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A Little More Liberty: What the *JEL* Omits in Its Account of What the *Economic Report of the President* Omits

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A COMMENT ON: JOSEPH FARRELL, JONATHAN GRUBER, ROBERT E. HALL, GORDON H. HANSON, JOEL SLEMROD. 2005. REVIEWS OF THE 2005 ECONOMIC REPORT OF THE PRESIDENT. *JOURNAL OF ECONOMIC LITERATURE*. XLIII (SEPTEMBER): 801-822.

Abstract

It is the highest impertinence and presumption, therefore, in kings and ministers, to pretend to watch over the œconomy of private people. . . . Let them look well after their own expense, and they may safely trust private people with theirs.
—Adam Smith (1776, 346)

ADAM SMITH HELD THAT THE POLITICAL PROCESS—INVOLVING the mentalities of ordinary citizens, ministers, politicians, and intellectuals—is prone to an under-appreciation of the relative virtues of natural liberty and the social order that it generates. He attacked many economic policies by explaining how free individuals advance the interests of society. By describing how the independent actions of many individuals would generate

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beneficial order, and how government is riddled with knowledge and incentives problems, including vanity, conceit, and self-delusion, Smith centered political economy on the presumption of natural liberty. (That presumption also prevailed among French economists from the time of the Physiocrats.)

In his famous *JPE* article "Adam Smith and Laissez Faire," Jacob Viner explored Smith's apparent inconsistencies and exceptions to natural liberty, but concluded authoritatively: "There is no possible room for doubt, however, that Smith in general believed that there was, to say the least, a strong presumption against government activity beyond its fundamental duties of protection against its foreign foes and maintenance of justice" (Viner 1927, 219). The presumption of liberty suggests that interlocutors ought to regard the liberty maxim as the normal and proper guide for public policy. The liberty maxim speaks plainly and directly to many important issues. The Smithian presumption places the burden of proof on those siding with contraventions of that maxim.

In September of 2005 the *Journal of Economic Literature* published a review of that year's *Economic Report of the President*. Five authors, writing separate sections of the review, raised numerous omissions in *The Economic Report of the President* (*ERP*). They had an opportunity to object to current government interventions, an opportunity to challenge the "impertinence and presumptions" of "kings and ministers [who] pretend to watch over the œconomy of private people." The *ERP* itself tepidly proposes a few liberalizations, and regarding those few the *JEL* authors are sometimes supportive and sometimes dubious. But what is most significant is that the *JEL* authors do not suggest a single liberalization (outside the few raised by the *ERP*).

There is little trace of the Smithian character. The failing is especially noteworthy because an image of Adam Smith graces the cover of the *Journal of Economic Literature*.

SOME CONCRETE EXAMPLES OF POSSIBLE LIBERALIZATIONS

First, we wish to put some concrete possible liberalizations onto the table. We conducted a modest little survey to generate a ranking of liberalizations. We sought a convenient sample of economists who could be taken to be rather Smithian in their sensibilities, and turned to the faculty of our own department at George Mason University. We asked them to rank 57 possible federal liberalizations in terms of how worthwhile each would be as a reform proposal in the *ERP*. Appendix 1 provides a full account.

The reform proposals were divided into 35 deregulations and 22 privatizations. Of the 35 deregulations, the top ten were: diminish trade restrictions, reduce agriculture subsidies and regulations, reduce FDA restrictions, reduce anti-trust enforcement and restrictions, reduce regulations on healthcare facilities and professionals, repeal restrictions on competitive mail delivery, liberalize drug prohibition, repeal laws that require banks to keep tabs on customers and report activity to the government, revisit Sarbanes-Oxley, and liberalize anti-discrimination laws. Of the 22 privatizations, the top ten were: disaster insurance, the U.S. Postal Service, Amtrak, Social Security accounts, space exploration, power and electric infrastructure, job training and workforce assistance programs, disaster response agencies, water infrastructure, and federal loan programs. The complete rankings (and exact wording) are found in Appendix 1. The rankings by themselves do not deserve analysis or commentary.[1] The 57 liberalizations and the coarse rankings provide a handy list of possibilities when examining the *ERP* and *JEL* review.

