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# Cato Policy Report

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## AMLO and the “Fourth Transformation” in Mexico

BY ROBERTO SALINAS-LEÓN

According to Enrique Krauze, Mexico’s prominent classical-liberal intellectual, new “winds of authoritarianism” are sweeping across Latin America, characterized by all-mighty caudillos who ascend to political power via democratic means, but who then seek to concentrate control over a tightly knit polity of order and moral virtue.

Mexico is beginning to stand out as a prospective victim of this rising tide of illiberal populism. Andrés Manuel López Obrador (popularly known by his initials, AMLO) won a landslide electoral victory on July 1, 2018, and assumed the presidency of Mexico on December 1, 2018. From the outset, while still president-elect, López Obrador launched a crusade against “the long neoliberal nightmare” that, by his account, had left the country in ruin. Instead, he has promised a “Fourth Transformation,” (according to López Obrador, the first three transformations are the Independence of 1810; the Reform of 1861, which achieved the separation of church and state; and the Revolution of 1910), which he defines as a revolutionary movement to wipe out all

corruption, erase income disparities, and secure national self-sufficiency.

So far, López Obrador’s own wind of authoritarianism reflects an adherence to toxic policy proposals, a disdain for independent checks and balances, and an intolerance to any view that is inconsistent with his preconceived notion of a virtuous

society. Mexico is on the brink of a recession, with less than 1 percent growth expected for 2019, along with a slew of credit downgrades and a sudden stop of productive investment. Carlos Urzúa, López Obrador’s first minister of finance, tendered his resignation just seven months after assuming

*Continued on page 6*



ROBERTO SALINAS-LEÓN is director of the Center for Latin America at Atlas Network and an adjunct scholar at the Cato Institute.

DAVID BIER, immigration policy analyst at the Cato Institute, outlines a humane solution to the border crisis September 10, 2019, during a TEDx talk in New York City.



BY PETER GOETTLER

PRESIDENT'S MESSAGE

# The Moral Case for Liberty

When you make the case for liberty, is it on moral grounds?

It's a moral imperative that every human be the owner and steward of his or her own life. This is only true under a system of liberty.

It's unjust for the government to exercise coercion that takes our property, tells us what to do, or tells us how to live. Liberty frees us from this.

And it's wrong to erect barriers to human flourishing, which are obstacles to our ability to live prosperous and meaningful lives in a world at peace. It's liberty that provides the conditions for such flourishing.

I recall a stirring toast to liberty that Cato senior fellow Johan Norberg delivered a few years ago at the Atlas Network's annual Freedom Dinner. Near the end he raised his glass and exclaimed, "Liberty . . . is . . . AWESOME!" And it is. Liberty is a powerful one-two punch that is morally superior to its alternatives *and* delivers the best practical outcomes.

Time and again we fail to advocate or defend liberty on a moral basis. In the policy arena, we tend to focus on and debate practical outcomes and results. But it's a big mistake to leave it at that. For even an airtight case that government intervention produces suboptimal results will be rebuffed by "evidence" to the contrary.

And we often make an even bigger mistake: responding to moral arguments with practical ones. Advocates for state action often couch their assertions in moral terms, such as helping the poor. Should our response be to cede the moral high ground and simply argue that government intervention impedes growth, distorts markets and incentives, and leaves us all—including those the policies claim to help—worse off?

It's far better for practical reasoning to be buttressed by a strong defense of our moral position. For policies aimed at the poor, there's a moral case that in a free society it's simply wrong to take property from one group of people and give it to another group. And it's reprehensible from a moral standpoint to implement policies that hurt those they are intended to help—which such policies so often do.

Consider the push for higher taxes on the rich—including wealth taxes—coursing through the Democratic presidential candidate nomination process. The rationale being used is the idea that wealth inequality has increased dramatically in recent times, an idea that

Ryan Bourne and Chris Edwards demolish in their paper "Exploring Wealth Inequality," which was published in November.

There are two lessons in this battle. First, high-quality research—a hallmark of Cato—plays an essential role in thwarting government intervention and in defending liberty. Chris and Ryan aptly demonstrate that studies showing large increases in wealth inequality—particularly those produced by French economists Thomas Piketty, Emmanuel Saez, and Gabriel Zucman—are based on dubious assumptions and incomplete and inadequate data. Chris calls this the "French Reign of Error" because it is solidly rebuffed by more-compelling research, which suggests inequality has increased modestly, if at all.

The second lesson is that convincing analysis isn't enough. Since social "science" isn't science at all, on any issue we'll confront research purporting to disprove our point of view. And partisanship, confirmation bias, and intellectual laziness ensure that elites in media, government, and academia aren't going to kick the tires too hard on research that confirms their point of view or serves their political ends.

The case for the practical outcomes produced by freedom is a powerful one. But not as powerful as the moral case for liberty. Yes, wealth taxes would be a catastrophe for America. But they're also immoral. In a reputedly free society, government confiscation of property is repugnant—and wrong. And policies that single out 0.0005 percent of the population for punitive treatment are unjust.

By the way, even if income and wealth inequality have increased only modestly, let's attack them on moral grounds as well. We can do this by taking on government policies—such as regressive regulation, failing government schools, and a broken criminal justice system—that exacerbate inequality by placing immoral and unjust burdens on society's least fortunate.

On issue after issue after issue, libertarians hold the moral high ground. In making the case for liberty, don't concede that fact. Exploit it.

“Liberty is morally superior to its alternatives *and* delivers the best practical outcomes.”

Annual report examines nations' economic freedom

## The Freedom to Prosper

**T**he 2019 edition of *Economic Freedom of the World*, a joint project of the Cato Institute and the Fraser Institute, has been released with good news for the United States, which rose from sixth to fifth place.

As the authors explain, "The cornerstones of economic freedom are personal choice, voluntary exchange, freedom to enter markets and compete, and security of the person and privately owned property." Forty-two data points are used to construct a summary index and to measure the degree of economic freedom in five broad areas, which are then used to produce a score for each nation on a scale of 1 to 10.

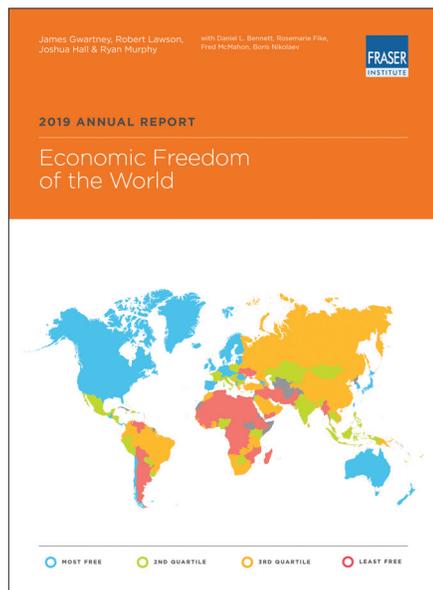
Hong Kong and Singapore retain the top two positions, with a score of 8.91 and 8.71, respectively. The rest of this year's top scoring countries are New Zealand, Switzerland, the United States, Ireland, the United Kingdom, Canada, Australia, and Mauritius.

The United States returns to the top five after having ranked in 12th place as recently as 2014. The rankings of other large economies in this year's index include Japan (17th), Germany (20th), Italy (46th), France (50th), Mexico (76th), India (79th), Russia (85th), China (113th), and Brazil (120th). The 10 lowest-rated countries are Iraq, the Republic of Congo, Egypt, Syria, the Democratic Republic of Congo, Angola, Algeria, Sudan, Libya, and lastly, Venezuela. (Insufficient data was available to score North Korea, along with a handful of war-torn countries including Afghanistan and Somalia).

The first *Economic Freedom of the World* report, published in 1996, was the result of a decade of research by a team that included several Nobel laureates and more than 60 leading scholars in a broad range of fields, including economics, political science, law, and philosophy. This year's report is the 23rd edition of *Economic Freedom of the World*; it ranks 162 countries and territories for 2017, the most recent year for which data are available. This year's report was written by James Gwartney, Robert Lawson, Joshua Hall, and Ryan Murphy, with Daniel L. Bennett, Rosemarie Fike, Fred McMahon, and Boris Nikolaev.

The report not only examines the current trends in global economic freedom, but also uses historical data to compile rankings for nations through the 1950s and 1960s. This enables new historical comparisons to be made and expands the horizon of correlations that can be found between economic freedom and human well-being throughout the mid-20th century. ■

**THE 2019 EDITION OF *ECONOMIC FREEDOM OF THE WORLD* CAN BE VIEWED ONLINE AT [WWW.CATO.ORG/ECONOMIC-FREEDOM-WORLD](http://WWW.CATO.ORG/ECONOMIC-FREEDOM-WORLD).**

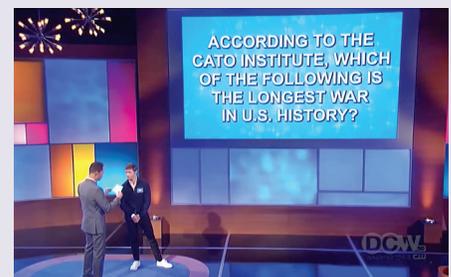


# Cato News Notes

## FLAK OVER THE TARGET

**A** case concerning President Trump's steel tariffs, *American Institute for International Steel v. United States*, is before the U.S. Court of Appeals for the Federal Circuit. The government dedicated an entire section of its response brief to addressing arguments made by Cato in its amicus brief. The U.S. Steel Corporation also filed a brief in support of the administration and dedicated more than half its length to addressing Cato's brief. It is unusual for an amicus brief to receive so much attention and rebuttal, which is a testament to how Cato's brief raised important arguments that could not be ignored.

