



Memorandum

TO: BOARD OF DIRECTORS, SPONSORS, AND FRIENDS OF CATO
FROM: PETER GOETTLER 
DATE: JUNE 25, 2020
SUBJECT: QUARTERLY UPDATE

I hope you are all coping as well as you can with our current challenges. Our thoughts are with all of you whose friends and loved ones have battled or are battling COVID-19 and those of you who have been ill yourselves. And we are so sorry for all of you who have lost friends or loved ones. Everyone is trying to untangle the scientific, economic, and policy implications of the pandemic, but the bitter price of this reality is driven home when we're forced to say goodbye to friends and family we expected to have in our lives for years to come.

Nearly everyone has experienced substantial economic setbacks, and we know that many of you are grappling with incredible challenges in your businesses. We're thinking of you but know that your grit and determination will carry you through these monumental challenges.

We couldn't be more grateful for the generosity all our Sponsors have shown the Cato Institute over the years, which has afforded us the opportunity to build first-class technology platforms and assemble an outstanding staff. These key assets have allowed Cato to continue operating at an extremely high level even though we're working remotely.

Our access to policymakers has been excellent, and we're advancing several important issues—such as deregulation of diagnostic testing and eliminating barriers to interstate telemedicine—as other initiatives continue. Since our productivity, output, and influence have remained high, it feels like Cato hasn't skipped a beat. Undoubtedly, we're losing some things by not being connected in the office, but this is offset by the interdisciplinary gatherings of the policy experts we're pulling together daily on Zoom to tackle issues and opportunities as they arise as well as to set ongoing strategy and priorities.

As my colleague Michael Cannon observes, "One thing I've noticed about the move to remote work is that I am communicating with my colleagues *more* than I did when we were all in the same building. I really like this and never want to lose it."

VIRUS OPPORTUNISM

We've witnessed a massive failure of government. Bureaucratic bungling at the Food and Drug Administration and the Centers for Disease Control and Prevention has restrained testing capacity. Certificate-of-need regulations have constrained health care capacity. State licensing laws have limited the deployment of medical professionals and telemedicine where needed. Blanket shutdowns of so-called nonessential businesses have kept enterprises that can operate safely from remaining open and running.

These factors and many others facilitated spread of the disease, impeded our ability to care for the sick, and exacerbated the economic carnage. Yet, predictably, government failure has again elicited calls for . . . drum roll, please . . . more government! In a recent column, George Will coined the term “virus opportunism,” the idea that the pandemic will be another crisis that advocates of bigger government will not want to go to waste.

In the wake of that column, George sent me a message, saying, “Peter, virus opportunism will make the pandemic an excuse for opposing everything—and I mean everything—Cato cares about. Which means you are exactly where you want to be and belong.”

I couldn't have captured the spirit at Cato any better. The pandemic and the government response have produced titanic threats to liberty, limited government, and the Constitution. And government has advanced. But rather than get depressed about it, I sense a fighting spirit eager to push back and win. This is indeed where we “want to be and belong.”

Liberty has been given a powerful script: massive government failure, a case study in federalism, the shortcomings of government relief efforts, exercise of power at once feckless and frightening, and fiscal and monetary recklessness that have weakened our country.

And it's a crisis that can't be blamed on capitalism. (Well, not creditably—but some are trying.) To the contrary, the private-sector response has been awesome: a rush to create treatments and vaccines, retooling manufacturing to produce badly needed medical equipment, and a flood of new technologies and services to ease the burdens of being homebound. And we haven't seen anything yet, for while the road back from this economic devastation will be long and hard, it's a safe bet that we'll see new businesses, technologies, and ways of life emerge that are sure to amaze.

CAPTURING THE NARRATIVE FOR LIBERTY

It's essential that we control the narrative of the pandemic: it's in large part a story of government failure—against a backdrop of private-sector success—with key lessons for our future.

Cross-disciplinary groups of Cato policy experts are hard at work to accomplish this, collaborating to quickly develop a portfolio of content and media messaging to ensure the story of the pandemic is accurately told. Essential elements of the narrative include the following:

- For two decades the federal government was warned of pandemic risk yet was unprepared.
- Like Mark Twain's death, reports that the public health bureaucracy has been “gutted” are greatly exaggerated. It's larger and more expensive than ever. Yet it still failed miserably, perhaps in part because it's more unfocused than ever.

- Roaming into scores of areas where it doesn't belong, government tries to do everything. So the government is unable to fulfill its legitimate, core responsibilities—such as safeguarding public health.
- Regulations have unintended consequences. In the pandemic they've been catastrophic, preventing the private sector from addressing critical needs such as testing, health care capacity, and personal protective equipment.
- Our fiscal and monetary policies are reckless. Combined with public policy that has long undermined personal savings, they tragically compromise our ability to respond to true crises.
- It's not clear what the mandated shutdowns accomplished in mitigating the pandemic. But it's abundantly clear that they had dramatic negative consequences for the economy and for freedom.

