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Right questions in right order

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Knowing what we now know, would you design our tax system, Social Security system, the United Nations and the World Bank as they are designed and now operate? Unless you are brain dead, you would have answered no to all the above.

International organizations and government programs were all established to solve a perceived problem at the time of their creation. So before recommending how the organization or program can be "reformed," should we not first ask if the original problem still exists and, if so, is the organization or program the right vehicle for solving it?

Let's start off with the easy one -- the World Bank was set up after World War II as a tool in the Cold War. The idea was to provide loans to governments and their projects that would assist in economic development. The World Bank was predicated on the belief there were worthy projects the private sector would not fund. More than a half-century later, we know there were good reasons the private sector would not lend for many of these projects: They made no economic sense.

The World Bank was created when many believed socialism and big government were the solutions. It is now recognized by most knowledgeable and thinking people that big government is more often a problem than a solution. There is considerable evidence the World Bank has made matters worse rather than better, by misallocating resources to irresponsible governments. These often use World Bank loans to impede more efficient private competition, while saddling their citizens with enormous liabilities. The people are then stuck with the need to repay loans for which they received little or no benefit.

We now know the necessities for sustained economic development and growth are: the rule of law; private property protections; free markets; free trade, low rates of government spending, taxation and regulation; and stable money.

Without the above, World Bank money is poured into a rat hole. With the above, World Bank money is not needed.

There is close to a zero chance Congress would approve creation of the World Bank today, given what we now know about economic development. Thus, if we would not start it now, why should we just not abolish the World Bank rather than try to reform something we don't need?

Social Security was set up when Americans had large families and on average did not live all that long -- so its Ponzi scheme structure looked almost reasonable in the 1930s.

Now people have very small families, and average life spans are increasing far beyond what was thought possible. It is obvious to all who have looked at and understood the data (which excludes many liberal Democrats) that "reform" is necessary or, more correctly, a different type of program is needed.

But before we debate whether we should have "private accounts" or cut benefits, perhaps we should begin by agreeing what kind of Social Security system we want and then figure out how to pay for it and work out the transition.

I would prefer a system that allowed people to choose their retirement age (recognizing that the earlier one retires the less one would receive, so one might have the right to choose to retire anytime between age 50 and 90, for example) rather than have the government mandate when we should each retire. Individuals have very different risk, health and work interest profiles. And in this day we can accommodate these differences by giving people various options to suit their own needs and desires, rather than put everyone in the old one-size-fits-all model. Is this not where we should begin?

The president has just named a commission to develop a tax-reform plan. We have learned from past experience that meaningful tax reform can only occur when coupled with major tax cuts. The vested interests that shaped our existing tax system have not withered and blown away. A static, revenue-neutral, major tax reform plan will mean there are likely to be as many, if not more, losers than winners. Hence, chances of passage are slight. The real problem is that our social welfare is lessened because we have such a large and stifling government.

Dan Mitchell of the Heritage Foundation has compiled an extensive list of studies that try to determine the optimum size of government, and, in virtually all cases, researchers find government is too large -- often very substantially so.

Given this knowledge, should we not begin by developing a plan to reduce the size of government to maximize social welfare?

Let's assume a careful review determines government is at least 25 percent too large. The next step should be development of a plan to reduce government to something close to its optimum size over a reasonable time.

The third step would be to figure out the least destructive way to finance this optimum-size government and the appropriate tax system to do so.

The U.N. was designed when most of the world's people did not live under democratic regimes, and the world was moving toward socialism and away from market economies.

Today, most of the world's peoples live under at least partially democratic regimes, and market economies are on the rise.

Rather than try to reform the U.N., which is probably almost impossible, why not just let the U.N. wither by defunding it?

In its place, a global organization could be set up to solve the collective problems of the 21st century. Voting power would be correlated with the degree of liberty and protection of free markets member states accorded their citizens.

Would this not be better than trying to reform a dysfunctional institution that dealt rather poorly with the last century's problems and certainly is not equipped for the future?

Before trying to "reform" any existing institution or program, it is important to ask, "What are the problems we face today, and what are today's constraints"? Efforts to reform programs and institutions by trying to make them better at yesterday's tasks is unlikely to lead to improvement. Institutions and programs, like wine, should not be kept beyond their time.

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