THE 2005 *ECONOMIC REPORT OF THE PRESIDENT*

Each year the President's Council of Economic Advisors prepares *The Economic Report of the President* (the *ERP*). It offers an overview of the condition of the economy and purports to discuss policy issues that are important and timely. Being a government report prepared by a partisan executive office, the *ERP* is one of the last places one would expect to find serious challenges to the governmental status quo. It would be natural to expect that the report's authors would avoid liberty and kindred ideas and instead work from a presumption of the status quo. The status quo exists, and officials need to presume that it does so for good reasons. Rejection of

[1] For several reasons: (1) We don't know how respondents weighted the various aspects (e.g., potential efficiency gains, amenability to economics, being appropriate to the *ERP*); (2) the 1, 2, or 3 ratings only coarsely capture judgment; (3) although most of the GMU economists are quite liberal in the original sense, it cannot be assumed that all the respondents are; (4) eleven respondents is less than 50 percent of the survey population.

the status quo would require debate and justification, as well as the admission that the existing policy was a mistake, that the political process went wrong.

Yet the 2005 *ERP*, which contains a "Letter of Transmittal" signed by the three members of the Council of Economics Advisors (Chairman N. Gregory Mankiw, Kristen J. Forbes, and Harvey S. Rosen), pays a good deal of attention to the benefits of a free economy. The *ERP* projects the view that the government, with a focus on protecting property rights, could promote the nation's wealth by allowing individuals to handle their own affairs. In chapter 6, the *ERP* takes a general free-market stance:

> An innovation will succeed if it passes the market test by profitably delivering greater value to customers. Successful innovations blossom, attracting capital and diffusing rapidly through the market, while unsuccessful innovations can wither just as quickly. In this way, markets allow capital to flow to its highest-valued uses. This engine of growth can falter, however, if government policies distort the market signals that guide innovative activity. (*ERP* 135)

In a number of chapters, the *ERP* projects a free-market message and offers some standard argumentation for basic free-market views.

Even though the *ERP*'s arguments are often couched in generalizations about the gains from property rights, the reader senses the constant hesitation to take on particular agencies or policies. If private property and free markets work so well, it would seem that the authors should be challenging many federal policies.

The list of 57 federal liberalizations was purposely made to represent the policy views of an economist whose judgments favored private property and freedom of contract. If the Smithian character were the uninhibited mindset of the *ERP*, one would expect it to treat a fair number of the 57 liberalizations.

We have detailed ERP's page-by-page discussion of issues and its judgments. The analysis is contained in an Excel file linked from Appendix 2.

The *ERP* directly treats and favors four of the 57 federal liberalizations. First, an entire chapter treats international trade, and the general argument is for free trade. The chapter focused directly on trade agreements that could expand markets worldwide, but there is no mention of unilateral removal of any current U.S. tariff or import quota. Second, an entire chapter treats immigration and, again, projects a general call for liberalization. The chapter reports that "the benefits of immigration exceed the costs" (*ERP* 93). But again the chapter does not even hint at a general call for relaxing immigration controls; rather it delves only into the President's temporary worker program. Third, in the chapter entitled "Expanding Individual Choice and Control," which focuses on the virtues of property rights, the *ERP* discusses the eventual failure of the current Social Security system and the gains from ownership and control of retirement funds;[2] it advocates creating personal retirement accounts.[3] Fourth, in the same chapter, the *ERP* calls for using a system of individual transferable quotas (ITQs) to regulate fisheries.

As for other reforms on our list of 57 liberalizations, the *ERP* vaguely approached three others. It discussed the gains from a flexible labor force, but didn't specifically mention current union privileges or the minimum wage. Regarding telecommunications, the *ERP* argued for a strong enforcement of spectrum rights and regulatory adaptation to changing market conditions. Finally, the *ERP* spoke very highly of tradable pollution permits, but did not suggest any general relaxation or reform in environmental controls.

