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Cato Policy Report

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How the Bourgeois Deal Enriched the World

BY ART CARDEN AND DEIRDRE NANSEN MCCLOSKEY

IT'S A DIFFERENT WORLD

Thomas Hobbes wrote in 1651 that lives in the state of nature, without an all-powerful Leviathan in charge, are “solitary, poor, nasty, brutish, and short.” His list fits most of the human experience, both with an effective Leviathan and without. But a century or so after he wrote, the times they really were a-changin’. In the words of a British schoolboy, “about 1760 a wave of gadgets swept over England.” That wave soon became a flood of global prosperity. Real income per person has increased since 1800 by at least a factor of 10—even in very poor countries. It’s more like a factor of 30, 50, or 100 in the rapidly expanding list of bourgeois countries in places such as East Asia and Latin America.

What happened? Is the appropriate response to the modern world irritated sorrow or happy celebration? We suggest celebration. The world was and continues to be greatly enriched by adopting the Bourgeois

Deal. As evidenced by our book title—*Leave Me Alone and I’ll Make You Rich*—we’ve been enriched in the past two centuries, not only materially but spiritually and socially.

Did the government do it? Nope. Louis XIV’s finance minister, Jean-Baptiste Colbert, asked the businesspeople of Paris in 1681 how the government could help. Leave us alone, they replied: *Laissez-nous faire* (let us do it). Leave the government out of it. A restrained but effective gov-

ernment might help with prompt responses to Canadian invasion or novel coronaviruses, but “restrained and effective” asks more from governments than they have typically been willing to give. In any case, the Governmental Deal—Your money or your life—has never massively enriched us. The Bourgeois Deal has, every time.

In contrast with a solitary, poor, nasty, brutish, and short life, someone born in

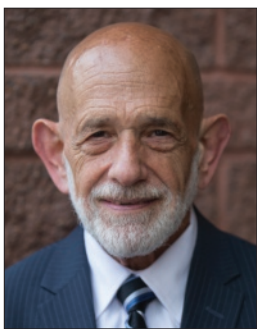
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Clark Neily, Cato vice president for criminal justice (second from left), appeared on ESPN’s *The Undeclared* to discuss the case against qualified immunity in the wake of nationwide protests over the killing of George Floyd by police in Minneapolis. Cato’s Project on Qualified Immunity has been advocating for the reform or repeal of the doctrine that shields police officers who have violated constitutional rights from most civil suits. The panel was hosted by journalist **Michael Eaves** (left) and included **Patrisse Cullors**, cofounder of Black Lives Matter, and **Dmonique Foxworth**, retired NFL athlete and former president of the NFL Players Association.



BY ROBERT A. LEVY

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CHAIRMAN'S MESSAGE

Second Amendment: A Look Back, a Path Forward

Since 1939, appellate courts across the country have muddled and misinterpreted the Supreme Court's Second Amendment precedent. But in June 2008, the Court finally clarified that the Constitution secures an individual right to keep and bear arms for self-defense. *District of Columbia v. Heller* took more than five years to litigate. It overcame a 32-year de facto gun ban in Washington, DC.

Justice Scalia's 5-4 opinion acknowledged that the Second Amendment is not absolute. Weapons that are not in common use and are especially dangerous can be outlawed, some persons can be denied gun rights, and possession in some circumstances can be restricted. If sensible regulations are the objective, I, for one, applaud that goal. Indeed, *Heller* took a major step to restore sensibility in DC.

From the beginning, the battle for gun rights was structured as a three-step process. Step 1, establishing the meaning of the Second Amendment and that it does protect an individual right, was completed in *Heller*. Step 2, determining where the Second Amendment applies, was completed two years later in *McDonald v. Chicago*. The Second Amendment applies to the states, not just federal jurisdictions such as DC. Step 3, fleshing out the scope of Second Amendment rights, is the next major task. What gun control regulations will still be permitted?

Here's what we now know: The Second Amendment secures an individual right to bear arms commonly used for lawful purposes. The right is subject to reasonable restrictions. But because the Supreme Court has declared that the right to bear arms is "fundamental," we enjoy a strong presumption of individual liberty, meaning that government has the burden to justify its proposed regulations, subject to meaningful judicial scrutiny.

Since *Heller*, the Supreme Court has been asked to review 10 gun rights cases that involved, among other issues, banning interstate handgun sales, carrying a firearm outside the home for self-defense, limiting so-called assault rifles and large-capacity magazines, and conditioning handgun permits on a demonstrated need for self-defense. The Court denied review in all 10 cases—abdicated its responsibility to say what the law is. As a result, there will likely be continued resistance by some legislatures and courts to the bedrock principles laid out in *Heller*.

So where do we go from here? First, here's the good news: Since peaking in the early 1990s, gun homicide has declined by 44 percent nationwide. Overall gun crime victimization is down roughly 70 percent. During that same period, the number of guns in circulation nearly doubled. U.S. residents own more than one gun per person. Guns are way up, and gun killings are way down. Obviously, there are salutary factors at work unrelated to gun control.

Meanwhile, the focus remains on high-profile mass shootings, although multivictim spree killings are a fraction of 1 percent of all murders in the United States. Sadly, such sprees will occur even where strict gun regulations are imposed. Seventeen people were murdered at a high school in Parkland, Florida. Almost as many people are murdered in Chicago every two weeks.

As long as Republicans have sufficient votes in the Senate, we can expect little movement toward constraining semiautomatic weapons or high-capacity magazines. There may, however, be an opportunity to find common ground in one contentious area: extending background checks to internet sales and private sales at gun shows. That was a key part of the Manchin-Toomey compromise bill, which failed to get sufficient Senate support in 2013 and again in 2015. Today, if President Trump were to endorse the bill, it might have a fighting chance.

