

## BALANCE SHEET

## Assets

**Checks and Balances.** Social Security loses sacred-cow status, as Pat Moynihan's tax-cut proposal puts the system in play. A plan by Rep. John Porter (R-Ill.) to let taxpayers own their "contributions" wins serious consideration, even from the ever-prudent president. (See Trends, Dec.) And in a Harris poll, 90 percent of those ages 30 to 39 say the benefits they'll receive won't be worth the taxes they've paid.

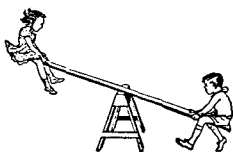
**Right Choice.** AT&T crashes nationwide. Operators won't tell customers how to reach the competition—but at least the competition exists. Choice is all the more important in an emergency. (Sprint got me through to South Carolina after Hugo.) Meanwhile, Pacific Bell proposes allowing competition on local toll calls in the nation's largest market, California.



**Way of the Wolf.** Letters from REASON readers change Defenders of Wildlife's mind about turning over its wolf-insurance program to Uncle Sam. The program compensates ranchers for livestock lost to wolves. (See Trends, Jan.) "Defenders of Wildlife has decided to limit government involvement in our program to a very small role," writes group representative Hank Fischer. "We have decided that handling the administration of the program ourselves—and signing the checks—only serves to underscore our desire to assume responsibility."

**Hanging Tough.** The White House inner circle—John Sununu, Richard Darman, and Michael Boskin—wages a brave, and so far successful, holding action against the forces of industrial policy. But Commerce, Defense, Silicon Valley, and a credulous press line up to endorse central planning. It's going to be a long struggle.

## Liabilities



**Show Trial.** After two-and-a-half years on duty, the McMartin Preschool jury concludes the obvious: The evidence that Ray and Peggy McMartin Buckey molested children is mighty questionable. But, after the ensuing trial by talk show, prosecutorial ambition triumphs. Ray Buckey will stand trial again on 13 counts that the first jury couldn't decide. After all, we've already spent \$15 million, six years, and dozens of lives—why not do it all again?

**No Secrets.** The Supreme Court rules that universities must open their tenure files to investigators ferreting out evidence of discrimination. The decision is unanimous, inevitable, and depressingly understandable. The result will be a chilling effect on *all* frank evaluations, since the files are no longer confidential. But there's no such thing as a confidential recommendation or a right to hire and fire at will in any other area of American life. Why should universities be special?

**Talking Head.** Sign of a coming Soviet crackup or crackdown: Vladimir Pozner, the Brooklyn-accented Soviet spokesman, is back on "Nightline." When they want to be quasi-honest, they put on the guys who sound like Russians. If Gorby goes, expect Pozner to declare his new boss the greatest humanitarian and reformer since Martin Luther King.

**Green Genes.** Bomb threats, Green politicians, and green-influenced courts run biotech plants out of Germany. In a verdict binding on all West German states, a court rules that because the law doesn't "expressly permit the application of genetic engineering, such facilities may not be built and operated." Pharmaceutical makers bring their operations to the United States. Will history repeat itself?

—Virginia I. Postrel

## Taking a Hike

Is the Supreme Court serious about property rights? Its decision in a case involving railroad easements could be a strong indication.

*Preseault v. Interstate Commerce Commission* challenges as an unconstitutional taking of property a federal statute that allows abandoned rights-of-way to be converted into public hiking trails. The decision, expected before the summer, will be the first major takings ruling since the landmark 1987 case *Nollan v. California Coastal Commission*. It gives the Court an opportunity to elaborate on its reasoning in *Nollan*, which held that conditions attached to a beach construction permit violated the Takings Clause. The coastal commission had tried to compel the plaintiffs to allow public passage through their property.

