



state mandates on required coverage. Increasing power prices could contribute to deregulating the production of electricity. Food and Drug Administration red tape has caused much-publicized delays in getting AIDS drugs to patients. This could lead to a broader review of the efficacy standard for approving new drugs.

The free-market community should be ready to exploit these targets of opportunity. The broad, if somewhat inchoate, concern about America's competitiveness could provide the common support for a new deregulation movement, because most regulations increase the costs of American firms relative to those of their foreign competitors.

The short-term prospects for regulation are discouraging. But with effort, the long-term prospects can be much better for free-market advocates.

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# SHIFTING THE BURDEN OF PROOF

## Government on the Defensive

BY MICHAEL BARONE

**D**o free-market economic policies have a future in the United States? The answer, I think, is yes—a qualified yes, a yes with a considerable number of exceptions, but a yes that is qualitatively different from the qualified no that was the answer to the question just 10 or 15 years ago.

A half-generation ago, the politicians still were and the public still seemed attached to the idea that government could significantly improve on the free market through concerted action. At the macroeconomic level, that meant Keynesian demand management. At the microeconomic level, it meant price controls on oil and gas and on rental housing in big cities and university towns.

But even then, faith in government was weakening. In the Carter years—when the Democrats held a 2-to-1 margin in the House of Representatives and had solid control of the Senate—Congress rejected measures to establish a consumer protection agency and to strengthen labor unions. When the administration proposed higher taxes on the rich, the Congress passed instead a capital gains tax cut. The voters of California passed Proposition 13, and the voters of Massachusetts passed Propo-

sition 2½. All of this before Americans elected Ronald Reagan president, and in constituencies and forums that many assumed were bastions of welfare-state liberalism.

The political marketplace reflected changes in the larger society. The historian William McNeill has a rule for understanding

long-range trends: In wartime, societies want larger government. In peacetime, societies want smaller government. Applied to the United States, this helps explain how we moved from the New Deal to Reaganism. Roosevelt wanted to expand a government that was spending about 5 percent of gross national product, and a war-accustomed nation agreed. Reagan wanted to hold down the size of a government that was spending about 25 percent of GNP, and a peacetime nation agreed.

The difference of the times explains the seeming inconsistency. The policies that had worked well enough—very well indeed, I would argue—in the 1940s and 1950s, by the 1970s and 1980s were not working very well at all. And so, in a democracy, and despite the prejudices of political elites and the vested interests of bureaucrats, they were discarded.

Nor should we suppose that people easily forget the effects of major depression and total war or of stagflation and bracket creep in peacetime. These events create enduring political predispositions. The bread lines of the 1930s taught most Americans that the free market did not work very well. The gas lines of the 1970s taught most Americans that government regulation did not work very well.

The result is that the Americans of the 1990s are much less disposed to believe that government can solve problems than were the Americans of a generation or two ago. And they are more inclined to see themselves hurt by government action—or hit by government taxation.

The catastrophic health-care program of 1988–89 most vividly illustrates this effect. Congress passed it at the behest of the American Association of Retired Persons, the largest lobbying group in the country, and government experts crafted it so that the benefits would go to large numbers of recipients while the burdens were concentrated on a relatively small number of the affluent. But look what happened. The intended beneficiaries were apathetic or unconvinced that the program would help them, while those who would pay more were furious. They raised such a large political stink that a Congress which had passed the program by a wide margin proceeded to repeal it by a wide margin just a year later. The political process on this issue is clearly biased toward the market and away from government.

And so it goes on other matters. Gasoline prices may rise, but few raise the early 1970s cry that government must set prices. Threats of inflation generate no demand for the wage-and-price controls adopted by that supposed conservative Richard Nixon. The ABC child-care program—seemingly designed to provide for early-year child care all the features of a failed public school system—was rejected by Congress, rejected by liberal Democrats as well as conservative Republicans. Even on issues—farm price supports, trade restrictions—

on which politicians still pass antimarket measures, they are moving away from government regulation and toward markets.

Some assert that a changing income and wealth distribution will produce a populist response from voters, but that economic shift has been going on for more than a dozen years and has produced no perceptible change in that direction in all that time: as much proof as the political process ever gives us that it won't in the future.

In legislatures, in political campaigns, on city councils, and on county boards of supervisors, the burden of proof is now increasingly on those who would propose public spending programs and government regulation. That is likely to continue to be the case, regardless of who is elected, regardless of partisan tides, so long as market-oriented policies are seen to produce good results.

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# LIBERTY ASCENDANT

## The Global View

BY PAUL CRAIG ROBERTS

In the postwar period a small force of champions of economic liberty avoided demoralization by university faculties and public policy. Unheralded and isolated, they stuck to their guns. In the 1980s public policy changed in their direction. The United States and the United Kingdom dramatically reduced tax rates; the United Kingdom and France privatized; regulation and socialist approaches to welfare lost their luster. The political rhetoric also changed, and speeches by Ronald Reagan and Margaret Thatcher influenced the entire world.

After this heady experience, many feel that we have lost the policy initiative. Indeed, the nihilists of the American political establishment, who believe in nothing but their own careers, are an uninspiring lot. Our enemies among the journalists do their best to demoralize us with their mendacity, lies, and attempts to convince the population that Reaganomics was all a mistake. But no one believes them. The basic policies have not been overturned, and there is no public support for going back to socialism.

Despite the journalistic hype of "the widening income gap" and "the rich get richer," there is no public support for raising

marginal tax rates. Surveys show that the public has lost faith in egalitarianism to such an extent that the *Washington Post*, probably the nation's most important advocate of egalitarianism, ran a front-page article on April 30 reporting that

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## THERE IS ALMOST NO POPULAR SUPPORT FOR SOCIALISM. EVEN MIKHAIL GORBACHEV EMBRACES THE IDEA OF A MARKET ECONOMY.

Americans do not share the egalitarian social vision. Only 29 percent of Americans see redistribution of income as a government responsibility. Americans are so turned off by government that it is impossible to get a majority to vote.

Ironically, the American free-market movement has been weakened by its success, not by its failure. The postwar champions of economic liberty have personally lost the initiative because their ideas have been accepted and the initiative has moved into wider hands. Indeed, there is no other initiative today in Eastern Europe, the Soviet Union, Latin America, China, and even much of Africa. We feel less important, and are, because others have taken up our causes.

The gospel of free markets has even won converts within the Kremlin. On February 5, the Soviet foreign minister, Eduard Shevardnadze, declared that communism "has been destroyed by the will of people who wished no longer to tolerate coercion." Two days later marked a turning point in world history. The Communist Party repudiated Article Six of the Soviet Constitution and stripped itself of its monopoly of power. The same party conference endorsed the principle of private property.

Not long thereafter, Mikhail Gorbachev, with Margaret Thatcher sitting beside him nodding in approval, told a live televised news conference in Moscow that the creation of a market economy in the Soviet Union was essential. Accused of abandoning socialism, Gorbachev replied that the market economy, unlike socialism, "is an invention of civilization."

There are still battles to be fought. Advocates of big government continue to press their agenda on behalf of "the handicapped" and "the environment." But when the head of the Communist Party of the Soviet Union dismisses socialism as an ideology of intellectuals and embraces the market as the historical invention of civilization, the war is almost over. ■

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