tons of carbon over the life of the lease (say five years), but it would also require, for these emissions, a fixed per-ton payment, which would be set in advance by the terms of the lease. Businesses would thus have an upfront cost to obtain the permit at auction (though less than in a cap-and-trade regime), and then they would be responsible for the annual payment for polluting. This payment would act like a carbon tax, increasing incentives to reduce emissions while adding predictability to the market and costs. Thus, businesses would be better able to plan for and invest in emissions reductions. The value of the permits would also be lower relative to cap-and-trade, since businesses would be responsible for the annual payments—and hence lawmakers would have less temptation to reward special interests.

Without a broad-based program that changes the economic incentives to pollute, there is little chance that we will bring about the economy-wide transformation required to meet our twenty-first-century energy challenge. A cap-and-lease program would bridge the gap between a carbon tax and a cap-and-trade program, taking the best features from each to provide a politically viable solution. **D**

A Helsinki Process for the Middle East

Michael McFaul

Signed in 1975 by most European countries, the United States, Canada, and the Soviet Union, the Helsinki Final Act took a major step in defusing tensions between the East and West by acknowledging the inviolability of borders between states. The accords also recognized the inviolability of individual human rights of those living within these borders, a recognition pushed by Western European and American diplomats as a condition for their acquiescing to norms of "territorial integrity of states," and "non-intervention in internal affairs."

Because the Accords recognized Soviet military conquests in exchange for abstract language about human rights, many initially perceived Helsinki as a diplomatic coup for the Soviets. But over time, the Accords emboldened human rights activists in Eastern Europe to press for the observance of the rights codified in the document and signed by their governments. In no small measure, the Helsinki watchdog organizations, which sprouted throughout the region, helped to bring down communism just a decade later.

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To promote security, development, and democracy, the Middle East desperately needs its own Helsinki process, including a permanent, multilateral security organization. The impetus for creating such regional structures must come from within the region, but outsiders, including the United States, the European Union, and perhaps Russia and Canada, should also support the initiative.

The first challenge is to decide membership. A new security organization in the Middle East would add no value if only comprised of the League of Arab States or U.S. allies. Rather, in addition to the Arab countries, Israel, Iran, Turkey and perhaps even Afghanistan and Pakistan should be invited to join (though not technically in the region, these latter two countries' security is closely intertwined with the rest of the Middle East). External actors must also be included. Many Arab states and Israel will want U.S. participation to counter Iranian involvement in a new Middle East security organization; others will want a similar external check to the United States.

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The second challenge is to define the agenda. Here, the original Helsinki process is instructive. Although politicians and analysts now fondly remember the role the process played in fostering human rights inside the Warsaw Pact, the first priority in drafting the original accords—Basket One—was security, territorial integrity, and a recognition of the borders, a long-standing Soviet demand. Richard Nixon and Secretary of State Henry Kissinger saw the defense of human rights (Basket Three) as ancillary to the Helsinki process, not least because the United States had three allies at the time—Portugal, Greece, and Spain—ruled by dictatorships.

A similar focus on borders and security must be the starting point of a Middle East security conference. Of course, the Israeli-Palestinian conflict, as was the case with the "German question" in Europe, will not be resolved in a multilateral setting. But the basic security guarantees in the Helsinki accord—that all signatories will respect the territorial integrity of states and refrain from the use of force or the internal intervention in other states (including an end to support for terrorist organizations)—must be at the core of the new organization.

This may sound like the wrong way to move toward regional democracy. But the great lesson of Helsinki was that better security between states creates more permissive conditions for internal democratic change. A multilateral security organization would also provide a forum for countries without developed

bilateral relations to meet: Iran and the United States, for instance, might find it easier to interact first in a multilateral setting than a bilateral one. Moreover, an ongoing Middle East security conference would compel politicians to develop an agenda in preparation for each summit. Institutionalized meetings, rather than *ad hoc* encounters, have the advantage of set dates and the same actors. A permanent organization also would create bureaucracies and expertise: The OSCE has developed a superb election monitoring capacity, which could be a useful model in the Middle East.

Starting a Helsinki-like process or creating an OSCE-like organization in the Middle East would not be easy. But compared to the Middle East today, Europe in the first half of the twentieth century had much deeper ideological divisions, ethnic tensions, and territorial disputes. Creating a security organization, which included former antagonists France and Germany or contemporary enemies such as the Soviet Union and the United States, was as difficult as any set of security, religious, ethnic, and ideological issues that now divide the Middle East. And, if nothing more, the very process of negotiating Middle East conference on security and cooperation in Europe would create more regular interaction between countries in desperate need of more contact. D

Progressive Consumption Tax

Robert Frank

Although voters like public services, they detest paying taxes. To cover the resulting budget deficits, we borrow hundreds of billions of dollars each year from other countries, loans that must be repaid in full with interest. Deficits also erode savings, choking off investment that drives economic growth. Except for the end of the Clinton years, this has been the dynamic of our economy for the past four decades.

Things are poised to get worse. Rising Social Security and Medicare costs, overdue infrastructure maintenance, and some form of universal health insurance will all require substantial federal revenue. Even if the next president and Congress are more successful at cutting wasteful spending than any modern democratic government has ever been, they will still need major sources of new revenue to put our fiscal house in order.

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