## I'LL TAKE CATO INSTITUTE FOR \$200



**A**s previously noted in *Cato Policy Report*, Cato's legal briefs have been referenced recently in clues on *Jeopardy!* Cato made another game-show appearance in September, this time with its foreign policy research being mentioned on the syndicated game show *Funny You Should Ask*. The question cited Cato as the source for the fact that the Afghanistan war is the longest in American history.



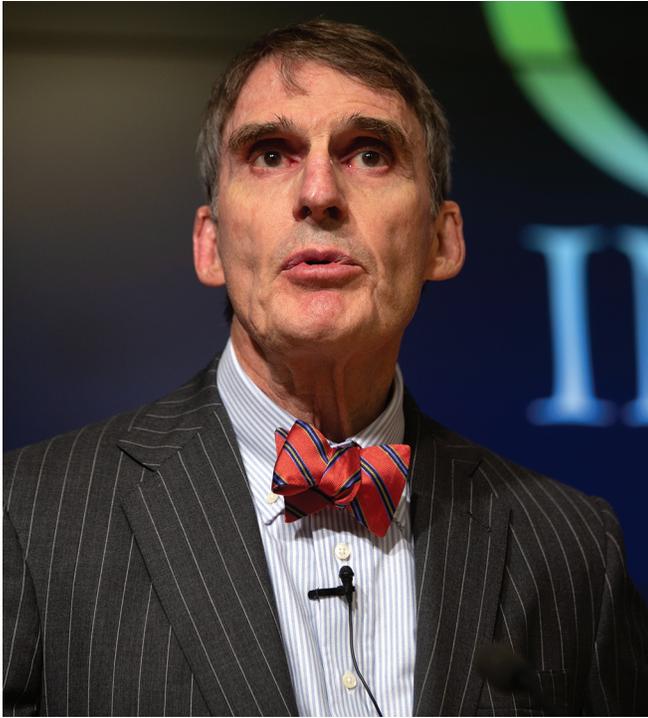
**A**t top, from second from left, Cato scholars MATTHEW FEENEY and PAT EDDINGTON and Government Affairs Director JEFF VANDERSLICE discuss public policy at a special Cato University symposium on Capitol Hill for congressional staff.



**I**n August, Cato hosted the annual Libertarianism vs. Conservatism Debate between interns from Cato and the conservative Heritage Foundation, moderated by *National Review's* CHARLES C. W. COOKE. Turnout was so high that attendees watched from both the F. A. Hayek Auditorium (top) and multiple overflow rooms (bottom).



**K**HALIL GIBRAN MUHAMMAD, professor of history, race, and public policy at Harvard's Kennedy School of Government, discusses his book *The Condemnation of Blackness: Race, Crime, and the Making of Modern Urban America* at a Cato book forum in September.



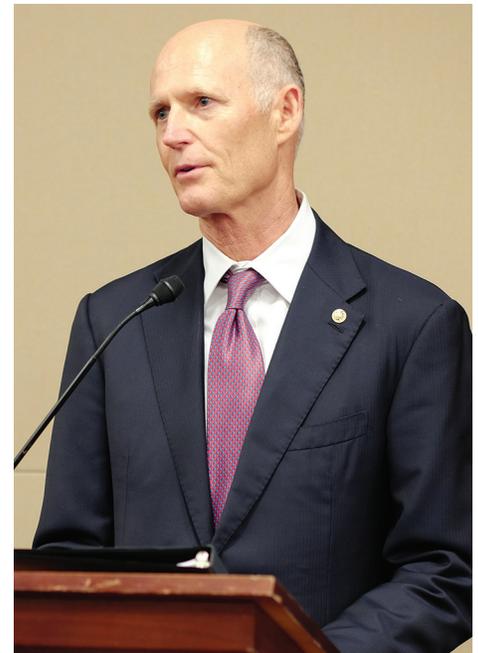
**J**AMES GRANT, founder of *Grant's Interest Rate Observer*, presents his new work *Bagebot: The Life and Times of the Greatest Victorian* at a Cato book forum in September.



**D**APHNE EVIATAR of Amnesty International USA outlines how her organization attempts to document civilian casualties at the September 11 Cato forum, "The Human Costs of War: Assessing Civilian Casualties since 9/11."



**F**RANK DIKÖTTER, historian and professor of humanities at the University of Hong Kong, delivers the Joseph K. McLaughlin Lecture in September on the important insights in his new book studying oppressive regimes, *How to Be a Dictator: The Cult of Personality in the Twentieth Century*.



**S**en. RICK SCOTT (R-FL) speaks at a Cato Capitol Hill briefing on college affordability featuring the authors of three new books on the topic: Phil Magness, Richard Vedder, and Cato senior fellow Todd Zywicki.

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the post. His rationale: López Obrador was making policy decisions based on whim and patronage, oblivious to cost-benefit analysis. Urzúa was, predictably, branded as a neo-liberal traitor.

But Urzúa arguably understated his assessment. López Obrador's decision-making process represents a dangerous admixture of ignorance, intolerance, and resentment. This rhetoric heralds the possible resurgence of a hegemonic regime, much like the "perfect dictatorship" that enabled the old Partido Revolucionario Institucional (PRI) to remain in power for more than seven decades in the 20th century. The hallmarks of this system are using handouts to forge constituencies, making cozy arrangements with special interests, and reorganizing the federal bureaucracy with civil servants whose loyalty to the leader is all that counts. In short, López Obrador is confirming the worst fears of mainstream wisdom: that he is more akin to the irrational populism of Hugo Chávez than he is to more moderate progressive left-wing governments.

He still commands a 65 percent approval rating. There is no dispute on the reasons his Movimiento Regeneración Nacional (Morena) party won an overwhelming triumph in 2018. The party clearly benefited electorally from the unstoppable wave of violence; cases of corruption, cronyism, and impunity; and the chronically mediocre growth rates that saddled Enrique Peña Nieto's administration with the lowest approval rating in Mexico's modern history. López Obrador was able to position himself as a savior, promising to bring a swift end to corruption and corporatism. In the words of Francis Fukuyama, he was able to exploit the "politics of resentment" among angry citizens exhausted by perceived injustices imposed by an uncaring elite. He embellished his case by promising to restore popular dignity via a "moral constitution."

“López Obrador's decisionmaking process represents a dangerous admixture of ignorance, intolerance, and resentment.”

Under the López Obrador paradigm, the authentic role of government is to allocate funds to targeted social groups, not to create the conditions for greater investment. The program of distributing direct handouts (almost \$10 billion) constitutes vintage clientelism. As Mexican author Jesús Silva Herzog warns, behind the facade of fiscal austerity “lies an autocratic conviction of patrimonialism,” where federal funds are shifted and redirected as if they were the sole property of the ruler in charge.

The fundamental challenge facing Mexico is whether López Obrador will wield the Fourth Transformation to deconstruct many hard-won market reforms that took place in the past quarter century. These include multilateral trade liberalization, the slow (if erratic) development of checks and balances, the advent of monetary stability under a regime of central bank independence, and the crucially important achievement in energy liberalization (the 2014 reform that opened the energy sector to private investment in all areas of the productive chain).

#### **VOX POPULI**

López Obrador has decreed the use of “popular consultations,” or referendums, to decide the outcome of major initiatives. These have included halting the construction of a new airport in Mexico City and a new oil refinery in his home state of Tabasco. The referendums that have taken place so far are a sham: they are based on less than

1 percent of registered voters, are predominantly in areas controlled by Morena, and are framed with questions embodying a flagrant bias toward the result López Obrador wants. This strategy has enabled him to conflate his own personal popularity with policy decisions purportedly legitimized by popular mandate. The real outcomes have dealt a serious blow to investment confidence and lend credence to the view that policy is being made in a mix of ignorance, intolerance, and resentment:

- The most salient example of López Obrador's authoritarianism was the decision to cancel construction of the new Mexico City international airport—a \$13 billion infrastructure project that was slated to generate significant value added via new supply chains and was expected to become one of the 10 most important airports in the world, rivaling Chicago or Miami in global connectivity. In October 2018, while still president-elect, López Obrador called the very first of his whimsical referendums—and the final vote was, unsurprisingly, to halt the construction of the new airport. But \$5 billion had already been poured into development and the project was 35 percent complete. Because bond holders had a long-term pledge at stake, the government could not formally terminate the project until all bondholders were redeemed (at par, plus premium)—a bill that cost another \$7 billion. As economist Arturo Damm Arnal notes, this is the first project of this magnitude where taxpayer resources had to be disbursed to discontinue such a large project.
- Another project submitted to a popular consultation was the construction of a multistate train route

stretching across the Riviera Maya. López Obrador, as with many other projects, dismissed concerns with a blasé quip: “va, porque va” (it goes because it goes). Critics, such as the Mexican Institute of Competitiveness, suggest an estimated real cost of up to \$5 billion—almost 10 times the official projection.