Our survey list of 57 liberalizations was drawn up in light of what the *ERP* contained. We included any liberalization mentioned in the ERP, but with three quasi-exceptions. In the "Expanding Individual Choice and Control" chapter, the *ERP* offers as property-rights applications health savings accounts and "Millennium Challenge Accounts" for foreign aid (we excluded these reforms because of their murkiness qua liberalization). More significantly, the chapter gives a lengthy and very positive account of school vouchers—perhaps the authors found it easier to discuss radical liberalization when it was *not* a federal-government issue (the reason we excluded it). The *ERP* included no other reforms that could possibly be viewed as liberalization.

Again, we should expect administration economists to produce a tepid report centered on the status quo, remaining between the 45-yard lines, and devoid of criticism. What we should expect in a review of the report by academic economists is another matter.

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2 The section can be found on pages 127-129.

3 Although the idea of displacing Social Security with personal retirement accounts would seem to be liberty enhancing, political dynamics make the creation of personal retirement accounts a hazardous step, as the displacement is never ensured and as it would likely deepen government involvement and regimentation of the private-investment market.

THE *JEL* REVIEW OF THE *ERP*

As a preface to the *JEL* review, the *JEL* Associate Editor James Levinsohn provides an editorial note which explains that the review consists of five separately authored parts:

> **Joel Slemrod** [University of Michigan] reviews the discussion of tax reform. **Joe Farrell** [University of California, Berkeley] reviews the ERP's chapter titled: 'Innovation and the Information Economy.' **Gordon Hanson** [Massachusetts Institute of Technology] reviews the chapters on international trade and on immigration. **Robert Hall** [Stanford University] reviews the discussion of the adverse macroeconomic impact of rising oil prices while **Jonathan Gruber** [University of California, San Diego] reviews the ERP chapter titled 'Expanding Individual Choice and Control.' (Levinsohn's editorial note to Farrell 2005, 801; bold added)

Collectively, the several authors treat most of the *ERP*, especially its most policy relevant chapters. Thus, they would be in a natural position to point out that the *ERP*, while touting property rights and free markets, fails to apply those principles to the many deregulation and privatization ideas deemed important by Smithian economists. By challenging the *ERP*, the authors could have helped to provide a public check on government activity. The idea of an economist providing a public check on government leads back to Smith's presumption of liberty. That presumption set the stage for economists to promote good economic policy by countering the conceit and folly of the politically powerful, the intellectuals, and the lay public alike.

The *JEL* authors criticize the *ERP* mostly for its omissions. But the bottom line is that they have no criticism whatsoever for the *ERP*'s neglect of possible liberalizations.

We have itemized the critical points raised by the *JEL* authors, including what they see as the *ERP*'s errors of omission. The itemization is linked from Appendix 3. The list of omissions shows what the *JEL* authors felt the *Economic Report of the President* was leaving out. It is the *JEL* authors' check on the government's oversights. Appendix 3 contains all the details, but the main point is what the authors omit, so here we remark only very briefly on what each says.

Robert Hall's section deals solely with the *ERP*'s claims about the macro effects of increased oil prices. Those claims play a minor role in the *ERP*. Hall discusses macro theory and says nothing about policy. A senior fellow at the conservative Hoover Institution, Hall coauthored a well-known book espousing the flat tax and served President Ronald Reagan. One can only guess why his remarks about the *ERP* are so narrow.

Joel Slemrod reviews the *ERP* chapter "Options for Tax Reform." Since our concern here is potential liberalizations in the form of deregulation and privatization, tax reform is not germane. Slemrod accepts the *ERP*'s estimate that the excess burden of raising another dollar in income tax is somewhere between 30 and 50 cents, not counting compliance costs, which he suggests "may be as high as 10 percent of tax revenues" (817). He focuses on the *ERP*'s ideas about simplifying the tax code and moving to some form of consumption tax. Slemrod says (reasonably, to our ears) that the chapter emphasizes the evils of taxation yet neglects how to negotiate the trade-offs so as to fulfill the mandate of tax-revenue neutrality. Also, he doubts that tax cuts succeed in "starving the beast" and takes the *ERP* to task for not linking to deficits and the necessity of future taxes. Slemrod takes up the ERP's discussion of shifting to consumption taxes. The points are detailed in Appendix 3. To our inexpert ears, Slemrod's commentary seems insightful, expert, and certainly not unreasonable. Our criticism in this article is not directed at him.[4]