What did Manchin-Toomey offer to gun enthusiasts? The bill allowed interstate handgun sales through dealers, prohibited a registry of firearms by the attorney general, reduced the time limit for performing background checks, permitted transportation of firearms across state lines, and improved the database driving the National Instant Criminal Background Check System. The quid pro quo was to require background checks for private sales at gun shows, over the internet, and through published ads. The Manchin-Toomey compromise would have advanced the interests of gun owners while making reasonable tradeoffs wanted by the gun control side. Considered as a package, the bill offered substantial net benefits to gun owners without intruding on core Second Amendment liberties. Perhaps it's time for another look.

Robert A. Levy

Policy and law in a politically charged case

Influence on Both Sides of DACA

The Cato Institute is no stranger to the Supreme Court, regularly appearing at or near the top of lists of most-cited amicus curiae (friend of the court) briefs. Less usual was the result in *Department of Homeland Security v. Regents of the University of California*, decided in June. In this case, which involves the Trump administration's efforts to end the Obama-era immigration policy known as Deferred Action for Childhood Arrivals (DACA), Cato's influence could be seen in both the majority and the dissent.

As a policy matter, there is widespread support for extending some kind of amnesty to DACA recipients, who were brought to the United States illegally as children but have since grown up and established their lives here. Approximately 750,000 people have participated in the program, which offers work permits and defers possible deportation for those who meet certain criteria.

The majority opinion in the 5–4 case by Chief Justice Roberts, through a chain of citations to the brief filed by the plaintiffs, pointed to a Cato estimate that the fiscal cost of immediately deporting those currently in the DACA program would be over

\$60 billion, along with a \$215 billion reduction in economic growth over the next decade (Cato Working Paper no. 49, by Logan Albright, Ike Brannon, and M. Kevin McGee). The decision also cited, through a

brief by 143 businesses, the calculation by David J. Bier on the Cato blog that hiring and training replacement workers would cost employers \$6.3 billion. The substantial costs at stake were a factor in the majority's decision that the Trump administration's attempt to rescind DACA ran afoul of the Administrative Procedures Act and its process for establishing new rules and policies through executive action.

In contrast, the legal basis for the Obama administration's original action has been criticized as an example of executive overreach. Even if DACA is good policy, Congress must act and the president cannot unilaterally rewrite immigration laws. This was the focus of Cato's own amicus brief in the case, which advanced several arguments picked up by Justice Clarence Thomas in his dissent.

The dissent agreed that Congress must provide some intelligible limiting principle to guide the use of executive discretion to not run afoul of the nondelegation doctrine. Thomas also incorporated similar arguments about the major questions doctrine, which requires Congress to be clear and unambiguous in delegating decisions of substantial consequence to the executive branch. Thomas's dissent cited the same precedent as Cato's brief to affirm the rejection of an "adverse possession" theory of executive power. Lastly, both Cato's brief and Thomas's dissent emphasized the Constitution's Take Care Clause, which requires that the president "take care that the laws be faithfully executed."

Immigration reform is desperately needed, and the case of DACA recipients is especially sympathetic. Ultimately, the matter could be made moot if Congress acted. Until then, even on a divided court, Cato's influence can be seen in both the majority's emphasis on negative policy consequences and the minority's adherence to the separation of powers. ■

Fred Schilling, Collection of the Supreme Court of the United States



Cato News Notes

CATO WELCOMES LINCICOME

Scott Lincicome, one of the nation's leading experts on trade policy and international trade law, has joined the Cato Institute as a senior fellow in economic studies, where he will specialize in trade and economic dynamism. Before joining Cato, he practiced international trade law at White & Case LLP, where he litigated major trade disputes, in addition to teaching as a visiting lecturer at Duke University Law School. He was also previously an adjunct scholar for Cato, but now he will be applying his expertise full time to Cato policy work.

RAVE REVIEWS

The *Radio Right: How a Band of Broadcasters Took On the Federal Government and Built the Modern Conservative Movement*, by Libertarianism.org's Paul Matzko, has attracted several positive reviews. *Patheos*, the *New Republic*, and former *National Review* editor Jonah Goldberg praised the book for its exploration of how the Kennedy administration used the Federal Communications Commission and the Internal Revenue Service to suppress right-wing radio shows.

EKINS SURVEY WIDELY HAILED

The Cato Institute Summer 2020 National Survey, by director of polling Emily Ekins, has received widespread notice for its finding that 62 percent of Americans feel that they must withhold political opinions for fear of giving offense. *The Economist* published an article on the results, which were also discussed by David Brooks in the *New York Times*, Cass R. Sunstein in *Bloomberg Opinion*, Jeff Jacoby in the *Boston Globe*, and Rush Limbaugh.



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In June, Cato hosted a policy forum to assess the current state of U.S.–North Korea relations, marking the second anniversary of the summit between Donald Trump and Kim Jong-un. 1. **Doug Bandow**, Cato senior fellow. 2. **Suzanne DiMaggio**, chair of the Quincy Institute for Responsible Statecraft. 3. **Victor Cha** of Georgetown University and the Korea Chair at the Center for Strategic and International Studies. 4. **David Kang**, director of the Korean Studies Institute at the University of Southern California.

