


CATO

Memorandum

TO: BOARD OF DIRECTORS, SPONSORS, AND FRIENDS OF CATO
FROM: PETER GOETTLER 
DATE: NOVEMBER 4, 2019
SUBJECT: QUARTERLY UPDATE

For those of you who saw the tributes on our website, at the Cato Club 200 retreat, or in the most recent edition of *Cato's Letter*, you know that we lost a great friend of Cato and of liberty this summer: David Koch. Only days later, we were brought news of the passing of Earl Ravenal, also a member of the Institute's board of directors for many years. Being a policy scholar, Earl was somewhat distinct among those who have served as Cato directors. He was a professor at the Georgetown University School of Foreign Service and essentially established the foreign policy practice at the young Cato Institute in the 1980s. He served Cato as distinguished senior fellow in foreign policy studies.

REMEMBERING DON SMITH

Last week brought more sadness with the passing of Donald G. Smith, a board member of the Institute since 2006 and a generous benefactor of Cato for much longer.

There are so many qualities that endeared Don to us. He was friendly, humble, and unassuming, with a gracious good humor. Over a long weekend that we once spent together with a few other couples, Don told me stories about his youth, growing up in a very modest household. I suspect this explains those many estimable attributes. He was also well known among friends and associates for his thrift and generosity, and these intersected in ways both humorous and admirable. For example, despite the great success he achieved as a brilliant investor, he insisted on flying coach—I was once told he would eschew taxicabs for the cheaper option of a city bus. He said he'd rather save the money and use it to help worthy causes.

Many special programs at Cato owe their existence and success to Don's interest and ideas and to the very important support of the Smith Family Foundation. His special passion was to spread the compelling ideas of liberty far and wide around the globe, and he helped us do this in so many ways: seminar events in New York City; programs for young libertarians across Latin America; "freedom bus" SUVs trundling down roads in Turkey or Kyrgyzstan; conferences in Tbilisi, Crimea, and Guatemala; and even this past summer's four-day conference for teachers right here at Cato HQ (see more on page 2). Don and the Smith

Family Foundation have created an incredible legacy not only at Cato but among the many organizations working to create a freer world that earned their support and partnership over the years.

As a board member, Don's stewardship was invaluable. He and I never held a meeting where he wouldn't challenge, suggest, criticize, encourage, or illuminate. His active engagement has made Cato better.

The best childhood story Don shared that weekend was of a book called *The Magic of Believing*. It made the case that if you believe something strongly enough, it will happen. Don applied this lesson to his longing for a pony when he was a child, a desire his father wouldn't countenance. Then one day his father returned from a trip with a trailer loaded with cattle he'd bought from a rancher winding down his operation. The transaction had a catch: "Unless you take this horse off my hands, no deal!" Don had his pony.

Do you believe that liberty will triumph in the end? I believe it will. And Don Smith believed it too.

SPHERE SUMMIT

In July we held an extraordinary event at Cato: the inaugural Sphere Summit, a four-day conference for teachers on the theme of restoring our civic culture. We conceived, planned, and financed the event with summer bearing down on us, but it was an unequivocal success.

Could we attract enough teachers? Check—160 educators from 38 states and the District of Columbia. Would we be able to reach beyond the universe of libertarian teachers? Check—it was the most ideologically diverse audience ever assembled at Cato. Would they be open to our program? Check—in the words of Cato vice president Clark Neily, "that was the most energy I've ever felt in our auditorium." (And "summer bearing down" is no exaggeration. We simply wouldn't have pulled off this outstanding event without heroic efforts on behalf of Cato vice presidents Lesley Albanese and Linda Ah-Sue and their teams.)

We're all concerned about the state of politics and discourse in our country, and as stewards of America for future generations we have a responsibility to address it. But I admitted to the teachers that those of us supporting a liberty agenda have genuine self-interest in cooling the temperature of debate, for we can only persuade others of our point of view if we can engage constructively with them. And introducing educators and students to a wide range of viewpoints, and modeling civil discussion between those viewpoints, relieves tension as more people feel they are being heard.

We held panels with libertarians, conservatives, and progressives, where they shared their views on the biggest problems facing the United States and ways their points of view are misunderstood by those who disagree. We held policy forums where Cato scholars debated issues such as poverty, criminal justice, debt and deficits, and healthcare with outside policy experts of different views. An attending school head tweeted that the presentation advocating for freedom of expression was "the best discussion of free speech I've ever witnessed." There was great excitement about Cato's HumanProgress.org platform, and many of the teachers planned to take it into their classrooms; we've since heard from many who are already using it.

This was a great start, but 160 teachers won't change the world. We have plans underway to scale this effort dramatically in the coming years and begin creating a suite of content that a growing network of educators can use in the classroom year after year.

Finally, were the attendees fired up at the end? Check-plus! Just savor some of the feedback from attendees: "This experience has changed my life. I am much more aware of what my friends, colleagues, and

family are saying in person and on social media”; “The Sphere Summit was phenomenal. It was the best professional development that I have ever participated in as an educator”; “By far the best event I have ever attended. The immense knowledge I gained will be passed on to my students: 200–220 students on average a year.”

STUDIES OF INEQUALITY ARE UNEQUAL

One of the most pernicious ideas being pushed by politicians during this election cycle is a wealth tax, which would be a catastrophe for our country. And there are few concepts more repugnant to freedom than the confiscation of citizens’ property. I wrote last quarter that Chris Edwards is taking aim at all the proposed tax increases being floated, particularly the wealth tax, in his report *Taxing Wealth and Capital Income*.

