

Skinhead High (if not a Crips 'n Bloods Elementary). But is it hate for: Pentecostals to teach that Catholics aren't going to Heaven? Baptists to teach against homosexuality? Catholics to say that women cannot be priests? Pat Buchanan's mild political platform was almost universally charged with promoting hate. Terms like this are taffy in leftist hands.

Can a vouchered school kick out dimwitted or misbehaving kids? Not without lawsuits. The initiative says that a school can dismiss a student only if he is "deriving no substantial academic benefit" or is "responsible for serious or habitual misconduct." But the government courts will determine the meaning of "substantial" and all the other qualifiers, with the counsel of the ACLU.

As Christian Coalition executive director Ralph Reed, Jr., argues in *Policy Review* (Summer 1993), it wasn't abortion that "gave rise to the Religious Right. In fact, the spark that ignited the modern pro-family movement was the fear of increased government regulation of church schools." That's the best argument against vouchers.

Home schooling and small schools are spreading, but vouchers do not help them. "No school with fewer than 25 students may redeem scholarships," says the initiative. Instead, small schools, home schools, or newly established schools will face unfair competition from larger subsidized schools.

It's true that a school can reject vouchers. But competing with those that accept vouchers

could put them out of business. Parents paying, say, \$2,500 a year tuition can save that money or not. By default, if not design, the only private schools left will be under the close supervision of state and even federal officials.

The initiative also affects better public schools. They will have vouchered students arriving from everywhere to demand entrance. What if a suburban district refuses? It cannot. The initiative says all public schools must be open to children "regardless of residence." Thus the well-kept secret of California choice: it would effectively eliminate demarcations between districts.

Many Californians pay high prices for homes in areas with decent public schools. Under this initiative, people will not have to live in an area to go to school there. That will not only increase demographic tensions, it will reduce the value of homes in areas with good school districts.

The residences that can't be discriminated against, by the way, aren't all in California. An existing amendment to the state constitution requires that immigrants (and children of illegals) be treated no differently than residents. Thus California will become the only place in the world where foreigners wanting a private education can force the

natives to provide it. If there is one thing California doesn't need, it is more incentive for immigration.

The initiative will not save money. Even its proponents admit that it will immediately increase state spending by \$1.3 billion, as reported in the *Los Angeles Times* (7-22-93). The alleged savings, it turns out, are in the distant future and rely on the generosity of politicians. Sounds like every other government program.

Public schools are in sad shape. But instead of shaping them up, vouchers will make private schools subservient, abolish school districts, commit billions in new spending, and spur immigration. A better solution would be to cut taxes

drastically. Californians would then have more discretionary income for private-school tuition. That would give us true school choice: people spending their own money. ■

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## Europe's Monetary Trouble

by L.H.R., Jr.

Albert Jay Nock said that the battle of our time is between

market forces and government power. This month the market won in Europe, when the European Rate Mechanism (ERM) went down to defeat, and the idea of a single European currency with it.

For years, Eurocrats have used taxpayers' money to subsidize inflationary currencies through the EMS. No matter how much a European government depreciated its money through inflation, the value was not to drop more than 2.5% below harder currencies. But the system could not last, and serious strains began appearing two years ago. The end came when the overvalued French franc bit the dust (with speculators being blamed rather than politicians, of course).

Today, the new rules for Europe's currency values are so liberal as to be virtually meaningless. European currencies are again trading like commodities, with their respective values determined by supply and demand.

What's really riled officials, however, is that more than the ERM fell apart. The idea of European monetary union—the centerpiece of a centralized Europe—is also dead. It's "totally unrealistic now," says British Prime Minister John Major.

As early as the 1970s, Eurocrats planned a single currency

issued by a single central bank. They advertised their "ecu" as a partner in a future three-currency world (dollar, yen, and ecu). This was to be a way station to world government and a world central bank when the three dominant currencies would be combined in a "bancor" or "phoenix," as advocated by J.M. Keynes and other dangerous statist.

The problem: as Ludwig von Mises demonstrated, no paper currency can come into existence by government decree. Government can print up tickets and call them money, but it cannot give them value. So the Brussels bureaucrats sought to make the ecu a composite of present European currencies.

But that raised still other problems. Depending on their countries' economic policies, some currencies are strong and some are weak. Germany, for example, is loathe to inflate, while Spain shouts ole! at the printing press.

Officials began to realize that to have a single currency, you first need a single central bank. But to have a single central bank, your first need a single currency. The Exchange Rate Mechanism was supposed to provide the way out of this "vicious circle." The ERM would retain individual currencies, but through con-

trolled buying and selling, keep the values within a narrow range. Little by little, the ERM was supposed to bring currency values closer so that one day, the values could be fixed and the individual currencies no longer traded. The ecu would then be issued, and national currencies withdrawn.