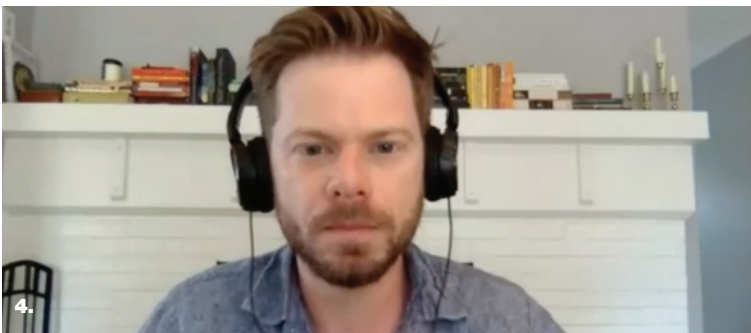
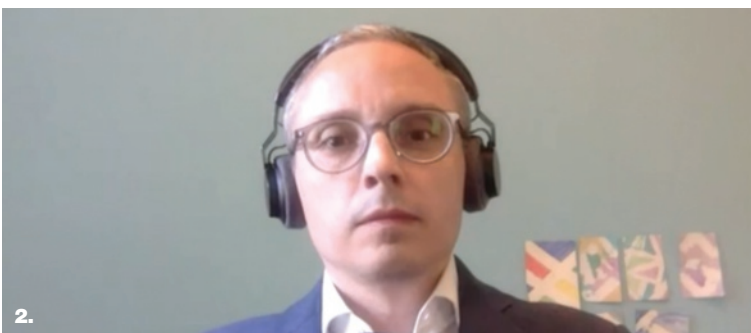
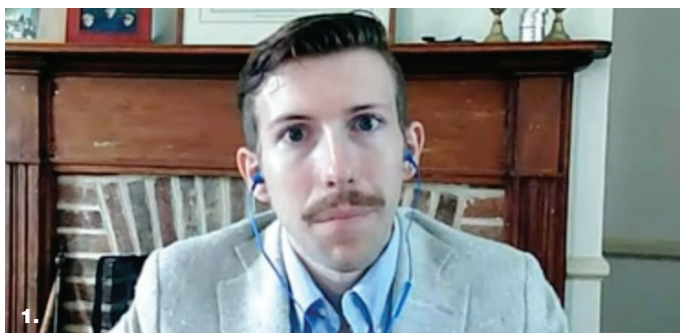
Sir Paul Tucker, former deputy governor of the Bank of England, participates in a Cato conference in June discussing ways to prepare the Federal Reserve for the next major crisis and lessons that can be learned from the 2008 financial crash and this year's pandemic-induced recession.



Christopher Briggs (left) struggled for years to find an insurance plan under the Affordable Care Act (ACA) that covers his seven-year-old daughter's leukemia treatment. In July, he joined Cato's director of health policy studies **Michael Cannon** (center) and Harvard Medical School's **Timothy J. Layton** (right) to discuss the ways in which the ACA fails those with preexisting conditions.



Restrictive zoning and land-use regulations have driven the housing crisis in many American cities, but which regulations are most to blame? In a debate moderated by **Vanessa Brown Calder** of the Joint Economic Committee, Cato senior fellow **Randal O'Toole** pointed to restrictions in rural areas that prevent “building out” from urban cores, **Scott Beyer** of Market Urbanism Report identified the problem as density restrictions within cities that prevent “building up,” and Cato senior fellow **Scott Lincicome** argued that both policies combine to cause the housing shortage.



In July, Cato hosted a book forum with the authors of *Grandstanding: The Use and Abuse of Moral Talk*, which explores ways in which the quality of public discourse is diminished by excessively broad and unjustified claims to the moral high ground, which encourage self-interested exaggerations rather than productive discussions. 1. Policy analyst **Will Duffield**. 2. Director of Libertarianism.org **Aaron Ross Powell**. 3. Coauthor **Justin Tosi**, professor of philosophy at Texas Tech University. 4. Coauthor **Brandon Warmke**, professor of philosophy at Bowling Green State University.

2020 can expect a life that is connected, wealthy, clean, peaceful, and long. Solitary? The revolution in communication makes it easy to play chess with someone on the other side of the world. Poor? Compare \$3 a day worldwide around the year 1800, expressed in 2008 prices, to roughly \$30 a day nowadays worldwide (and roughly \$100 a day in rich countries). Nasty? Compare your Roomba-swept floor to Erasmus of Rotterdam's account of 16th-century English houses: "The floors are commonly of clay, strewn with rushes; under which lies unmo-lested an ancient collection of beer, grease, fragments, bones, spittle, excrements of dogs and cats, and everything that is nasty." Brutish? As the late Hans Rosling put it, "Hunter-gatherer societies often had murder rates above 10 percent, and children were not spared. In today's graveyards, child graves are rare." Short? Life expectancy worldwide was 29 years in 1770. It had risen by 2014 to 71.

It would be cold comfort if the gains since 1800, or 1960, had gone to the rich, as you hear claimed every day. But the poor have been the big winners. The great economist Joseph Schumpeter described "the capitalist achievement" in his 1942 book, *Capitalism, Socialism, and Democracy*: "Queen Elizabeth owned silk stockings. The capitalist achievement does not typically consist in providing more silk stockings for queens but in bringing them within the reach of factory girls in return for steadily decreasing amounts of effort." Marie Antoinette is supposed to have said, when told that the peasants had no bread, "Let them eat cake" (well, "brioche," but same difference.) In rich countries now, people worry about different problems. All of us, even the poor, have too much bread. We eat too much cake. We are on our way to a world in which everyone has "first-world" problems such as bulging waistlines, cluttered closets, and nothing good to watch on Netflix.

“
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”

**BUT NOT BECAUSE OF GEOGRA-
PHY, EDUCATION, EXPLOITATION—
OR ANY OF A LOT OF THINGS**

It didn't happen for the reasons most people—even economists—think. Science, coal, investment, education, the move to free trade, better transportation, and secure property rights were all very nice. But they didn't do it. The geography, timing, and logic of the conventional reasons don't work. For example, as McCloskey showed in crushing detail in her 2010 and 2016 books, routine investment is nice, but it is, after all, routine. Sheer accumulation, such as having six cars instead of one, runs rapidly into diminishing returns.

Capital accumulation, the rule of law, a labor market, liquid water, and the existence of the universe were among the necessary conditions for the Great Enrichment. But "necessary" doesn't mean "sufficient." The necessary conditions suggested by economists and historians were historically commonplace worldwide. Countries abounding in natural resources such as Congo and Russia have remained poor while resource-lacking countries such as Japan waxed rich. The iron ore in Red Mountain near Birmingham, Alabama, was there for eons without greatly enriching anyone. China and medieval Europe enforced the law and invested heavily in seed (and drank liquid water and existed in the universe). But they did not explode in ingenuity.