THE FIGHT AHEAD

The pandemic has exacerbated longtime challenges and created new ones. It's a veritable road map of policy priorities in the months ahead:

- Our fiscal and monetary policies are putting our country at grave risk. We must be relentless in sounding the alarm, even—or especially—when our voice is a lonely one.
- Helicopter money is the wrong approach for economic recovery—the track record of stimulus is poor and exacerbates our nation's fiscal problems.
- The right approach to economic recovery is to continue bringing down regulatory barriers, including needless and harmful health care regulation.
- In the World Bank's *Doing Business* rankings, the United States ranks sixth in the ease of doing business—but only *55th* in the ease of *starting* a business. Making it easier to start a new business would create a surge in startups that would help put Americans back to work. Creative, entrepreneurial immigrants would help us achieve this goal.
- We can't allow more open trade to be scapegoated, and its benefits obscured, by the pandemic response.
- Effective management of the China relationship, and avoiding potentially disastrous conflict, will be our foremost foreign policy challenge for years to come.
- Civil liberties and the Constitution must be protected. Emergency measures must disappear when the emergency is over.

WITH THANKS

We're inspired that we've received some extraordinary contributions in this challenging environment. Those who have contributed have told us that in these most difficult of economic times, with much competition for philanthropy, they're prioritizing liberty. For without liberty, there's no prosperity, and without prosperity, there can be no philanthropy. Liberty enables so much, including generosity.

We're thankful for this—and humbled that your positive view on Cato, our impact, and our strategic direction have motivated these gifts.

BRIEFLY...

The effort to create a sane monetary system lost a powerful advocate, and Cato lost a good friend, when adjunct scholar and University of Georgia professor **Richard Timberlake** died on May 22. About a year or so ago, I got a wonderful call from **Phil Gramm**, former Republican senator from Texas, telling me that the quality of Cato's work is, in his view, higher than ever. One of the projects he cited at the time was a Cato book, *Gold, the Real Bills Doctrine, and the Fed*, written by Timberlake and **Thomas M. Humphrey**. Gramm called it the most important book about the Great Depression since the publication of Milton Friedman and Anna Schwartz's *A Monetary History of the United States, 1867–1960* in 1963. Professor Timberlake was an extraordinary man to be producing scholarship of this caliber at the age of 96. Rest in peace.

At times like this, it pays to have an outstanding senior fellow in Sweden. Cato's **Johan Norberg** has been prominent on Cato platforms and in U.S. media discussing Sweden's alternative, less heavy-handed approach to the pandemic.

Our manager of broadcast and outreach, **Simone Shenny**, joined Cato in March (two days before we shifted to telework) from Washington's local ABC affiliate, WJLA, where she was a news producer. She was nominated for an Emmy for her work covering the Nationals' World Series victory. This is Simone's second Emmy nomination, and fingers crossed that she'll take it home when the winner is announced in August.

I was speaking to a Sponsor shortly after the move to remote work, and we both expressed optimism that kids learning at home would soon have more parents questioning our government education monopoly. This despite **Khristine Brookes**, a Cato vice president, telling me, "If COVID doesn't kill me, this home-schooling and remote learning surely will."

I'm guessing **Clark Neily**, Cato vice president for criminal justice, has set some kind of record being featured in two **George Will** columns in a week. The first column shared the story of the amazing cross-ideological coalition Clark and colleague **Jay Schweikert** have built to take on the doctrine of qualified immunity, which their efforts have put at the very center of today's national focus on criminal justice reform. Will then dedicated a column to the high-profile work that Clark and his team are doing to shine a light on coercive plea bargaining, a subversion of the system of justice the Founders enshrined in our Constitution.

Vice President and Director of Cato's Center for Representative Government **John Samples** is one of the first 20 people—and one of only five Americans—named to Facebook's Oversight Board. As the free speech battle has shifted to the digital world, John relocated to Menlo Park last year to be a vocal advocate for free expression in the internet age. The Oversight Board has been called the social network's "Supreme Court" for content-moderation decisions. The board has a unique structure that is independent of Facebook and will hear appeals of the company's decisions to take down—or leave up—controversial content. The board's decisions on such appeals will be binding on the company. John has long taken the view that, as private companies, it's essential that the tech giants themselves—and not the government—regulate expression on their platforms, even as he's argued that they need to carve out the largest arena possible for free speech.

We're excited for the second year of the **Sphere Summit**, our highly successful summer program for high school educators. The pandemic has necessitated a shift to an online-only format in lieu of the seminars here in Washington. But we nonetheless look forward to another year of building the network of teachers joining Cato to battle partisan tribalism.