- Another example was the decision to undertake construction of an oil refinery in the port of Dos Bocas, in Tabasco, which was also submitted to a patently biased yes-or-no referendum. No auction was set, and only four companies were invited to submit bids. All four subsequently withdrew their bids, as the time and finance requirements were deemed unreachable. The official estimates claim the refinery will cost \$8 billion, and that it will be completed in three years. This constitutes wishful thinking. Independent analyses suggest that the project will cost more than \$16 billion and take well over six years to complete.
- López Obrador has also dealt a heavy blow to the landmark energy reform of 2014. Open auctions for opening exploration and development projects to new capital investment (from home and from abroad) have been suspended indefinitely, and the practice will be submitted to another referendum in 2021. These so-called “farmouts” are often construed as surrendering national sovereignty and thus are considered another example of neoliberal treason—even though suspension of private bids represents an opportunity cost of \$200 billion in forgone capital investment. This was quickly followed by suspension of all auctions in

“This ominous threat has now turned into a full-scale onslaught against Mexico’s checks and balances.”

electricity capacity—and with it, a loss of some \$20 billion of investments in renewable energy projects.

- Perhaps the most toxic policy initiative to date is the López Obrador administration’s approval of a new law that categorizes fiscal evasion and noncompliance as organized crime, which effectively empowers the government to seize all assets of a presumed guilty party, freeze bank accounts, assign an immediate jail term, and sell forfeited assets and property at any price. Trampling on individual rights of registered taxpayers with such threats will not enhance tax revenues. More importantly, it constitutes a significant step backward in Mexico’s already fragile climate of property rights and economic liberty.

The obsession to base policy decision-making on ideology, rather than cost-benefit criteria, reflects López Obrador’s contempt for modern technocrats. As his National Development Plan states, the Fourth Transformation seeks a “paradigm shift where planning now emanates from the will of the people, instead of dictates imposed by the Washington consensus.”

A classical liberal may share the disdain for preconceived solutions imposed from the lofty reaches of the International Monetary Fund, Davos, or the latest fashion in mainstream thought. But López Obrador has simply substituted one conceit for

another—the messianic leader who knows better, the paterfamilias who will take care of his lot in accordance with a preconceived notion of social virtue. López Obrador has proudly announced the “end of the neoliberal nightmare.” A consequence of this way of rigging the debate is that anyone who questions the will of the leader is declared an agent of “theft, against the national interest, and anti-popular.” Not surprisingly, public discourse and debate have suffered an acute polarization.

### CHECKS AND BALANCES

In 2006, López Obrador famously denounced electoral tribunals for stealing presidential elections and declared “to hell with institutions.” This ominous threat has now turned into a full-scale onslaught against Mexico’s checks and balances, including nascent autonomous institutions, such as energy regulatory agencies, the federal electoral institute, and even the Supreme Court. Naturally, media and freedom of expression have become recurrent targets of scorn and denunciation.

The practice of demonizing opposition has even been applied to banks and multilateral agencies. These organizations predict a sharp slowdown of economic growth due to negative signals in investor confidence. López Obrador rejects such revisions and insists that Mexico will reach 2 percent growth in 2019 and 4 percent by the end of his six-year term. Why? No evidence is offered, beyond his claims that outside methodologies are flawed, and that “yo tengo otros datos” (I have other facts). At other times, he has changed the terms of the debate, saying that growth is a statistical obsession of neoliberal technocrats and that what matters instead is wealth redistribution because “our final goal is to make people happier.” López Obrador seems to take reality as a personal insult. He has demanded apologies from the International Monetary Fund, the *Financial Times*, and

even the king of Spain, arguing that none have the moral authority to issue judgments about Mexico's development. One Morena legislator even suggested expelling Moody's and Standard & Poor's from the country.

An important aspect of the destruction of checks and balances is that López Obrador could be tempted to do the same with monetary policy—and thereby undermine the very idea of independent central banks. The independence of the Banco de México is one of the country's most successful reforms of the past quarter century. It laid the basis for a transition from a scenario characterized by runaway inflation and sharp exchange rate volatility to a climate of stability. In the pre-stability era, Mexicans were required to take steps to avoid the erosion of their purchasing power, usually by shifting earnings to dollars or by using durable goods as a store of value. Now, concerns about exchange-rate shifts or spikes in inflation are secondary. The assessment of risk focuses on real cost reduction, market competitiveness, and mitigation of high transaction costs (e.g., overregulation, security, contract enforcement, and the like). The new climate of stability allowed for the emergence of long-term mortgage markets, as well as placement of private debt at lower rates and longer terms—in local denominations.

The loss of this hard-won transformation would be catastrophic. But this cannot be ruled out. López Obrador has, thus far, respected central bank autonomy (even while he has pushed for reduction of interest rates), and he is sensitive to sharp variations in the exchange rate. This is encouraging, but the onslaught against autonomous institutions cuts against extending the benefit of the doubt to him.

#### **AN UNCERTAIN FUTURE**

In theory, risk aversion should act as a deterrent against poor public policy choices. Mexico's main economic driver, along with monetary stability, is foreign trade; a quarter century of aggressive trade liberalization has

“López Obrador's fatal conceit could transform the winds of authoritarianism into a typhoon.”

generated tightly integrated supply chains, a diversification of exports, and massive growth of Mexico's external sector. Although its success remains intimately tied to the North American cycle, the diversification of tradable goods has reduced the risk of overreliance on natural resources. The vast majority of exports (87 percent) are destined to the U.S. market. In addition, Mexican consumers spend a great deal on imports: more than \$400 billion per annum, 90 percent of which originate from the United States.

Mexico's extensive trade relationships suggest that the economy will follow the course of a globally integrated economy. And the López Obrador government supports the revised United States–Mexico–Canada Agreement (USMCA), which has already been ratified by Mexico's Senate. This, too, is a positive outcome.

However, failure to correct toxic policies means that Mexico's economy will face the inexorable pain of market discipline. The cancellation of the new airport showed the investment world that the new president can do whatever he wants. Fear and uncertainty in the investment climate are a natural result of such caprices, and with it, the paralysis of productive investment and economic growth. To be sure, López Obrador could opt for a more pragmatic approach. But the aforementioned mix of intolerance, ignorance, and resentment suggests that the new government is unlikely to rethink unfortunate policy decisions that have undermined investor confidence. A reversal of the decision to cancel the new airport, with the stamp of the new regime, would go a significant way toward reestablishing

credibility in the investment climate. So would the abandonment of a misplaced nostalgia for the false glory of oil nationalism, and with it, a revival of energy auctions to capital investment. López Obrador can take a more flexible policy stance without giving up his Fourth Transformation rhetoric.

For now, however, Mexico's prospects for the near future are not encouraging. Despite visible progress during the past quarter century in areas including sound money and open trade, formidable challenges remain, particularly in such areas as public security and well-defined property rights. López Obrador's chief of staff, Alfonso Romo, a prominent figure in the business community, continually (if unpersuasively) reassures investors that respect for property as a right of individuals constitutes a fundamental tenet of the Fourth Transformation. He asserts that this position is, in fact, inspired by the famous saying of López Obrador's own hero, Benito Juárez—“el respeto al derecho ajeno es la paz” (respect for the rights of others is peace). Genuinely adopting this view would require a change in focus to securing the conditions for prosperity, especially in this era of trade integration and hyperrapid capital flows, and would mean market-oriented human capital formation and predictability in Mexico's institutional arrangements.

This, however, presupposes a willingness to listen, and a tolerance to criticism. So far, López Obrador has managed to perfect intolerance into an artform. Octavio Paz, Mexico's great 20th-century liberal, warned that government behaves more like a “philanthropic ogre,” often trampling its citizens, depending on the caprice of the day. And this is perhaps the most worrisome aspect of López Obrador's leadership, beyond toxic policy decisions: the fatal conceit that only he has access to the “real” truth about the course of the country. This could transform the winds of authoritarianism into a typhoon, rendering an open society in Mexico a distant hope for tomorrow. ■

# Does Capitalism Help Women?

**H**as the spread of capitalism been a net positive or a net negative for women around the world? To examine this important and increasingly contested question, Cato hosted a debate in September between Veronique de Rugy, senior fellow at the Mercatus Center at George Mason University, and Nicole Aschoff, author and editorial board member at the socialist magazine *Jacobin*.