"Ah," you may think, "then the trick is science and technology." We reply: Hurrah for the natural sciences, but technology in free markets has until recently preceded

basic science, not followed it. People butchered, baked, and brewed long before they understood the chemistry involved. And yet it wasn't until about 1760 that we got the "wave" of gadgets, which led to the "tsunami" after 1800 and especially after 1900.

It also wasn't slavery or imperialism. In 1846, Karl Marx wrote to Pavel Annenkov that "direct slavery is as much the pivot upon which our present-day industrialism turns as are machinery, credit, etc. Without slavery there would be no cotton, without cotton there would be no modern industry. It is slavery which has given value to the colonies, it is the colonies which have created world trade, and world trade is the necessary condition for large-scale machine industry." It sounds plausible, but it is utter nonsense. Marx's nonsense has been exhumed recently by the King Cotton School of historians. This school is contradicted by the work about the economics of slavery by economists and historians during the 1960s and 1970s, and it has been further devastated by recent and meticulous empirical research. The argument is anyway nonsense on its face. If slavery made the United States rich, why does Canada have about the same income per person? And slavery is ancient and universal. Slaves were trafficked for centuries into markets in Algiers, just as slaves from West Africa were into New Orleans, with no hint of a Great Enrichment.

As to imperialism, the historian Niall Ferguson observes that it was the least original thing the Europeans did in the centuries before the Great Enrichment. Two centuries ago, the Scottish liberal Adam Smith and the French liberal Jean-Baptiste Say both argued that imperialism was economically unprofitable for the home country. Later research has confirmed their analysis even for the glorious British Empire. With exceptions such as Leopold II, the European elite didn't do much actual stealing from their overseas subjects. Stealing from their subjects at home was more profitable. It

turns out that stealing from poor people in India and Africa is not a very good business plan. Steal instead from France or England.

So then what, as Adam Smith asked, are the nature and causes of the wealth of nations? McCloskey in her books has shown factually what the economist Israel Kirzner asserted theoretically. Discovery, not reshuffling of existing resources by commerce or exploitation, led to riches. Kirzner argued that entrepreneurship is not chiefly about optimal shuffling. A hired manager can carry out such a routine. “The incentive,” Kirzner explained, “is to try to get something for nothing, if only one can see what it is that can be done.” We say that something for nothing came from a new rhetorical environment in the 18th century that encouraged (literally: gave heart to) entrepreneurs. As a result, over the next two centuries, production possibilities rose exponentially.

LET’S MAKE A DEAL: READING, REFORMATION, REVOLT, AND REVOLUTION MEANT REVALUATION

We prefer “innovism,” therefore, to the misleading word “capitalism,” which implies that capital accumulation caused the enrichment. Accumulation of cotton mills and university educations was not the cause any more than Rome’s accumulation of roads or China’s accumulation of Great Walls, or for that matter the Ghanaian government’s accumulation of foreign aid.

The new—and scientifically correct—theory of the cause of the wealth of nations is novel ideas, ideology, rhetoric, spirit, Geist. What matters is not some implausible claim that businesspeople became more virtuous, or more greedy, or more anxious about their salvation. That’s not what McCloskey’s “bourgeois virtue” means. It means that people started to believe that the bourgeoisie and its economic activities of trade and innovation were virtuous, or at least tolerable. In every successful lurch into modern riches from Holland in 1650

“ Societies embraced the Bourgeois Deal in three acts. ”

to the United States in 1900 to China in 2000, one sees a startling revaluation in how people thought about exchange and innovation. Deng Xiaoping is supposed to have said, “To get rich is glorious.” When the Chinese signed on to the Bourgeois Deal (in the economy, at least), they at length got bourgeois incomes.

Liberalism was slowly liberated in northwestern Europe after 1500. Meanwhile, during those centuries it was largely suppressed in the other growth-ready places such as China and the Ottoman Empire. The causes of European liberalism in turn can be gathered into four Rs. Reading material poured from the unevenly censored printing presses across a politically fragmented Europe. Reading in turn meant the Reformation of Christianity in northern Europe, which in its radical forms such as among Baptists and Quakers radically flattened church governance.

The democratization of so important a part of their lives inspired believers to look kindly on consenting acts of exchange among adults, even among women and poor men. The Quakers in particular flourished by producing such famous examples as Lloyds insurance, Barclay banks, and Cadbury and Rowntree chocolate. The third and fourth Rs caused human liberty and dignity to explode, in the successful Revolt against Spain in the Netherlands of the 16th century and the Revolutions in 17th-century England, in 18th-century France, and most of all in the new United States. The four Rs together created a fifth, a Revaluation of the bourgeoisie and its innovations. It was incomplete and imperfect, to be sure,

as on display today with movements such as Black Lives Matter. But it sufficed to act as the spring of a Great En-Richment.

Societies embraced the Bourgeois Deal in three acts that can be summarized as follows: “Allow me, in the first act, to have a go at innovating in how people travel or buy groceries or do open-heart surgery, and allow me to reap the rewards from my commercial venturing, or absorb the losses (dam it: isn’t there something the government can do about that?). I agree, reluctantly, to accept that in the second and third acts my supernormal profits will dissipate, because my lovely successes from innovating the department store or devising the laptop will attract imitators and competitors. (Those pesky imitators and competitors. Hmm. Maybe I can get the government to stop my competition.) By the end of the third act, I will have gotten rich, thank you very much, but only by making you, the customers, very rich indeed.” It’s a good deal, too. The Nobel laureate economist William Nordhaus calculated that, in the United States since World War II, consumers have earned 98 percent of the social gain from innovation. The suffering innovators (Malcolm McLean, Sam Walton, Bill Gates, Joy Mangano) have earned only 2 percent.

The Bourgeois Deal differs radically from the other deals. The Blue-Blood Deal says, “Honor and obey me, an aristocrat by birth and blood, and by the third act I at least will not have broken you on the rack or disemboweled you on the field of battle.” The Bolshevik Deal says, “Turn over everything produced according to your ability (which the Party will determine) for distribution to others according to their needs (which the Party will determine), and don’t ask why the Party elites have dachas and caviar while you have too many left-footed boots. By the third act, we might not have sent you to the gulag in Siberia or put you in a Uighur concentration camp.”

