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Making the world better

By Richard W. Rahn

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There are a lady barber and a finance minister, both of whom, in very different ways, are making their homelands better, in part, because of their American experience.

It has long been recognized the remittances foreign workers send to their homelands dwarf official foreign aid in both size and effectiveness.

What is often not recognized is how foreign visitors and immigrants use the skills and knowledge they acquire in America to improve their native countries.

No government foreign aid program could ever approach the cost-effectiveness of what Zahira Zahir and Milen Veltchev are doing as individuals.

Zahira Zahir is a barber. She started life in Afghanistan. Eventually, she married an Afghan diplomat and had three children. In the 1970s, they were stationed in New York when the communists took over Afghanistan. Her brother was killed by the new rulers, and her father, who had been prime minister, warned her not to come back. She found herself in New York, and then separated from her husband, without funds or skills to support her children. She quickly learned how to become a barber and eventually ended up in Washington D.C. and later obtained U.S. citizenship.

After building her reputation, she became the barber to many of Washington's politically powerful, including both the first and current President Bushes. She has her own salon in the Watergate Hotel, where current and former Cabinet members are a common sight. After the Taliban were defeated, Zahira decided to help re-establish the girls' school she had attended in Kabul as a child. The Taliban had closed the school, in their belief women should not be educated, and much of its physical plant had been destroyed.

Zahira then did a very American thing. She formed a nonprofit, tax-deductible foundation, "Friends of Zahira's Schools Foundation," www.zahiraschools.org, and used her connections to help raise money for the school. Former Secretary of State Jim Baker and former President Bush have held fund-raisers for her; Laura Bush and many other notables, including Commerce Secretary Don Evans, have been very helpful. Establishing a voluntary association or foundation to help solve a problem is almost automatic for most Americans, but such activities are rare in many parts of the world. For instance, the French discourage such activities by actually taxing contributions to certain foundations that would be tax-deductible in the U.S.

Milen Veltchev is the Bulgarian finance minister and, perhaps, the youngest finance minister in the world at age 38. He graduated from a university in Bulgaria in 1988, a year before the fall of communism. In 1992, he had an opportunity to go to graduate school at the University of Rochester.

Later, he went to the Massachusetts Institute of Technology, majoring in finance. He then spent six years with Merrill Lynch in London, becoming vice president for emerging markets. In 2001, he returned to Bulgaria, was elected to Parliament and then became finance minister in the new government.

Bulgaria wasted seven years after throwing off the yoke of communism because of a chaotic political situation. In 1997, real reform began and has greatly accelerated under the new government of Prime Minister Simeon Saxe-Coburg-Gotha and Finance Minister Veltchev. Bulgaria now enjoys one of Europe's highest growth rates -- more than 5 percent yearly.

Inflation has been whipped and is now only about 2 percent. Foreign investment and domestic bank credit are both growing very rapidly. The overall tax burden has been reduced to about the same as in the U.S. (30 percent of gross domestic product), but the maximum corporate rate is being cut to 15 percent, and the top individual rate is only 29 percent.

Under Mr. Veltchev, the Bulgarian budget has been balanced; the debt/GDP ratio has been sharply reduced and is now below the European average. In sum, as it gets ready to enter the EU, Bulgaria's fiscal situation is much better than that of Germany, France and many others.

It is doubtful Milen Veltchev would have been anywhere near the successful finance minister he is -- despite his brilliance -- if he had not had the education in finance and economics he received in the U.S. and the real-world financial work experience he had in New York and London. Unlike many of his counterparts around the globe, he has a keen understanding of how tax rates affect incentives, and what needs to be done to build the confidence of capital markets to encourage both domestic and foreign investment.

Despite its many flaws, the U.S. economic, political and social systems work better than almost any other place on the planet. Bright students and immigrants from abroad often quickly grasp why the U.S. works better and, in many different ways, are able to transmit this knowledge to improving their home countries -- whether they be a barber or a finance minister.

World peace will only be achieved when free market, democratic capitalism is in place everywhere. By allowing bright young people to come to America and learn firsthand what works well, we do more to foster the proper institutions, structures and ideals elsewhere than any government program of direct foreign aid can ever accomplish.

Richard W. Rahn is a senior fellow of the Discovery Institute and an adjunct scholar of the Cato Institute.

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