The plan was probably doomed from the start. Why? Because it sought to override market decisions. If there's anything we've learned recently, it's that even the best and brightest bureaucrat is no match for a profit-seeking currency trader.

When the ERM was collapsing, all of Europe begged Germany to cut its interest rates, i.e. inflate. When it refused, it was "accused" of putting German interests ahead of European. It did, and it should.

Officials at the European Community and IMF and World Bank now warn of "currency chaos" and "monetary anarchy." That's good, of course. It means that currencies will be bought and sold like other commodities on the market.

There is an advantage for Americans here as well. Our own central bank has the permanent tendency to turn the dollar into a wallpaper peso. Competition with other currencies hinders that to some extent. If the Federal Reserve increases its inflation and weakens the dollar, U.S. investors have other, harder currencies they can turn to. That prospect makes the Fed a little more cautious about monetizing government debt.

Of course, despite their present benefits, fluctuating ex-

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change rates are no panacea. In fact, they are a very distant second-best solution.

We once had a system that gave us the efficiency of a single currency without the inflationary hazards of a single central bank. It was called the international gold standard. Every Western country had a different currency, but all were a weight of gold, and therefore fixed in relation to one another.

Until we can restore sound money, however, we should let the speculators have their day in the sun. It's the Eurocrats, after all, who are getting burned. ■

## Cuba Really Libre

by L.H.R., Jr.

The ouster of Fidel Castro is inevitable now, and it's not too early to think about Cuba without him. The most important issue, of course, is the economy, which has been devastated by socialist management, price shocks, and trade embargoes. The population is one third larger than it was at the time of the revolution, but the economy is much smaller.

Yet in some ways, Cuba will be in a better position than the nations of Eastern Europe or the former Soviet Union. Since few people expected the old regimes to fall as quickly and surely as they did, no one knew what to do afterwards. The result was a series of blunders that sacrificed a great deal of potential economic growth.

In Eastern Europe, for example, officials ignored the fact that the market economy cannot be centrally directed like the socialist economy. Russia was (and is) forever setting up Bureaus of Markets or Ministries of Privatization that only add more layers of government. The essential contribution of the free market is that it allows the economy to run itself, so long as the legal structure protects property and freedom of contract.

Russia and Poland made the terrible mistake of instituting progressive-income and capital-gains taxes to mimic Western nations. These taxes can only retard economic growth by pen-

alizing wealth and capital accumulation.

If Cuba eliminated capital-gains and income taxes, it would immediately become a magnet for capital from all over the world. And Cubans would really have the incentive to work, save, invest, and produce because they would be able to keep the fruits of their labor.

In Eastern Europe, new governments have been tempted to mulct the public to pay off Communist debts and raise new revenue. This has impeded growth, and there is also a moral question. Why should the victims of Communism be taxed to pay off those who were stupid or evil

## More Quotes That Need No Comment

How do you explain 2,000 young black men in ten years who have now signed onto the birth certificates of their mothers and 200 of them have married...? These antibodies within these neighborhoods have called them to themselves... You've got to eat the elephant one mouthful at a time. — Robert L. Woodson

David Boaz, Executive Vice President of the Cato Institute... observed that the increasing criticism of Fidel Castro came first from gays, and said, "Dictators should all learn that they can do anything they want to if they will just leave Jews, writers and gays alone." —Libertarians for Gay and Lesbian Concerns Newsletter, Spring 1993

I think you'll see a report from the Park Police essentially brushing under the rug a problem that really is the talk of the town here in Washington... A lot of us feel that there's more to that [the Foster killing] than meets the FBI... was there any *intelligence* matter connected with it, or was there any scandal involving the Clintons that might be connected with it? — William Safire, on *Meet the Press*

[In] the September *Harper's*... Mark Hertsgaard reveals the existence of a 48-year-old Navy document which "contains strong circumstantial evidence that George Bush committed a war crime as a rookie Navy pilot in the South Pacific during World War II." It suggests that, after sinking a trawler, Bush strafed its survivors in their lifeboats, a violation of international military law... *Newsweek*, the *Los Angeles Times*, and *U.S. News & World Report*, all of which had the document last October, failed to ask Bush about it during the campaign. Bush's then-constant howls that Clinton "come clean" about having avoided the draft take on a different light when filtered through the terse "no comment" his office gave *Harper's*... — Doug Ireland, *Village Voice*, August 17