The Bismarckian Deal, named for the

German liberal-turned-anti-liberal Otto von Bismarck, offers a welfare-state truce between the Bourgeoisie and the Bolsheviks, saying, “Come to view in acts one and two the present government as your noble and benevolent lord, forsaking family and the institutions of civil society, which so imperfectly provided for elder care and emergency medical care. By act three I will at least have protected you from the terrible Bolsheviks and the worse Bourgeoisie.” The Bureaucratic Deal sneers at bourgeois innovation: “Honor me, an expert by possession of a master’s degree, and give me the power to tax and regulate you in the first act, and also in the second and all subsequent acts. I forbid you under penalty of legislation (which I write) from seeking a better deal, such as by moving your factory to Mexico, shifting your money to the Cayman Islands, operating a business without a government license (which I give out), or working for less than a decreed minimum (which I determine). If you follow my orders and keep paying your taxes, then by the third and subsequent acts I will at least not have jailed you.”

These other deals are recipes for what at best might be an orderly stasis. Historical experience suggests that they are often recipes for blood-spattered poverty. Better to have the Bourgeois Deal. Of course, no polity is perfect: McCloskey’s Sweet Home Chicago and Carden’s Sweet Home Alabama mix Bourgeois-Dealing innovism and Bolshevik(-ish)-Dealing of socialized control of the means of educational production under the auspices of a Bureaucratic-Dealing license raj, a Bismarckian-Dealing welfare state, and Blue-Blood-Dealing political machines. Out of the crooked timber of humanity no straight thing was ever made. But since 1800, we have managed under the new liberalism of Voltaire and Smith and Wollstonecraft to get enough of the Bourgeois Deal to produce the Great Enrichment. Huzzah!

“The Great Enrichment comes out of liberalism.”

KEEP CALM AND CARRY ON

Beware of the distractions. The real problems, without which the other problems don’t get solved, have always been tyranny and the poverty it leads to. Not the environment or alienation or the sick hurry of modern life or whatever new worry the clerisy comes up with this afternoon. Worrying about economic inequality, for example, distracts from the main story of the modern world. The Dutch and the British slowly learned centuries ago, and the Chinese and Indians finally realized a few decades ago,

that the salvation for the wretched of the earth is the Great Enrichment that comes out of liberalism, not restrictions and redistributions imposed by governments. As the economist Thomas Sowell is fond of saying, people live on real income, not on income shares. The early 21st-century obsession with within-country inequality, in short the differences between the Global Mega Rich and the Global Merely Rich, is scientifically erroneous and ethically wrong.

Contrary to what you hear daily, the world is getting better, and the poor are the big winners. We need to keep our ethical wits about us, and not, for example, decide in a fit of COVID-19 panic to abandon the liberal project of encouraging innovism among a free people. Liberalism has massively enriched the descendants of peasants and slaves and the lowest of the low—that’s you and us. Let’s keep it. ■

“Find out why, if you are not an optimist, you should be.”

—VERNON L. SMITH, *Nobel Prize-winning economist*



The world is, for the most part, getting better. While major concerns such as climate change, marine plastic pollution, and declining wildlife populations are still with us, many of these problems are already in the process of being ameliorated as a result of favorable economic, social, and technological trends. *Ten Global Trends Every Smart Person Should Know: And Many Others You Will Find Interesting* will provide busy people with beautifully illustrated, quick-to-read, easily understandable, and entertaining access to surprising facts that they need to know about how the world is really faring.

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A New Kind of Empire

In July, Cato research fellow Emma Ashford moderated a forum on the history of U.S. hegemony in international affairs, featuring the authors of two important recent books on the subject. **Richard Maass** is associate professor of political science at the University of Evansville and author of *The Picky Eagle: How Democracy and Xenophobia Limited U.S. Territorial Expansion*, which seeks to explain America's historical reluctance to engage in territorial conquest compared with other major powers. **Patrick Porter** is professor of international security and strategy at University of Birmingham and the author of *The False Promise of Liberal Order: Nostalgia, Delusion, and the Rise of Trump*, which criticizes the notions at the heart of the 20th-century Wilsonian international order, born directly out of some of the historical and ideological influences Maass explores.

RICHARD MAASS: My book, *The Picky Eagle*, really began with a pretty simple curiosity. And that is, why does the United States in the 20th and 21st centuries look very different from most great powers and hegemonies of the past? And in particular, what are we to make of the fact that the United States based its liberal international order on a prohibition of international conquest?

This goes against centuries of international law that recognized conquest as a valid spoil of war. And to answer that question, I looked back a little further in history, at the map that probably most of us are familiar with, of 13 colonies expanding across the continent to the Pacific. But what stood out to me about that map was, why not Canada, Mexico, Cuba, or other territories? Why did the U.S. stop where it did?

I decided to go about this in contrast to many of the conventional accounts, which would look at the profitability of conquest. There is a lot of literature in international relations pointing to great powers basically expanding where conquest pays, and not expanding where it doesn't pay. Instead, I looked at the domestic, political, and normative sides of annexation.

My central argument basically boils down to the idea that U.S. leaders looked at the opportunities that they had and didn't just think of them in material terms. They thought about the domestic, political, and normative consequences of annexing those territories, and sometimes they decided that those territories were simply not desirable.

And the biggest reason they didn't want to pursue some of those territorial opportunities had to do with this interplay between democracy and xenophobia. Essentially, there are two main dynamics here. If you are a U.S. leader, you don't want to annex a territory that's going to reduce your own domestic political influence. If you think that the people in a particular territory are unlikely to vote for you, you wouldn't want to annex that territory.

On the flip side, you also wouldn't want to annex a territory that would make your country worse in your own eyes. Leaders have normative visions for their state. They want to make it closer to some sort of ideal that they hold. If annexing that territory would move it further away from that ideal, then they wouldn't want to do that.