**NICOLE ASCHOFF:** The question of whether capitalism is good for women is one that both feminists and nonfeminists have debated for a long time, but each upsurge of interest in the question is embedded in a particular context. So what are the conditions of the present moment that encourage an exercise such as this? For one thing, capitalism is in crisis, albeit not necessarily an economic crisis in the sense of a full-blown recession. But we have seen more than a decade of stimulus that includes a multi-trillion-dollar bailout by central banks, years of quantitative easing, and a new normal of government-engineered low interest rates to keep investors from collectively hurling themselves off a cliff.

Despite these inducements, wages and economic growth are stagnant and companies seem more interested in rolling the dice on the stock market than brick-and-mortar investment. Moreover, neoliberal capitalism—the norms, ideas, and policies that undergird the status quo of the past four decades—is experiencing a deep crisis of legitimacy. There is a widespread loss of trust in government, a waning faith in capitalism, and a resurgence of populism on both the left and the right.

A second point of reference for our discussion here tonight is the resurgence of feminism in the past decade, both in the United States and globally. This resurgence has taken a variety of forms and has encompassed a range of perspectives on how best to pursue a feminist program, but it is a persistent feature of public discourse. Most recently we have seen this in the #MeToo movement.

The idea that feminist goals can be best achieved by each woman striving to reach a position of power and success within capitalism is increasingly in doubt. As we see more and more, women, particularly younger women, are calling for a different kind of feminism that often has strong anti-capitalist themes. Now is the time to both assess hard-won victories and strategize about how to make it possible for all women to actually enjoy them, and to push forward with new concrete demands that fulfill the broad aims of feminism.

So, the first question: Has the spread of capitalism been a net positive or a net negative for women? This is a great question, but it's also a very difficult question to answer, not least because I find it somewhat odd to formulate an equation of human costs that spans centuries of capitalism. Do more recent improvements in life expectancy, literacy, and women's autonomy outweigh the mass slaughter of indigenous women and children, the desperate lives of women trapped and tortured in chattel slavery, the disfigurement and early deaths of women who spent their lives toiling in sweatshops, their bodies destroyed by factory work? A difficult calculation to be sure. But if we were to attempt it, we would certainly have to temper the sunny claims of global capitalism's recent successes with the stark reality that more than two billion people suffer globally from malnutrition. At the bottom, 60 percent of people worldwide miss out on 95 percent of new income from global growth, and the absolute number of people living in poverty

has risen by a billion people over the past few decades.

I'm willing to say, in agreement with Karl Marx, that capitalism is better than feudalism. We can also point to data that suggest aggregate progress. For example, progress has been made toward the fulfillment of the United Nations Millennium Development Goals on life expectancy, mortality, and education. Middle- and upper-class women in much of the world enjoy access and rights that would have been the envy of their sisters a century and a half ago. But in celebrating these gains, we should be cautious about the causal arrows we draw. Some of these gains can be attributed to development and rationalization, both of which are correlated with capitalism. Many of these gains are the result of political struggle, not capitalism. Laws and norms against discrimination, the right to not be the property of our husbands, the right to vote, to be able to protect ourselves and our children from domestic violence, and so many other rights were not handed down from on high by the chamber of commerce.

These rights were won by social movements, many of which were led by socialists and feminists who fought tooth and nail and suffered many defeats on the way to getting them. In this moment, however, I think it's important to look forward, as I said earlier. Even if we were to concede that capitalism has been a net gain for women—which I don't—it is much more important to ask whether capitalism will lead to gains in the future. Feminism is not just about eliminating gender-based discrimination. It's about fighting for and creating equality and a good life for everyone regardless of their sex, gender, race, ethnicity, education, income, religion, and where they live. This is what's great about feminism. It's why I'm a feminist. Simply put, we can't achieve these goals in capitalism. This week is the climate

strike, so let's consider the example of climate change. Nothing demonstrates the failure of the so-called free market better than the looming climate catastrophe.

While capitalism may be rational for individuals, on a systemic level it is highly irrational. The reckless pursuit of profit by individual capitalists who have been empowered by elites and governments has created the massive collective-action problem of global warming. Not to mention resource depletion and habitat destruction. But instead of addressing this problem head-on, a problem we understood the rough contours of decades ago, for the past 40 years elites and business owners have insisted on the healing power of free markets.

Historically, sexism and racism have been a core part of strategies of accumulation in capitalism. Sexism makes women's unpaid labor in the home, which is essential to society and to our economy, appear to be natural. A labor of love. Sexism and racism also continue to be extremely handy tools in the business owner's toolkit to divide and oppress workers to discourage demands for better pay and benefits and efforts to form unions.

Has capitalism helped to empower women enhancing their material well-being and fostering gender parity? Rather than posing our questions and answers as either/or, we should opt for a more nuanced discussion. As I said earlier, women have been empowered in capitalism. But we should be cautious not to confuse correlation with causation. Keep in mind those lurking variables such as the women's movement, the civil rights movement, the labor movement, and the environmental movement, but even with those it is still the case that markets can empower women. Money equals power under capitalism, and some women have clearly obtained some of that. Women are lucky enough today to ride on the success of past social movements. So if women are lucky enough to be born to rich parents or be

gifted with fantastic abilities or intelligence or any number of other serendipitous happenings that land them in a well-remunerated, fulfilling job, their ability to earn well will empower them. More than that, it will help them empower others in their networks, such as their own children.

But observing that some women are



“Sexism and racism have been a core part of capitalism.”

quite empowered in capitalism does not imply that the path has been laid and that if we just follow it, the goals of feminism will be reached. The fabulous wealth of the relative few at the top is not an accident, or a harmless peak over a healthy floor of people living a good life. The “market-friendly” reforms over the past few decades have made a handful of people, mostly men, unimaginably wealthy, while the vast majority of people have seen their livelihoods stagnate and their opportunities narrow. The incredible technological and scientific advances of the past 40 years could have been channeled toward dramatically reducing poverty and improving healthcare outcomes and the ecological sustainability of our production

processes. It could have been channeled toward ensuring security and the supply and distribution of clean water, nutritious food, and adequate housing. These are things that all people value. These are also things that would greatly empower women who suffered disproportionately from the lack of these things.

We have the tools to vastly improve the lives of the world's women, and all people, for that matter. Yet we haven't directed our resources, knowledge, or energy toward achieving this goal. Why? Because the goal of capitalism is not a better world. It's to make a profit.

**VERONIQUE DE RUGY:** Does capitalism help or hurt women? I have to admit that it took me a while to be able to take this question seriously. But then I did a Google search and I saw the amount of writing about how capitalism is oppressive to women, and so I guess this really is a serious issue. It was hard for me, because every aspect of my life I owe to the privilege of living in the closest thing to a capitalist regime. I'm educated; I work; I'm a mom; I was able to choose the country where I live. I can choose my religion, I can choose my political affiliation, I can even choose to be a libertarian, and I can make all these life choices without having to depend permanently on a man and without the judgment of others. I'm just one data point, obviously. One of my life choices is that I'm an economist, so I know that one data point is not going to refute the widespread belief that capitalism hurts women.

Let's look at this question and let's define: What is capitalism? There are many different ways to define capitalism, and I will tell you what it means to me. First, capitalism is an economic system. So if you want to actually judge it, you need to look at its economic performance. In its ideal form, capitalism requires a small government. Capitalism rests on individual freedom and voluntary consent. That means that you can't force people to do what they

don't want to do, the same way they can't force you to do their bidding. But also, in an ideal capitalist system, you can decide who you want to marry, how you want to raise your children, and how to manage your reproductive choices without having to ask the government for permission.

Capitalism requires cooperation, not just competition. This is something that F. A. Hayek highlights a lot in his work. Capitalism is good precisely because it lets individuals express themselves creatively and productively through their work and voluntary community. Now, we must ask ourselves whether this is just an ideal, because maybe in practice capitalism is really awful and oppressive. So, let's look at the countries that are the most capitalist, as I just defined them, the countries where the government interferes the least in economic affairs. By most rankings, the two most capitalist countries are Hong Kong and Singapore. But among the large group of most-capitalist countries, you find countries like the United States and Canada. By historic standards, and even by current world standards, these countries are nice, and they're rich, and they have relatively low poverty. And this is the reason why so many poor people around the world want to move here, even if it means hard work and low-paid jobs.

But maybe capitalism is good for our country as a whole but not so good for women. So let's look at that question. Historically, we can show that capitalism has helped women a fair amount. That's because free markets have done much more than any other institution to empower individuals and produce an abundance of new and amazing goods and incredible technological innovation for the benefit of all. I cannot overstate the fact that we are all the beneficiaries of the gift of innovation. Nobel Prize laureate William Nordhaus's work shows that when you take the top innovators in the United States in the second half of the 20th century, they only captured

2 percent of the social value that they created with their innovations. They were forced to share 98 percent of the gains through competition and lower prices with us consumers. That's a big deal, and it has been a big deal historically for women. Innovations such as urban sanitation, clean running water, and modern medicines have



“People take for granted the bounty created by capitalism.”

actually increased the quality of women's lives immensely. But then the next question is: Women may live longer and in better health, but what has capitalism done to emancipate them? Three key things in my opinion.