Jonathan Gruber reviewed the crucial *ERP* chapter titled "Expanding Individual Choice and Control," which emphasizes property rights as an approach to policy reform. Gruber supports the section on tradable pollution rights, but otherwise says the property-rights approach was oversold. He sees problems with applying property rights to insurance and services markets:

> First, services markets are much more subject to informational failures, giving birth to the twin demons of adverse selection and moral hazard, market failures that property rights can do little to address. Second, service markets are typically marked by a higher share of costs in administration/servicing, and these costs are minimized by the large pools that can be provided by government programs. (806)

[4] If we were to get into omissions on the front of desirable tax reform, we would perhaps be inclined to raise the idea of shifting very gradually to "geo-rent" taxation, that is, taxation of what land devoid of improvements would rent for; see Foldvary 2005.

Gruber casts doubt on the *ERP*'s endorsement of school vouchers, concluding: "the jury is still out on the systemwide effect of vouchers" (807). Next he casts doubt on applying property rights to Social Security and health savings accounts, raising adverse selection. For details, again we refer the reader to Appendix 3. In general, Gruber says the *ERP* does not sufficiently highlight the market failures brought on by property rights and privatization.

Gordon Hanson reviewed the *ERP* chapters on immigration and international trade. Although Hanson never judges against freer trade and immigration, he raises a number of criticisms, several of which tend to counter the *ERP*'s pro-immigration and pro-free trade stance. He says that the *ERP*: (1) oversold the case for international trade by overemphasizing the benefits from inward foreign direct investment (813), (2) did not adequately discuss the distributional consequences from globalization (813-814, 816), (3) misrepresented flexibility in the market for immigrant labor (814), (4) perhaps under-estimated immigration's adverse effect on native low-skilled wages (814-815), and (5) misrepresented the fiscal impact of immigrants (815). Overall, Hanson felt the *ERP*'s discussion on immigration and trade put forth an overly optimistic view of globalization.

Joseph Farrell reviewed the *ERP* chapter "Innovation and the Information Economy." He makes several critical points, detailed in Appendix 3, and here we mention just a few. He says the *ERP* is dismissive and remiss regarding the benefits of regulation and non-property rights alternatives, for example, neglecting that the "Internet and e-mail were developed by the government and universities on a noncommercial basis" and that the "world-wide web was developed at a European government research institute" (802). Farrell makes some comments which make us wonder about his understanding of the logic of property ownership and contract. He suggests that open-source software demonstrates that the "strong-property-rights model" is not always appropriate or desirable (802). Well, perhaps, but the point of minimally attenuated private ownership of property and the freedom of contract (Smith's natural liberty) is that they offer a foundation for spontaneous order and an alternative to government intervention, and clearly open-source proceeds under such principles. More troubling is Farrell's assertion that "people have a property right to the security of their data" and suggestion that the credit rating agency be made liable "for full compensatory damages when it skimps on employee screening, treats identity thieves as customers, or laxly keeps my social security number unencrypted" (805)—a suggestion he fashions a property-rights reform. We reject the notion of individual's having ownership of "the security of their data," seeing such issues rather as matters of contract, and in fact count

Farrell's proposal as interventionist, as it would entail incursions on the free nexus of private property and contract.

But what really matters about the *JEL* review is what is not found. The authors do not suggest as worthy reform a single *ERP*-omitted potential liberalization. As the *ERP* mentions only a few liberalizations, this zero is striking.