When U.S. leaders confronted the ac-

quisition of densely populated territories and they saw the populations of those territories as fundamentally alien and unfit for U.S. citizenship, they just decided those populations were better left independent. U.S. leaders established a pretty clear dividing line, even very early on, against the annexation of large foreign populations.

As early as the war of 1812, the United States declared war on the United Kingdom in the context of Napoleonic Wars and British maritime restrictions on U.S. trade. That confronted them with this choice: Do we want to annex Canada if possible? But most U.S. leaders didn't actually want to, including the Madison administration and most of Congress. And it had a lot to do with the population of Quebec: Francophone, Catholic, and monarchist.

Fast-forward to the Mexican-American War, and U.S. leaders again are faced with this decision: Do we want to press forward and annex southern Mexico or not? American forces captured Mexico City, which is usually a turning point where the empire would say, "We've won. We claim all the territory of Mexico as ours." And yet, U.S. leaders didn't do that. President Polk was looking to capture Mexico City to end the war as quickly as possible once he got California, which was his primary goal. U.S. leaders very quickly rule out the populous part of Mexico and instead keep California, Texas, and the sparsely populated territory in between. But then America becomes very content with a stable border with Mexico.

One place that the United States does annex is Hawaii. Politicians openly debate the unfitness of many people living there for U.S. citizenship, but they decided that the population was small enough, and the government was sufficiently in the hands of American businessmen at the time, that it could be essentially Americanized. This

is a very common term. U.S. leaders weighed the “Americanization” possibilities of different territories as they were considering annexing them or not.

In contrast, you see opposition to annexation of Cuba even from someone like Vermont senator Redfield Proctor, who traveled to Cuba, came back, and gave one of the most influential speeches bringing the United States into war against Spain, largely for the purpose of relieving humanitarian suffering and genocide in Cuba under Spanish rule. In that same speech, he said he doesn’t favor annexation because there’s not enough of an American guiding element there, that it would be annexing too many “people of foreign tongue and training,” as he put it. Those were not radical views. They were the conventional, consensus views across majorities in Congress and the general public.

By the end of the 19th century, U.S. leaders essentially look out at the world and say that we don’t have any desirable targets left. They had, decades prior, ended their interest in Canada and Mexico. In 1898, they were faced with the ultimate decision on Cuba, as well as Puerto Rico, Guam, and the Philippines, and pursued an imperial regime in those territories rather than annexing them and putting them on a path to statehood.

Then the imperial experience, especially the protracted guerilla war in the Philippines, shapes American views moving forward about the prospects for long-term imperialism abroad. And all of that, moving into the 20th century, contributes profoundly to a foundation for people like President Woodrow Wilson, who stepped forward onto the world stage and said the United States is no longer interested in conquest. In fact, nobody should be. Conquest should be an illegitimate practice. We should outlaw it under international law.

Getting back to the foundations of this liberal international order, what this history shows in one very prominent way is

that one of the central foundations of that order, the prohibition of conquest, is not really based on liberal ideals.

Instead, it was based on something very selfish and very biased, and that was the simple old-fashioned bigotry that was pervasive throughout U.S. society and leadership across the 1800s. Moving forward we can see shadows of it in the enduring impact of



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The United States
has always been
a picky eater.
”

these biases in U.S. society, ultimately influencing what has become modern nationalism. Which, even though it is kind of tempered in its racism or religious intolerance, still has the fundamental priority of saying these people belong in this country and these other people belong outside of this country. Those kinds of identities can very profoundly shape foreign policy.

U.S. leaders looked out at the world and knew that, as a country, you are what you eat. And the United States has always been a picky eater.

PATRICK PORTER: I want to talk about one thing that connects our two books. And that is this notion of hegemony, and the quite complicated relationship between territory and rule, which is what Richard so brilliantly explores in his book.

My book is an attack on the idea of a liberal international order. It’s not primarily a complaint about American foreign policy. It’s more of an observation, or an argument about the tragic ways of international life itself. And in a nutshell, I say that liberal order is a contradiction in terms. That ordering, creating hierarchies on your terms abroad, is rough work. It’s brutal and involves illiberal compromises because the world is an illiberal place.

I particularly want to talk about the idea that America’s international primacy was unique because it was nonimperial. That is, one of the claims that’s made by some admirers of American foreign policy is that America did not have an empire, it had hegemony, or leadership that is non-imperial.

This is actually an older idea that we can trace back at least to George Grote, the British liberal historian of the 19th century, who drew a sharp distinction from the differences between hegemony, a sort of consensual rule over a coalition or an alliance, and *arche*, meaning a much more dominating power.

But in fact, looking at those texts, you see that these things are much more interchangeable, and much more on a continuum. And as Richard was talking, I was thinking about an incident that happened earlier this year, where the Iraqi parliament passed a resolution requesting that the U.S. forces leave the country. And the U.S. State Department issued a response saying that America is a force for good in the Middle East and at this time any delegation sent to Iraq will be dedicated to discussing how to best recommit to our strategic partnership, not to discuss troop withdrawal. But we want to be a friend and partner to

a sovereign prosperous and stable Iraq.

So we have this quite stark contradiction between claiming to liberate and be a benign partner of a sovereign people, and yet refusing even to talk about whether you're going to keep your garrisons there against the explicit request of the nation's supposedly sovereign legislature. This is, I think, a theme that runs through much of the American foreign policy tradition. There is that desire, genuinely, to liberate. But there is also a real desire to exert control.

It's partly, as Richard says, from this self-image of being a virtuous republic and being averse to conquest and annexation. And yet, we still very much want to project power and behave in ways that can be fairly called imperial. What do I mean by behaving imperially? I mean exerting a final veto, or control, or very substantive say over another sovereign state's autonomous decisionmaking.

One of the things that's happened in the formation of America's identity as a superpower is the idea that, because we don't do formal annexation, therefore it isn't really imperialism. But of course, you can have empire without formal annexation. Empire can operate in a number of ways. And it doesn't necessarily have to be about land hunger.

