, in the newspaper of record

In filing suit against the [American Institute of Architects], the [Justice] department invoked the Sherman Antitrust Act, which was enacted in 1890 to break up the vast industrial monopolies created by the 19th-century robber barons who created vast wealth by exploitation.

— *New York Times*, July 6, 1990

Almost as tough as keeping us from doing it

House Minority Whip Newt Gingrich (R-Ga.) told Democratic budget negotiators yesterday that he was "prepared to sponsor and support" legislation to raise taxes....

In a May fund-raising letter, Gingrich declared, "I strongly believe that increasing taxes on working people will NOT solve our country's massive budget problems!... Keeping the Democrats from raising income taxes is one of my toughest jobs."

— *Washington Post*, July 20, 1990

Avoiding cut-throat competition

In the absence of generally accepted business standards of conduct toward employees, congressional mandates [for parental leave and other employment benefits] not only ensure fair treatment of workers but also nullify the advantage companies that do not treat their employees fairly would have over those who do.

— Lawrence Perlman, president of Control Data, in the *Washington Post*, July 25, 1990

Cognitive dissonance

Mayoral candidate John Ray... said he would make education and black economic empowerment priorities of his administration....

Ray said increases in some taxes might be needed....

"I don't think there's any candidate who has a better record in opposing development than John Ray," he said.

— *Washington Post*, July 24, 1990

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