First, innovation doesn't just save lives, it reduces the time burden on women, and that has historically allowed more of them to enter the labor force. Just to give you an example, in 1910 the amount of time women spent daily preparing food was six hours, on average, and today it is an average of just one hour. And that holds true across income levels. What this has done is bring to low-income people a lot of goods and opportunities that used to be only accessible

to rich people.

The second thing innovation does is create income, and increases in income have always preceded higher levels of education for women. When resources are scarce, families historically tended to invest in their sons because it seemed like a better investment. When income rose, then they could invest in both. They didn't have to choose. That was extremely empowering for women.

The third thing that capitalism has done for women is increase not only income but also the demand for labor. When you think about the fact that innovations have reduced the necessity of physical strength to do remunerative work, that means a lot of new work options became more available to women. The increase for them was, in fact, many times the increase that we've seen for men. And as soon as women started to be able to secure independent incomes and support themselves, it meant that not being married was not an utter catastrophe like it used to be. And it is still the case for a lot of women today. All these factors explain why, as historian Stephen Davies has noted, the early pioneers of feminism were ardent classical liberals and supporters of capitalist industry. Feminists were not always anti-capitalist, and those women were right to put their faith in freedom and capitalism.

We have plenty to do, of course. I do not just defend the status quo on these issues. Occupational licensing laws, criminal justice reform, and many other topics that the scholars here at Cato work on every day are an important part of the work still to be done. But all in all, capitalism realistically beats all existing alternatives. Unfortunately, it seems to me people take for granted the bounty created by capitalism. This is why our challenge, for all of us, is to constantly make capitalism and freedom an exciting undertaking for the next generation. Women have much to gain from building a freer society. ■

Big wins on civil asset forfeiture, the commerce clause, and the First Amendment

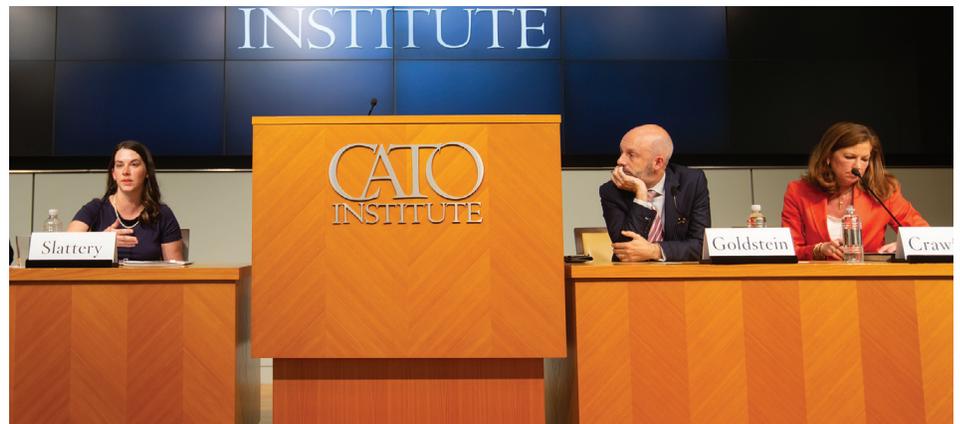
# Leading Scholars Gather for Constitution Day

Cato's annual Constitution Day symposium marks the day in 1787 that the Constitutional Convention finished drafting the U.S. Constitution. Cato celebrates that event every year with the release of the new issue of the *Cato Supreme Court Review* and a day long symposium featuring noted scholars discussing the recently concluded Supreme Court term and the important cases coming up.

This year's Constitution Day symposium featured panels on several of the court's most important cases, with participants discussing their contributions to this year's *Review*. Anthony J. Colangelo, professor of law at Southern Methodist University Dedman School of Law, discussed the complicated contours of the double-jeopardy clause and the so-called "dual sovereignty" doctrine in *Gamble v. United States*. Cato has long urged the court—unsuccessfully, in this case—to overturn the dual sovereignty doctrine, which allows for the federal and state governments to prosecute conduct for which a person was already acquitted under the other jurisdiction's laws.

Paul J. Larkin Jr. of the Heritage Foundation offered his take on Auer deference (so called for the 1997 case *Auer v. Robbins*), the doctrine that courts should defer to an agency's interpretations of its own regulations. In the 2019 case *Kisor v. Wilkie* the court did not overturn Auer, but it did impose new restrictions on its scope. This will provide important leverage to plaintiffs who challenge arbitrary and unjust actions by regulatory agencies.

Other cases discussed include *Tennessee Wine and Spirits Retailers Association v. Thomas*, in which the court, by a 7-2 vote, struck down Tennessee's protectionist discrimination against out-of-state residents in the liquor business; *Timbs v. Indiana*, in



Top: ELIZABETH SLATTERY of the Heritage Foundation, Supreme Court practitioner and SCOTUSblog co-founder TOM GOLDSTEIN, and JAN CRAWFORD, chief legal correspondent of CBS News, discuss the Court's upcoming term. Bottom left: Judge THOMAS HARDIMAN of the U.S. Court of Appeals for the Third Circuit delivers the annual B. Kenneth Simon Lecture on the history of judicial independence. Bottom right: TREVOR BURRUS, editor in chief of the *Cato Supreme Court Review*, participates in a panel on what to expect in the now-current October 2019 term of the Supreme Court.

which the court held that the excessive fines clause of the Eighth Amendment restricts states' use of civil asset forfeiture; and *The American Legion v. American Humanist Association*, in which the court ruled that a century-old World War I memorial cross did not violate the establishment clause of the First Amendment. In all three of these cases, the Supreme Court sided with the result urged by the Cato Institute in its amicus briefs.

This year's Constitution Day also marked a milestone for the *Cato Supreme Court*

*Review*, which is now under a new editor in chief. After editing 11 volumes, Ilya Shapiro has taken over as the new director of Cato's Robert A. Levy Center for Constitutional Studies and has passed editorship of the *Review* to Trevor Burrus. Roger Pilon, who founded both the Center and the *Review*, remains director emeritus and holds the B. Kenneth Simon Chair in Constitutional Studies.

Every year's Constitution Day symposium concludes with the B. Kenneth Simon

*Continued on page 13*

# And the Survey Says . . .

The results are in for Cato's 2019 Welfare, Work, and Wealth National Survey, a project undertaken by Emily Ekins, the institute's director of polling. In this survey, conducted in partnership with pollster YouGov, 1,700 American adults were asked for their perspectives on a range of economic and public policy issues.

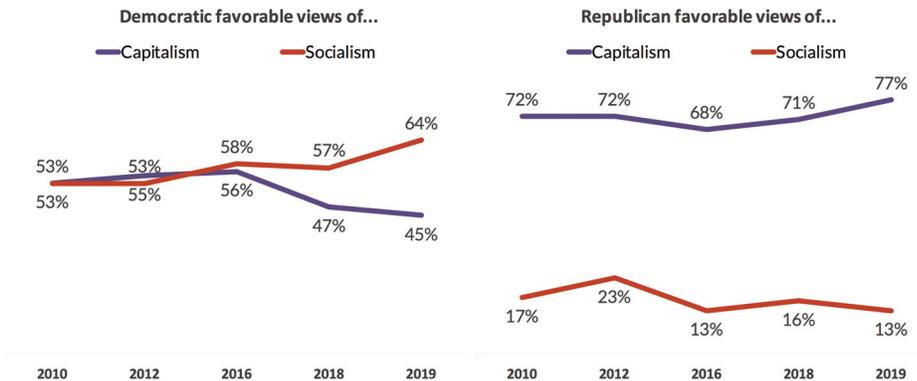
One notable result is the accelerated split between Democrats and Republicans on attitudes toward socialism. In 2016, Democrats were about as favorable toward capitalism (58 percent) as socialism (56 percent). But after President Trump took office, Democrats became more favorable toward socialism. Today, 64 percent of Democrats have favorable opinions of socialism and 45 percent are favorable to capitalism. Republicans continue to have overwhelmingly favorable views of capitalism (77 percent), while only 13 percent have favorable views of socialism. Overall, clear majorities of Americans have a favorable view of capitalism (59 percent) as well as an unfavorable view of socialism (also 59 percent).

Attitudes toward wealth redistribution also break down along partisan lines, with Democrats in favor (58 percent), support among independents at 36 percent, and support among Republicans at 15 percent.

However, when put as a narrower and more concrete policy proposal, a majority of Americans (61 percent) favor raising tax rates for families making more than \$200,000 per year. And despite opposition to wealth redistribution in the abstract, a majority of

## Democratic views of socialism improve and capitalism decline during Trump era

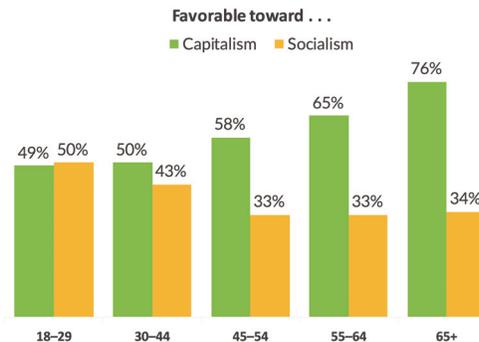
Would you say you have a favorable or unfavorable opinion of [capitalism]/[socialism]?