Why do I say that we can't easily have liberal order? For three reasons. First, we're talking about leadership, which is often a euphemism for dominance. But the problem with that is that it requires followership. It requires acquiescence. Even in a world with the least-bad hegemon we've ever had, the United States, that still meets resistance.

When American leadership meets resistance, it typically responds with something resembling the smack of government and imperial authority or, in other words, coercion. One of the problems with a lot of Trump-era nostalgia for a better liberal order is it writes out a lot of the sheer violence in history: the violence in South America, the violence across the wars of the Cold War in Southeast Asia and the Middle East. But it also erases much of the coercion

that has happened in the so-called heartlands of the liberal order in western Europe. A lot of threats and worse have gone into building and maintaining that.

The second problem is one of rules and regularity. You often hear the phrase "rules-based liberal international order." But one of the difficulties here is that we're also talking about power and ascendancy. In order



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You can
have empire
without formal
annexation.
”

to retain one's preponderance, that means reserving the right to step outside rules, to route around rules, to reinvent them, even to break them.

And so we have an order in which the superpower does design institutions and rules with which it wants to bind other states, but it also reserves a special privilege against submitting itself to those same institutions and rules, like most hegemons do.

On Monday it can be about sovereign autonomy, but on Tuesday it can be about

a benevolent regime change. On Wednesday it can be about bombing countries without a UN Security Council resolution. Or take the International Criminal Court and all the exemptions and carveouts the United States got in order to not be subject to it, including exerting pressure on other countries in ways that no other nation could.

The third problem is one of security dilemma. And that is that, even if you did have a hegemon that really did consistently, sincerely want to have a rules-based liberal international order in which it was itself subject to those rules, it would still involve the accumulation of what would look like overwhelming and threatening levels of power over its rivals and its adversaries.

It would be indistinguishable from acquiring a threatening preponderance of power, and no responsible official in Beijing or Moscow or Tehran or Pyongyang could afford to take that on trust. Because even if you have good, liberal intentions today, they might change tomorrow, or 10 years down the track.

So we're left with a paradox. America's foreign policy since 1945 has been, I think, a very mixed bag. There have been some great achievements and some avoidable errors and self-harm and disasters. One of the things I argue is that the United States has actually done best when it's tried to accept the reality of illiberal forces. Such as the opening to China, which is based on a lot of very, very hard compromises and betrayals, when you consider Tibet, Taiwan, and Hong Kong. The silence about the Bengal genocide in 1971. The Dayton Accords in Bosnia, which made peace with genocidaires and authoritarians. Even rebuilding Germany and Japan was a darker business than people like to remember: it involved collaboration with fascists of the old order and the imposition of a lot of starkly illiberal policies ranging from censorship to collective guilt.

It's when overreaching, overambitious utopian ideas about liberalizing the world

Continued on page 17

New book explores the principles of historiography

A Brief History of the History of Liberty

Liberal ideas, including libertarianism among their modern descendants, have had profound influence on the study of history and conceptions of how historians should approach their task. Unlike those in some other ideological schools, liberal scholars have never combined these principles into a single official theory elevated to the status of ideological dogma. For some liberal historians, that's part of the point. But that doesn't mean that there aren't principles that have informed how advocates of liberty have approached the topic.

Providing insight into this "history of history" is the purpose of *The Liberal Approach to the Past: A Reader*, edited by Georgetown University's Michael J. Douma and newly released by Cato's Libertarianism.org. As Douma explains in the introduction, "this reader contains a carefully selected collection of writings on historical methods and the philosophy of history penned by liberal historians," ranging from 19th-century classical liberals such as James Anthony Froude and Heinrich Reichert to 20th century libertarians like F. A. Hayek and Roy A. Childs Jr. Many had fallen out of publication and were located through Douma's own archival research.

Douma identifies four broad principles that liberal historians have been associated with, some of which have become mainstream practice. The first, which might seem self-evident, was once not nearly so universally accepted. That is the idea that "historical writing should aim to describe reality" and that this reality is objective and can be constructed from evidence to produce accurate historical accounts. The purpose of history is to record and reflect reality, not to propagandize contemporary politics or tell morality tales.

The second principle is that historical knowledge is different from the natural sci-

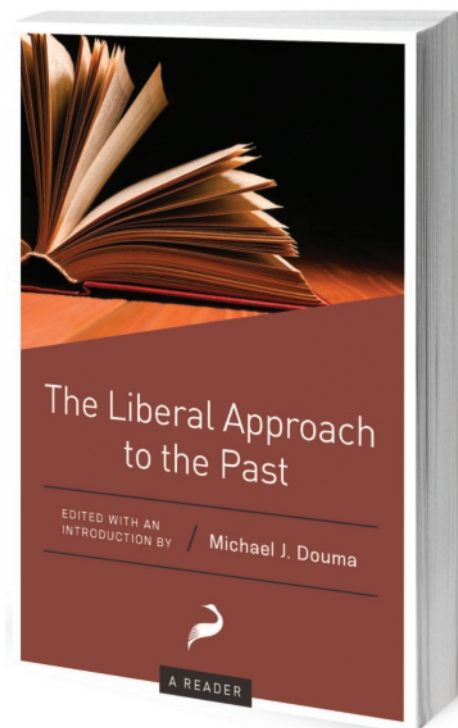
ences and social sciences and that history is an autonomous discipline with its own methods. Thus, liberal historians have largely resisted efforts by other disciplines to apply their ill-suited methodologies to the study of history. What works for identifying the mechanisms of atomic chemistry or planetary physics will not get you very far in trying to determine why a nation's parliament passed a particular bill in a particular form in a particular year.

The third principle is one that has been relevant to a number of ideological disputes, particularly but not exclusively with Marxist schools of thought. This is a firm rejection of any notion of "laws of history" or historical determinism. There is no grand sweeping outside force, be it class or race or abstractly defined progress, that acts as a script dictating the actions of individuals or the widely differing contexts of time and place.