WHAT WE AS ECONOMISTS KNOW

In his editorial note, James Levinsohn elaborates on the instructions given to the reviewers:

> The *ERP* in principle should provide an accurate assessment of the consensus professional views of economists on any given issue, based on the research to date. Does the discussion in the *ERP* in fact accurately summarize what we as economists know? (Levinsohn editorial note to Farrell et al 2005, 801)

Levinsohn invokes an idea of scientific consensus that we think is specious. Political economy differs from more established sciences in many ways, particularly in the ways that the *purposes* of the discipline are determined, pursued, funded, realized, and validated. In the physical sciences there will be some issues like global warming that are politicized, but in political economy the important issues are necessarily politicized, not only because the topics involve policy, but because the reform process (including the persuasion process) is a matter of politics (whereas treating a disease or dating a solar system generally is not). Levinsohn should realize that political economy is bound up with deep-seated ideological sensibilities, notably when it comes to judging what the most important things are and what the discipline has to say about them. In a politicized discipline, it is entirely natural that "what we know" is heterogeneous and conflicted, and that the majority of putative scientists might be wrong on important things.

The ideological nature of political economy is revealed by an empirical result that is now pretty well established. On many important policy issues, such as the FDA, there is a significant impasse between what most economists think and what economists who actually write on the issue and express a policy judgment think. Surveys of economists (e.g., Whaples

2006; Fuller and Geide-Stevenson 2003) give us a general reading of what economists in general think on specific policy issues. Going back to Kearl et al. (1979) and extending to other countries such as Ricketts and Shoesmith (1990; 1992), the various surveys generally paint the same picture of policy opinions among economists in general. On the other hand, special investigations of policy judgments by economists who actually write on and judge the issue often come to a noticeably different conclusion. On the FDA, for example, while most AEA members are generally supportive of current restrictions (Klein and Stern 2005; 2006), economists who research and publish policy judgments mostly favor liberalization, often to a great degree (Klein and Tabarrok 2006). (The George Mason economists ranked FDA liberalization third of 35 deregulations.) This journal (*Econ Journal Watch*) contains a section entitled "Do Economists Reach a Conclusion?" to determine whether the economists writing on and publicly judging an issue point in a specific reform direction. Many of the articles show that among such expert economists there is significant consensus in favor of liberalization. However, on many issues, notably the FDA, so-called consumer protection, and drug prohibition, the average AEA member seems to be significantly more aligned with the status quo.

So, when Levinsohn asks whether the *ERP* accurately summarizes "what we as economists know," how do we identify what we as economists know? If the consensus of economists in general disagrees with the consensus of economists who study the FDA etc., then which consensus represents what we as economists know? If the latter, then we should ask why it is that on many issues most economists do not know "what we as economists know."

WHY DID THE *JEL* OMIT LIBERALIZATION?

The *JEL*'s failure to suggest a single *ERP*-omitted liberalization brings us to the most interesting question of all: Why?

Here, one must bravely face issues of ideological heterogeneity. A variety of research—based on surveys, campaign contributions, and voter registration—establishes that the ideological dispositions of most AEA members are like those of most social science and humanities professors, namely, socially democrat, though somewhat less so. If we may suppose that the people principally responsible for the *JEL* review are of that character, a supposition supported by McEachern (2006) and Klein (2006), then it becomes easier to understand the neglect of liberalization.

In our judgment, a great example of terrible federal policy is drug prohibition, which has disastrous consequences falling disproportionately on people who are least well off. The George Mason economists ranked drug liberalization seventh of 35 deregulations, and Thornton (2004) shows that most economists who write about the issue favor liberalization. As regards "Expanding Individual Choice and Control," a good place to start would be repealing prohibition and releasing the hundreds of thousands caged for consensual crimes. Yet the *JEL* authors make no mention of prohibition. A primary reason social democratic intellectuals do not stand up against such policies is that such policies are the status quo. To condemn them would be to admit that American democracy can, for generations, go obviously and terribly wrong. Social democrats affirm politics and government as forms of collective experience and validation, and it would be very awkward to affirm a process while admitting that it persistently makes stupendous errors. Once the social democrats admit one gross error, they open themselves up to many embarrassing questions, including the following:

- What were the mechanisms that drove such error (and lack of correction)?
- Have those mechanisms operated generally?
- Have they routinely produced and preserved policy disasters?
- Do we live in a polity riddled with unenlightened policies?
- Does the livelihood of yourself or friends or family depend on unenlightened policy?
- Does support for social democracy lend horsepower to the pathological mechanisms?