CATO INSTITUTE 2019 WELFARE, WORK, & WEALTH NATIONAL SURVEY  
Source: Cato Institute 2019 Welfare, Work, and Wealth National Survey; and Gallup, 2010-2018.

## Young Americans are equally favorable toward capitalism and socialism

Would you say you have a favorable or unfavorable opinion of [capitalism/socialism]?



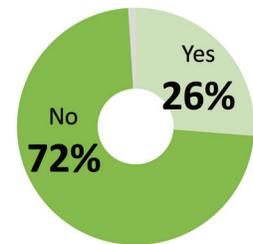
CATO INSTITUTE 2019 WELFARE, WORK, & WEALTH NATIONAL SURVEY

Americans (55 percent) describe the current distribution of wealth as "unjust." Among age cohorts, those age 65 and older were the only group with a majority in favor of the current distribution of wealth.

Cato's public opinion research provides a crucial and revealing guide to the nuances of public opinion, informing the institute's scholars and others about the state of public

## Most say government doesn't know enough to eliminate poverty in the U.S., even with unlimited funds

If the government were willing to spend whatever is necessary to eliminate poverty in the United States, do you think the government knows enough about how to accomplish that?



CATO 2019 WELFARE, WORK, & WEALTH NATIONAL SURVEY  
Note: Don't know/refused 1%; total percent may not sum to 100 due to rounding.

opinion. Cato's polls often reveal how the phrasing of questions can elicit different answers. Often, for instance, Cato surveys reveal that proposed government programs are much more popular if respondents are not told about costs. ■

**THE 2019 WELFARE, WORK, AND WEALTH NATIONAL SURVEY CAN BE FOUND AT [WWW.CATO.ORG](http://WWW.CATO.ORG).**

*Continued from page 12*

Lecture. The 2019 lecture was delivered by Judge Thomas Hardiman of the U.S. Court of Appeals for the Third Circuit. Hardiman, who is reputed to be a shortlist candidate for the Supreme Court, spoke about

the history and importance of judicial independence, including how the English experience shaped the decisions of the Framers at the Constitutional Convention. This legacy is alive and well on the Roberts court according to Hardiman, and it plays

a key role in the jurisprudence of Chief Justice John Roberts. ■

**COPIES OF THE 2018-2019 CATO SUPREME COURT REVIEW CAN BE VIEWED AT [WWW.CATO.ORG/SUPREME-COURT-REVIEW](http://WWW.CATO.ORG/SUPREME-COURT-REVIEW), ALONG WITH COMPLETE AUDIO AND VIDEO OF THE 2019 CONSTITUTION DAY SYMPOSIUM.**



**D**AN IKENSON, director of the Herbert A. Stiefel Center for Trade Policy Studies at the Cato Institute, speaks at the World Trade Organization's Public Forum 2019 in Geneva.



**F**rom left, authors JOSH BLACKMAN, Cato adjunct scholar, and RANDY BARNETT, Cato senior fellow, participate in a panel with ILYA SHAPIRO, director of Cato's Robert A. Levy Center for Constitutional Studies, and Judge THOMAS HARDIMAN of the U.S. Court of Appeals for the Third Circuit at a book forum for *Introduction to Constitutional Law: 100 Supreme Court Cases Everyone Should Know*.



**A**t the Cato Institute Policy Perspectives Seminar in Palo Alto, California: Cato Vice President JOHN SAMPLES, *top left*, interviews BRENT HARRIS, *top right*, director on strategic initiatives and global affairs at Facebook; Cato President and CEO PETER GOETTLER, *bottom left*, discusses the moral case for liberty; and T. J. RODGERS, *bottom right*, founder of Cypress Semiconductor, shares his story of going “from zero to a billion.”



**C**ato's September book forum for *Cribsheet: A Data-Driven Guide to Better, More Relaxed Parenting, from Birth to Preschool* featuring the author EMILY OSTER, professor of economics at Brown University, drew a large number of babies and toddlers.

**AUGUST 8:** Cato / Heritage Intern Debate: Libertarianism vs. Conservatism

**SEPTEMBER 9:** *Cribsheet: A Data-Driven Guide to Better, More Relaxed Parenting, from Birth to Preschool*

**SEPTEMBER 11:** The Human Costs of War: Assessing Civilian Casualties since 9/11

**SEPTEMBER 12-15:** Cato Club 200 Retreat

**SEPTEMBER 16:** Does Capitalism Help or Harm Women? A Debate

**SEPTEMBER 17:** 18th Annual Constitution Day Symposium

**SEPTEMBER 18:** Realistic Solutions to Big College Problems: Overhauling the Higher Education Act

**SEPTEMBER 18:** *Introduction to Constitutional Law: 100 Supreme Court Cases Everyone Should Know*

**SEPTEMBER 18:** *Bagehot: The Life and Times of the Greatest Victorian*

**SEPTEMBER 23:** *The Three Languages of Politics*

**SEPTEMBER 24:** *How to Be a Dictator*

**SEPTEMBER 25:** *Big Brother in the Exam Room: The Dangerous Truth about Electronic Health Records*

**SEPTEMBER 26:** *The Condemnation of Blackness: Race, Crime, and the Making of Modern Urban America*

**SEPTEMBER 27:** Cato Institute Policy Perspectives 2019: Palo Alto, California

AUDIO AND VIDEO FOR MOST CATO EVENTS CAN BE FOUND ON THE CATO INSTITUTE WEBSITE AT [WWW.CATO.ORG/EVENTS](http://WWW.CATO.ORG/EVENTS).

# Cato Calendar

## 2019 CATO INSTITUTE SURVEILLANCE CONFERENCE

WASHINGTON • CATO INSTITUTE  
DECEMBER 6, 2019

Speakers include Stephen Vladeck, Charlie Savage, Carrie Cordero, Elizabeth Gotein, and Jim Baker.

## POLICY PERSPECTIVES 2020

NAPLES, FL

RITZ CARLTON NAPLES BEACH RESORT

FEBRUARY 19, 2020

Speakers include Daniel Hannan and Phil Gramm.

## POLICY PERSPECTIVES 2020

VERO BEACH, FL

QUAIL VALLEY RIVER CLUB

FEBRUARY 27, 2020

## POLICY PERSPECTIVES 2020

FORT LAUDERDALE, FL

CONRAD FORT LAUDERDALE BEACH

FEBRUARY 28, 2020

## MILTON FRIEDMAN PRIZE

PRESENTATION DINNER

NEW YORK

CIPRIANI 42ND ST.

MAY 20, 2020

## 32ND ANNUAL BENEFACITOR

SUMMIT

NEW YORK CITY • MAY 21, 2020

## CATO CLUB 200 RETREAT

BLUFFTON, SC

MONTAGE PALMETTO BLUFF

OCTOBER 1-4, 2020

## 33RD ANNUAL BENEFACITOR

SUMMIT

CARLSBAD, CA

PARK HYATT AVIARA RESORT

FEBRUARY 18-21, 2021

*Cato foreign policy scholars examine Trump's record*

## The Myth of the Anti-War President

How should libertarians, as advocates of a more peaceful and restrained foreign policy, react to a tempestuous president who often professes to share those goals? In *Fuel to the Fire*, Cato foreign policy scholars John Glaser, Christopher Preble, and Trevor Thrall examine both the rhetoric and substance of the Trump foreign policy and find it lacking. Instead of stability and restraint, the Trump administration has often careened from one unpredictable move to the other, and usually failed to live up to the president's sporadic anti-war sentiments.

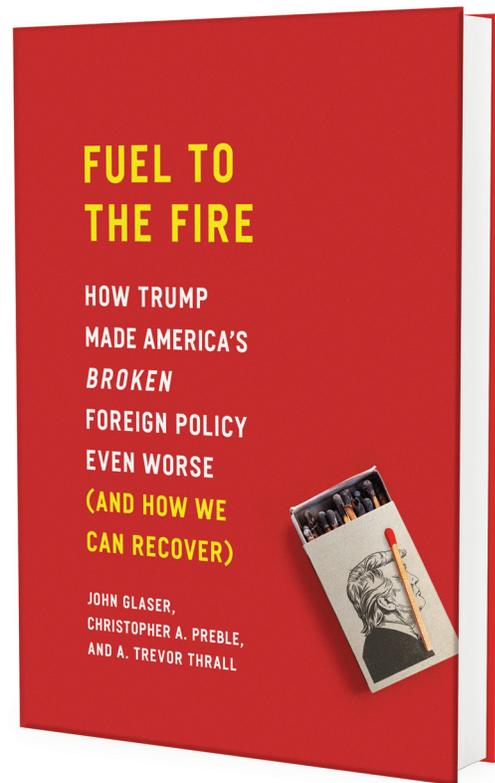
For some critics of the president, his foreign policy is to be condemned as excessively noninterventionist or even isolationist. *Fuel to the Fire* aims to set the record straight by judging America's foreign policy since January 2017 against the yardstick of restraint-minded realism. The conflation of the two is, in fact, overstated, in part because the president's words often do not match his actions.