Similarly, Vermont residents Paul and Patricia Preseault argue that the 1983 "rails-to-trails" law violates their property rights by creating a public hiking trail on their land. The excuse for the incursion is a railroad right-of-way that was abandoned in 1975. Under the terms of the conveyance that permitted the railroad to use the property, the right-of-way expires when the railroad stops using it. But the 1983 statute gives the Interstate Commerce Commission the authority to supersede such contracts for the sake of outdoor recreation.

If the Supreme Court finds that a taking has occurred in the *Preseault* case, it may either call for compensation or invalidate the statute. The decision could affect thousands of property owners throughout the country, since many rights-of-way are based on conveyances intended exclusively for railroad use.

"The potential impact is tremendous," says John Groen, an attorney with the Pacific Legal Foundation, which represented the property owners in *Nollan*. "This is an opportunity to embellish on the *Nollan* decision...to send a message that the Takings Clause is alive and well, and it will be enforced."

—Jacob Sullum

## Sweden Isn't Eden Anymore

As Communist regimes in Europe drop like flies, left-leaning intellectuals have urged the new governments to look to Sweden for a "third way" between central planning and laissez-faire. But there's trouble in social democracy's paradise. There are cracks in the dam of socialism so large that the ruling Social Democrats hope to repair them with supply-side tax cuts.

The nationalized health-care system has to ration services: Swedes must wait a year or more for coronary bypasses, more than two years for hip replacements. While the state promises universal "free" child care, some parents can't find places for their children. Taxes chew up 56 percent of GNP, almost 20 percentage points higher than the average for all Western democracies. And a November 1989

study by the business group Ekonomifakta estimates that sluggish economic growth has reduced GNP by 23 percent over the last two decades.

The high tax burden has engendered an expanding underclass: 10 percent of Sweden's full-time workers can't support themselves without welfare benefits. And draconian tax rates stifle the desire to earn higher incomes. People who earn more than \$35,000 a year fall into a 72-percent tax bracket. So, reports the *New York Times*, many workers choose to take compensatory time off, rather than extra pay, for working overtime. As a result, the average fully-employed Swede works only 31 hours a week.

The Social Democrats plan to reduce the top income tax rates from 72 percent to 55 percent by 1991. But these rate cuts will be accompanied by a broadening of the tax base. A study by Swedish economists reported in the British journal *Economic Affairs* predicted that the tax cuts would increase GNP by 2 percent, but

tax revenue by almost 20 percent.

These tax cuts do not necessarily signal a move toward free markets. Sture Eskilsson, director of Timbro, a Swedish free-market think tank, says that true privatization is not on the Social Democrats' agenda. "They do not challenge the role of government in [providing] basic social services: health care, public transit, and child care."

Eskilsson and business leaders claim the Social Democrats only wish to rejuvenate moribund state monopolies. The business community promises its own plan to reduce taxation to around 45 percent of GNP.

Despite the private sector's understandable resistance to the Social Democrats' tax reform program, Eskilsson says that Finance Minister Kjell-Olof Feldt holds some free-market sympathies. Feldt told the *Times*, "We don't believe we can get this economy to function if we increase the tax burden."

—Rick Henderson

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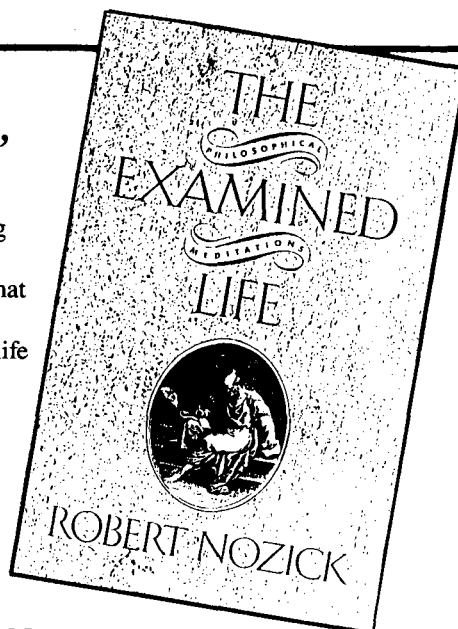
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