It is our sense that one reason social democrats and other establishment intellectuals hew so closely to the status quo is that they need to keep all such questions taboo. One way to do so is to ignore liberalization proposals outside the 45 yard lines.

CONCLUDING REMARK

The *JEL* authors missed a chance to challenge bad status-quo policies. Ronald Coase wrote: "To ignore the government's poor performance of its present duties when deciding on whether it should or should not take on new duties is obviously wrong." The result is "an ever-expanding role for the government in economic affairs" (Coase 1999, 50, 51). Excessive encroachment on natural liberty was exactly the problem that the original liberals sought to combat.

In his editorial note, James Levinsohn announces that "beginning this year, the *JEL* will be reviewing the *ERP*" (801). We look forward to the future reviews of the *ERP*, and hope that they will begin to do justice to the image stamped on the cover of the journal.

APPENDIX 1: Survey about ranking federal liberalizations in importance, administered to faculty members of the George Mason University department of economics.

***Downloads*: 1) the survey (pdf); (2) the suvey results based on the 11 responses (Excel).**

DISCUSSION OF THE SURVEY

We gave faculty members of the George Mason University department of economics the survey containing the possible federal liberalizations. We asked them to rank them in importance by rating each issue 1, 2, or 3. The survey directs the respondent to imagine that he or she has been hired by the Council of Economic Advisors to work as a principle writer of the *ERP*: "You are basically free to write and publish in the Report what you want. Please rate which issues you feel would be most important to discuss, given the purpose and context of *The Economic Report of the President*." The survey elaborates by telling the respondent to keep three aspects in mind: (1) The issue's importance, in terms of potential efficiency gains; (2) The value of creating public awareness of the issue; (3) The applicability of economic principles to the issues (specifically principles that usually recommend liberalization/privatization). We did not coach the respondents in any way or say anything about the *JEL* review.[5] The reform proposals were divided into a set of 35 liberalizations of regulations and a set of 22 privatizations. In creating the lists, we consulted various guides to federal policy and collected reform ideas that seemed important and potentially salient as applications of economic principles. The lists are far from complete. Sufficiency calls simply for a wide smattering of issues. We focused on deregulations and privatizations. We avoided redistribution programs, tax-reform issues, and military policy.[6] For each section, the respondent was to mark each reform 1, 2, or 3, with 1 for most important, and to distribute the three ratings in roughly equal proportions. The survey was completed by 11 GMU economics professors. Of the 35 liberalizations, the ranking emerging from the responses is shown in Table 1.

Table 1: The Federal Liberalizations Most Worth Discussing in the *ERP*, According to 11 GMU Economists

Rank	***Liberalization of Federal Government Regulation***
1st	Diminish trade restrictions (tariffs and quotas).
2nd	Phase down all agricultural subsidies and liberalize agricultural regulations.
3rd	Reduce FDA regulations on pharmaceuticals, devices, and information.
4th	Lighten the Federal Trade Commission and Department of Justice's anti-trust enforcement and restrictions.
5th	Reduce regulations on healthcare facilities and professionals.
6th	Repeal legal restrictions on competitive delivery of mail.
7th	Decrease the size of the Drug Enforcement Administration in conjunction with liberalizing the drug laws.

[5] Klein did not participate in the survey.

[6] This was done partly to simplify the matter and partly because the core insights of economics—including private ownership, entrepreneurship, competition, disjoint knowledge, and government failure—do not lend themselves to a doctrinal presumption against the welfare state, the best way to pay the government's bills, and toppling terrible governments abroad—or, at least not to an extent like in other matters.