As the authors explain, "Expert examinations of Trump's foreign policy preferences consistently give the president more credit for having a clear vision of foreign policy than is warranted. While it is certainly true that, as candidate and president, Trump has expounded prolifically on various foreign policy issues, it does not

follow that he has firm views on international relations. Indeed, there are compelling reasons to doubt that the president has ever systematically contemplated the foreign policy issues over which he now has ultimate authority."

As an example, Trump came into office openly hostile to the ongoing war in Afghanistan, America's longest-ever overseas war, which is now into its 19th year. Yet instead of drawing down American forces, the president instead adopted a surge policy of the sort that had been tried by George W. Bush in Iraq and Barack Obama in Afghanistan. Far from a radical departure, it was in line with the policies that have perpetuated the quagmire into a third presidential administration. It is time to genuinely get out of Afghanistan, and remove American forces from the Middle East more broadly.

One of the benefits of a less-interventionist foreign policy is that it can provide greater stability and predictability, as well as being less expensive in both blood and treasure. It would also allow the United States to distance itself from some of its most unsavory allies, such as the theocratic kleptocracy in Saudi Arabia, which has a long history of destabilizing the region and



has inflicted a humanitarian catastrophe on its neighbors in Yemen.

"Restraint in U.S. foreign policy is ripe for a revival," the authors of *Fuel to the Fire* make clear, but "what America needs is not Trump's America First, nor a return to the status quo ante, but a radical revolution of its role in the world." ■

**PURCHASE PRINT OR EBOOK COPIES OF *FUEL TO THE FIRE* ON AMAZON AND AT BOOKSELLERS NATIONWIDE.**

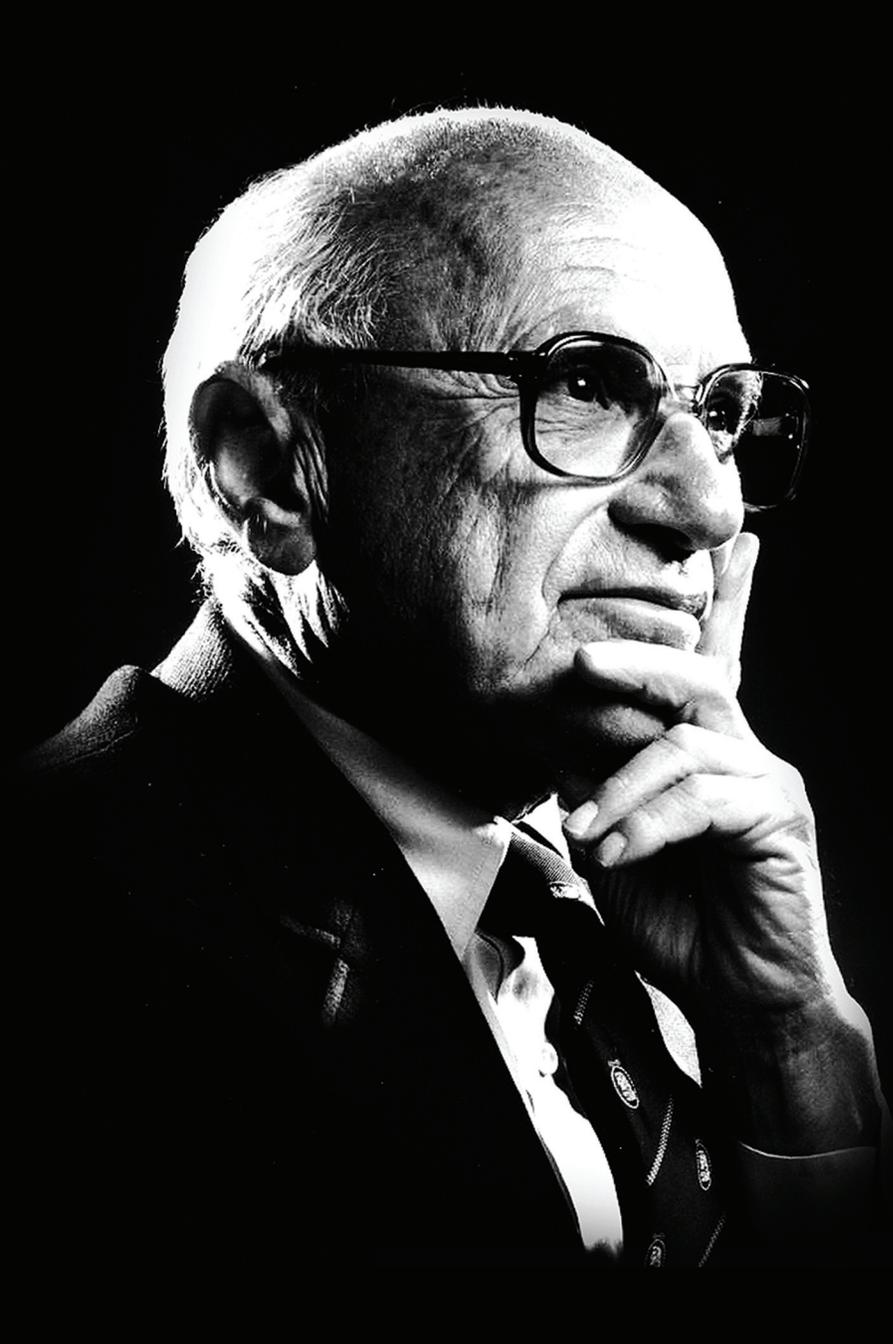


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Cipriani 42nd Street  
110 E 42nd St., New York City

The Milton Friedman Prize for Advancing Liberty, named in honor of perhaps the greatest champion of liberty in the 20th century, is presented every other year to an individual who has made a significant contribution to advance human freedom.

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CATO  
BENEFACTOR  
SUMMIT

Thursday, May 21, 2020  
New York City Yacht Club



## Soak the Rich?

**T**axing the wealthy is a hot issue among Democratic candidates for president. Sen. Elizabeth Warren (D-MA) is proposing an annual wealth tax on the richest households, while other candidates are proposing higher taxes on incomes, estates, capital gains, and corporations. In “**Taxing Wealth and Capital Income**” (Tax and Budget Bulletin no. 85), Chris Edwards examines current U.S. taxes, which are more progressive than often supposed, as well as the history of wealth taxes in Europe, where they have been found to be unproductive and often unworkable.

### CLASS-SIZE WARFARE

One of the most hotly debated topics in education policy is class size, with the conventional wisdom holding that fewer students per teacher will equate to better results. But is that really the case? In “**Does Class Size Matter? How, and at What Cost?**” (Research Briefs in Economic Policy no. 175), Desire Kedagni, Kala Krishna, Rigissa Megalokonomou, and Yingyan Zhao examine the data and find that the emphasis on class size is often misplaced, and that the correlation is not nearly as strong as often alleged.

### GAME THEORY

Sometimes firms comply with a regulation by “gaming” the measure targeted by policy rather than by changing their behavior. That is, they chase the regulatory metric used rather than the underlying good desired. In “**Who Benefits When Firms Game Corrective Policies?**” (Research Briefs in Economic Policy no. 176), Mathias Reynaert and James M. Sallee find that the economic impacts of this kind of gaming aren’t straightforward, and that sometimes consumers benefit even when they and regulators are

being deceived, depending on the specific policy in question.

### ENDING THE FOREVER WAR

The war in Afghanistan has become America’s longest war, not because U.S. security interests necessitate it, nor because the battlefield realities are insurmountable, but because of simple political and bureaucratic inertia. That is the finding of John Glaser and John Mueller in “**Overcoming Inertia: Why It’s Time to End the War in Afghanistan**” (Policy Analysis no. 878), in which the authors lay out a path forward to finally bring the war in Afghanistan to a close.

### LEGALIZE IMMIGRATION

Central Americans are crossing illegally and often relying on asylum claims at the border because this is virtually the only way for them to enter the United States. After numerous failed attempts to deter the flow or restrict asylum, the most realistic and humane way to control the border is for Congress and the administration to channel future immigrants into an orderly legal structure for coming to the country. That is the conclusion of “**Legal Immigration Will Resolve America’s Real Border Problems**” (Policy Analysis no. 879), by David Bier, Cato immigration policy analyst.



### MEASURING POVERTY

There are reasons to be simultaneously concerned and skeptical about reports of high and rising rates of extreme poverty in the United States. Different measurements and studies have found contradictory results about the numbers of Americans living on less than a few dollars a day. In “**The**

**Use and Misuse of Income Data and Extreme Poverty in the United States**” (Research Briefs in Economic Policy no. 177), Bruce D. Meyer, Derek Wu, Victoria R. Mooers, and Carla Medalia examine the question of which measures should be relied on when answering this question.