The drum being beaten hardest to justify jacking up taxes on high earners and the wealthy is the idea that income and wealth inequality have reached “crisis levels.” Most of us don’t have a problem with unequal outcomes resulting from differences in talent, work ethic, intelligence, and even luck. I know I don’t. However, many accept the idea that inequality has increased meaningfully. But assertions that there’s now “an extreme concentration of wealth” (Elizabeth Warren) and “a massive shift of wealth to the top one percent” (Bernie Sanders) are just not true.

The idea of a big increase in wealth inequality doesn’t withstand the scrutiny of Chris Edwards and Ryan Bourne in their study *Exploring Wealth Inequality*, released this month. It examines the issue from all angles. But the most interesting part of their work, to me, is the dissection of the relevant economic research. Lo and behold, the analyses that are based on incomplete data and dubious assumptions show the sharpest increase in inequality, while the studies that stand up best as high-quality research show that inequality has increased modestly or barely at all. In an outstanding presentation in New York two weeks ago, Chris exposed the “French Reign of Error” of the scholars who have received the most profile on the issue: French economists Thomas Piketty, Emmanuel Saez, and Gabriel Zucman.

Similar shortcomings plague the research that suggests middle-class incomes haven’t budged in 40 years, which, as Phil Gramm remarked at a recent Cato event, “doesn’t pass the laugh test.” Or, as I prefer to say, “raise your hand if you want to go back to 1979.” There are never any takers.

I haven’t even scratched the surface of Chris and Ryan’s work, so please check it out and let us know what you think.

DEFENDING THE FREE ECONOMY

The Green New Deal, wealth taxes, Medicare for All, socialism—free markets are clearly under attack from the left. But there are emerging threats from the right as well that include strenuous critiques of capitalism that I never thought I’d hear from conservatives. A growing national conservative movement seeks to tame elements of markets and innovation that are creating economic challenges for Americans while turning the power of government toward helping the working class. You know, things the government’s really great at, like setting industrial policy, encouraging larger families, and strengthening the ties of community. (Please don’t miss my sarcasm here.)

We’re up for defending, on both moral and practical grounds, the system that has created unprecedented prosperity, lifted billions out of poverty, spurred innovation and technological progress that

helps us to live longer, healthier, and more comfortably, and has transformed everyday human existence from drudgery and a struggle for survival to the meaningful and satisfying lives most of us live today. No doubt there's more to do, but that job gets infinitely harder if the golden goose is shackled or killed.

Besides, critiques of capitalism from both the left and right are a gross misdiagnosis. For it's the pervasive role of the state in our economy and everyday lives that, I believe, is exacerbating our challenges and leaving people behind. Deterioration of family and community, impediments to the adjustments that must occur when workers are displaced by trade or technology, spiraling costs of healthcare and education, dependency, lack of thrift—these are problems that have been created or exacerbated by the state, not markets.

With fewer voices defending libertarian economics in today's political environment, Cato continues to stand out. Among other initiatives, we're putting together a significant springtime conference to defend the free economy. Capitalism can't be left holding the bag for government's failures.

BRIEFLY...

Fareed Zakaria recently interviewed Hong Kong media tycoon **Jimmy Lai**, asking why a wealthy man, who could be living a comfortable and quiet life, was fully engaged in Hong Kong's freedom protests—creating risk for himself and his business. Was it for some kind of legacy? Lai's answer resonates: "If there's no freedom, what good is money? I think you have to live a life of meaning. And I find taking responsibility to fight for freedom is meaningful for me, personally. I'm not thinking about legacy. I'm just thinking about doing the right thing, and not thinking about the consequences." Bravo! . . . Former Cato interns **Victor Nava** and **Kat Murti** (now Cato's senior digital outreach manager) tied the knot this August in Kat's hometown of Chennai, India. Best wishes for many happy years ahead! . . . **Rand Paul's** new book *The Case Against Socialism* features many citations from Cato policy experts. The senator singled out **Marian Tupy** and HumanProgress.org for praise when he appeared on *The Daily Show* to discuss the book. (And this on the heels of HP.org and its Simon Abundance index being the feature of a **George Will** column.) . . . Congratulations to Washington Nationals fans here at Cato on a thrilling World Series win. I'll have to stop calling them the gNats . . . With concern about rising support for socialism among the young, Cato is doing its part to rebalance the gene pool of America's youth. Congratulations to new or repeat parents **Emma Ashford** (**Hazel Isla**, born September 10), **Ugonnah Nwokedi** (Reina Ann, born October 2), **Emily Ekins** (**Avery Corene**, also born October 2!), and **Gene Healy** (**Lydia Rose**, born October 26—of course, it's worth noting that IJ's **Caitlin Healy**, not Gene, did most of the work). Welcome, young Cato-ites! . . . Cato's SCOTUS amicus brief program is cited as one of the most influential in the country. Believe it! Our brief in the steel-tariffs case at the Federal Circuit appeals court sure got the attention of rent-seeking domestic steel producers. U.S. Steel paid high-powered lawyers lots of money for an amicus brief that mostly attacked the arguments of Cato's own, such as the one crafted by **Will Yeatman** and **Ilya Shapiro**. In fact, two of the five arguments cited in the table of contents for U.S. Steel's brief are "Cato misstates the scope of the CIT's holding" and "Cato's proposed 'attenuated' judicial review is insupportable." Touché . . . In New York City on May 20 and 21, 2020, we'll convene for a combined Milton Friedman Prize for Advancing Liberty dinner and Benefactor Summit. The Prize dinner is such an inspiring evening—I've cried more than once. And we're organizing a unique summit at the Beaux-Arts landmark New York Yacht Club. Please join us!