8th	Repeal the expansion of money laundering laws held within the Patriot Act and the Bank Secrecy act of 1970 that require some businesses to keep tabs on customers and report activity to the federal government.
9th	Revisit Sarbanes-Oxley regulations.
10th	Liberalize the control or enforcement of equal opportunity/anti-discrimination in employment.
11th	Liberalize the SEC control of financial markets.
12th	Diminish union privileges.
13th	Reduce or abolish the minimum wage.
14th	Reduce FCC telecommunications regulations.
15th	Reduce federal aid to institutions of higher education and research programs.
16th	Liberalize Department of Homeland Security regulations on air-travel security.
17th	Decrease the Department of Energy's subsidies for research and development in gas and oil industries.
18th	Reduce federal involvement of urban transit (subsidies and restrictions) in cities across the nation.
19th	Reduce the energy efficiency requirements and regulations put in place by the Department of Energy.
20th	Decrease the Federal Energy Regulatory Commission's regulations on hydro-electric dams and interstate transmission of electricity and gas.
21st	Decrease the extent of health and safety regulations put in place by OSHA.
22nd	Liberalize banking regulations and therefore reduce the responsibilities of the Office of the Comptroller of Currency.
23rd	Liberalize immigration controls (let more people into the country).
24th	Liberalize the Consumer Product Safety Commission.
25th	Phase out regulations that force vehicle manufacturers to comply with fuel economy standards set by the Department of Transportation.
26th	Decrease federal involvement and regulation in the maritime shipping industry.
27th	Eliminate regulations pertaining to thrift institutions, which include savings banks and savings and loan associations.
28th	Liberalize FAA regulations on airline safety.

29th	Reduce regulation of marine fisheries by shifting to a system of individual fishing quotas (IFQs).
30th	Liberalize pollution and environmental controls/enforcement by the EPA.
31st	Liberalize food and safety controls by the Department of Agriculture.
32nd	Lighten the Federal Acquisition Regulations. These regulations deal with the way the government obtains goods and services as well as requirements on contractors for selling to the government.
33rd	Phase down the federal forest and rangeland research that deals with fisheries, endangered resources, invasive species, and other biological resources.
34th	Liberalize gun control policies.
35th	Decrease the Department of Transportation's safety requirements for motor vehicles, along with a reduction in the Department's regulation of anti-theft devices, promotion of safety devices and safety programs.

Of the 22 privatizations, the ranking emerging from the responses is shown in Table 2.

Table 2: The Federal Privatizations Most Worth Discussing in the *ERP*, According to 11 GMU Economists

Rank	***Privatization of Federal Government Operations***
1st	Disaster insurance (make private and eliminate any subsidy)
2nd	U.S. Postal Service (along with liberalization of entry)
3rd	Amtrak
4th	Social Security accounts (even if only a small percentage of pay-ins)
5th	Space exploration (NASA)
6th	Power and electric infrastructure
7th	All job training and workforce assistance programs
8th	Disaster response agencies
9th	Water infrastructure (excluding natural channels and rivers)
10th	Federal loan programs

11th	Management of the Bureau of Land Management's public land (262 million acres of land and 300 million acres of subsurface mineral resources)
12th	USDA Forest Service land (155 national forests containing 190 million acres)
13th	Corrections and prison systems
14th	Federal Deposit Insurance Corporation
15th	Air traffic control
16th	Payroll processing
17th	National Park Service land (79.3 million publicly owned acres which include national monuments, historic trails, lakeshores, recreation areas, and national parks)
18th	Recycling centers
19th	The provision of immunization services
20th	Highways, parking, and bridges
21st	Patent and Trademark Office
22nd	Federal libraries

APPENDIX 2:
Detailed breakdown of the reform points raised in the 2005 *Economic Report of the President*. (Excel) Link.

APPENDIX 3:
Detailed breakdown of the *JEL* criticisms of the *ERP*. (Excel) Link.

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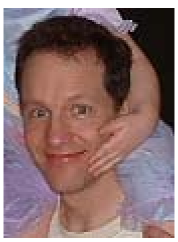

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