### IMMIGRANT CRIME RATES

Immigrant criminality is an important public policy concern because some American voters believe that illegal immigrants have a higher crime rate than American citizens. In “**Criminal Immigrants in Texas in 2017: Illegal Immigrant Conviction Rates and Arrest Rates for Homicide, Sex Crimes, Larceny, and Other Crimes**” (Immigration Research and Policy Brief no. 13), Cato Director of Immigration Studies Alex Nowrasteh uses Texas Department of Public Safety data to measure the rate at which individuals were convicted and arrested by crime and immigration status in Texas in 2017. The results show that illegal immigrants commit these crimes at lower rates than American citizens, in line with Nowrasteh’s previous research.

### BANKING DEREGULATION IN CHINA

Does banking deregulation lead to positive effects? Recent deregulation in China provides the opportunity to examine that question in “**Rise of Bank Competition: Evidence from Banking Deregulation in China**” (Research Briefs in Economic Policy no. 178). Haoyu Gao, Hong Ru, Robert Townsend, and Xiaoguang Yang find that following a deregulation in the form of lowered barriers to entry, banks entering into deregulated cities increased their lending amounts significantly.

### HOMESCHOOLING AND SCHOOL CHOICE

The relationship between homeschoolers and the broader school-choice movement

has been contentious at times, with worries that the expansion of private school options could undermine the movement for nontraditional homeschooling. In **“Homeschooling and Educational Freedom: Why School Choice Is Good for Homeschoolers”** (Briefing Paper no. 124), Kerry McDonald lays out the history behind the growth of homeschooling and makes the case that the expansion of school choice benefits homeschoolers too.

### CREDIT CARD REGULATIONS

The Credit Card Accountability, Responsibility, and Disclosure Act of 2009 (CARD Act) was enacted with the objective of protecting consumers and establishing fair and transparent practices in the credit card market. The CARD Act restricts, among other things, consumer credit card issuers’ ability to increase interest rates on outstanding balances. In **“Does Price Regulation Affect Competition? Evidence from Credit Card Solicitations”** (Research Briefs in Economic Policy no. 179), Yiwei Dou, Geng Li, and Joshua Ronen find that these restrictions have decreased competition and made consumer credit supply less elastic.

### DRINKING WATER AND UNINTENDED CONSEQUENCES

Starting in 1999, with help from international organizations, Bangladesh began a massive campaign to discourage the use of backyard wells for drinking water because of their high levels of arsenic contamination. In **“Throwing the Baby Out with the Drinking Water: Unintended Consequences of Arsenic-Mitigation Efforts in Bangladesh”** (Research Briefs in Economic Policy no. 180), Nina Buchmann, Erica M. Field, Rachel Glennerster, and Reshmaan N. Hussam found this had a deadly unintended consequence: increasing diarrheal diseases from fecal contamination, which the wells were far less prone to.

### APPEALING TRADE DISPUTES



The United States is blocking appointments of new judges to fill vacancies on the Appellate Body for the World Trade Organization, which hears and rules on trade disputes under the WTO’s rules. In **“Of Precedent and Persuasion: The Crucial Role of an Appeals Court in WTO Disputes”** (Free Trade Bulletin no. 74), Simon Lester and James Bacchus examine the American complaints and propose a path forward, in particular on the disputed role of precedent in international law.

In **“Of Precedent and Persuasion: The Crucial Role of an Appeals Court in WTO Disputes”** (Free Trade Bulletin no. 74), Simon Lester and James Bacchus examine the American complaints and propose a path forward, in particular on the disputed role of precedent in international law.

### IMMIGRATION AND ASSIMILATION

The ability to speak English is an important part of immigrant assimilation in the United States. In contemporary politics there is a concern that although earlier waves of immigrants learned English, newer cohorts are doing so at lower rates. In **“Immigrants Learn English: Immigrants’ Language Acquisition Rates by Country of Origin and Demographics since 1900”** (Immigration Research and Policy Brief no. 14), Michelangelo Landgrave uses U.S. Census data to answer this concern and show that English language acquisition rates have increased over the past 100 years.

### AUDITING AUDITS

Public-sector audits are meant to ensure that policies are executed as intended by policymakers. For audits to be effective, however, they should not distort the choices of those who are subject to the audit. Using evidence from Chile’s public procurement process, Maria Paula Gerardino, Stephan Litschig, and Dina Pomeranz make the case that a poorly structured audit system can have negative unintended consequences in **“Can Audits Backfire? Evidence from Public Procurement in Chile”** (Research Briefs in Economic Policy no. 181).

### CONTROLLED CHOICE

Controlled choice is a method of assigning students to schools when school boards want to promote diversity, particularly economic diversity. In **“The Problems with Economic Integration and Controlled Choice”** (Policy Analysis no. 880), David J. Armor explains how the claimed benefits are not being delivered by these plans.

### CLEARING THE SYSTEM

Severe systemic shocks have real and immediate costs, but one controversial benefit is that they clear the system of its least-efficient firms. In **“Do Financial Crises Cleanse the Banking Industry? Evidence from U.S. Commercial-Bank Exits”** (Research Briefs in Economic Policy no. 182), Laima Spokeviciute, Kevin Keasey, and Francesco Vallasca find that this creative destruction can be seen in both the savings and loan crisis of the mid-1980s and the global financial crisis of 2007–2010. ■

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**James Buchanan (1919–2013)**..... Distinguished Senior Fellow  
**F. A. Hayek (1889–1992)**..... Distinguished Senior Fellow  
**William A. Niskanen (1933–2011)**..... Chairman Emeritus

## CATO POLICY REPORT

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# “To Be Governed...”

## **\$34 BILLION A YEAR**

Government is going to spend my money on teachers' salaries and fixing roads and things. That's way better than what I was going to do with it.

—OFFICIAL TWITTER ACCOUNT OF PENNSYLVANIA STATE TREASURER JOE TORSSELLA, AUGUST 23, 2019

## **ADDING INSULT TO INJURY**

American farmers are attacking President Donald Trump in the wake of a new hit from China, which comes as part of the lingering trade war between the countries. . . .

“There is a lot of stress out there,” Perdue conceded at the listening session, and attempted to reassure farmers that markets will return once a deal is negotiated. But he also scolded the crowd of thousands:

“What do you call two farmers in a basement? A whine cellar.”

—HUFFINGTON POST, AUGUST 12, 2019

## **CRISES EVERYWHERE**

Grocery stores provide many people with their primary place of social connection and sense of community . . . The increasing use of self-service checkouts—where the customer does not interact with a human—contributes to social isolation and related negative health consequences . . . contribute[s] to retail workers feeling devalued and adds efficiency pressures on workers; [and] has a disproportionate negative impact on people of color.

—OREGON BALLOT INITIATIVE, JULY 18, 2019

Much of the debate centered on “drag queen story hour,” an event held at a California public library. . . . [Sohrab] Ahmari brought up the California event early in the evening, calling it and others like it a “cultural crisis and a moral emergency.” Drag queen story hour, he warned, was a “global movement,” since the group that hosts it has 35 chapters. “It is,” he said, “a threat.”

—REASON, SEPTEMBER 6, 2019

## **I'VE GOT A PLAN FOR MYSELF, AND I HOPE LIZ WON'T INTERFERE WITH IT**

A sea of rowdy sign-waving Warren volunteers lined the sidewalks to greet convention attendees outside a Manchester sports arena before 7 a.m. They chanted, “L-I-Z, she's got a plan for me.”

—ASSOCIATED PRESS, SEPTEMBER 12, 2019

## **WOMEN REALLY APPRECIATED BEING ABLE TO VOTE FOR THE SINGLE CANDIDATE**

Communism gave Soviet-era women key freedoms decades ahead of their Western sisters—from the right to vote to legal abortion.

—WASHINGTON POST, AUGUST 11, 2019

## **BLAME MR. CARRIER FOR BIG GOVERNMENT**

In the 19th century and the first half of the 20th century, Congress regularly adjourned during Washington's brutally hot and humid summers.

—WASHINGTON POST, AUGUST 10, 2019

## **ITALIANS WHO USED TO VOTE FOR ILLIBERAL, SPENDTHRIFT LEFT NOW VOTE FOR ILLIBERAL, SPENDTHRIFT RIGHT**

The Italian region of Tuscany is . . . the birthplace of the Italian Communist Party, which was founded in 1921 and has been a bastion of left-wing governance for decades.

But in the past three years, Tuscany has experienced political upheaval as the hard-right, anti-immigrant League party has won elections in many towns.

—NPR, AUGUST 14, 2019

## **THAT DOESN'T SOUND INTRUSIVE OR AUTHORITARIAN OR ANYTHING**

Sen. Bernie Sanders on Tuesday proposed an “extreme wealth tax” on the highest-income Americans, along with a “national wealth registry” that he said would help prevent them from avoiding the tax.

—POLITICO, SEPTEMBER 24, 2019

## **WARREN DECLARES THAT PRESIDENTIAL ABUSE OF POWER WON'T END SOON**

On my first day as president, I will sign an executive order that puts a total moratorium on all new fossil fuel leases for drilling offshore and on public lands. And I will ban fracking—everywhere.

—ELIZABETH WARREN ON TWITTER, SEPTEMBER 6, 2019