As Douma explains in his introduction, "To liberal ears, any defense of 'laws of history' suggests that the behavior of individuals is limited or determined. It seems that to retain our moral judgment, both as historians and as historical actors, we require at a minimum the freedom to think and act."

Finally, liberal historians have insisted on methodological individualism and have opposed personifying abstractions such as the nation-state of *Volksgeist*. Only individuals act, and their actions must be explained as such. Abstractions are at best useful for everyday speech, but they should not be personified and made the subject of independent analysis as if they were real historical actors.

Some of these principles have become so widespread that they are no longer unique to political liberals, but rather reflect simply mainstream assumptions about the correct way to conduct writing and research about history. Others remain contested, sometimes on their own merits and sometimes



for the way in which they clash with the ideological priors of nonliberals.

Austrian-born economist Joseph Schumpeter provided one rebuttal of historical determinism in emphasizing the transformative role of ideas. History takes place in the context of material conditions, but the real motive force is how individuals react to those conditions, which are shaped by their ideas and values. Change is brought about by creativity, and not merely the deterministic application of material conditions.

Views about history and its nature reflect important premises about our view of reality itself and human nature. In illuminating these principles, *The Liberal Approach to the Past: A Reader* offers an important addition to the literature and addresses a topic that has too often been neglected in the study of liberal ideas. ■

THE LIBERAL APPROACH TO THE PAST: A READER IS AVAILABLE AT CATO.ORG/BOOKS AND THROUGH BOOKSELLERS AND ONLINE RETAILERS NATIONWIDE.

Inspired by Milton Friedman, new guide takes aim at an intractable problem

How to Avert a Fiscal Catastrophe

The past decade has seen numerous attempts to tackle America's growing debt crisis, and each has ended in defeat as the national debt has soared to more than \$26 trillion dollars. In *A Fiscal Cliff: New Perspectives on the U.S. Federal Debt Crisis*, a collection of essays edited by economists John Merrifield and Barry Poulson, the problem is tackled anew from a public choice perspective. The incentives embedded in the current budgetary process are the real driver of the problem, and real reform means process reform, not just articulating concrete policy objectives.

In the foreword, David Walker, U.S. comptroller general from 1998 to 2008, explains bluntly: "The truth is that federal policymakers have lost control of the budget. Today only about 30 percent of the federal budget is controlled by Congress (discretionary spending), down from 97 percent in 1913." By putting so much spending on autopilot, the annual budgetary process by politically accountable legislators is reduced to marginal tinkering around the edges. The results have been catastrophic.

A Fiscal Cliff is dedicated to Milton Friedman for his seminal contributions to rules-based fiscal and monetary policies. It grew out of the Friedman Project, "an ambitious program to restore America's fiscal constitution." The book collects papers written by the participating scholars on the topic of the debt crisis, and it is the first in a series of publications planned for the Friedman Project.

The bleak picture painted is that current policies are simply not sustainable. Entitlement programs are all on the path to bankruptcy, and state and local governments face fiscal cliffs of their own after years of inflated wages and benefits to public sector workers.

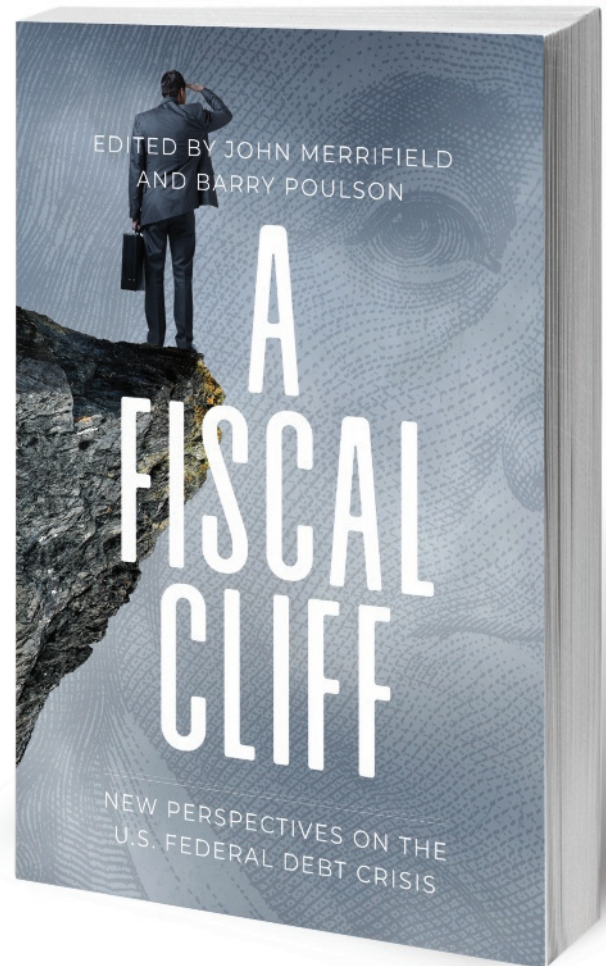
The first several chapters lay out the his-

tory of how we got here, putting us in a precarious position even before COVID-19 wrecked the global economy and government budgets. Then comparison is made to international fiscal rules and steps other nations have taken to avoid calamity. These rules include cyclically balanced budgets, adopted successfully in Switzerland, and have resulted in successful reductions in debt-to-GDP ratio.

A Fiscal Cliff might paint a dismal picture of the status quo, but it is not without solutions. One key fix would be moving more spending back into the budget, rather than leaving it on perpetual autopilot as so-called mandatory spending. Other rules would adopt stringent expenditure limits combined with automatic budgetary penalties if those limits are exceeded.

One important solution is already official policy and has been for decades; it just needs to be given teeth to avoid circumvention. The 1974 Congressional Budget Act requires lawmakers to agree on a budget resolution as the framework for the year's tax and spending bills, requiring Congress to set a revenue floor and an expenditure ceiling that are then enforced through automatic sequestration. But when Congress is up against the wall, it has almost always waived the limits intended to tie its own hands.

The book lays out the case for fundamental institutional changes. A no-bailout rule should be entrenched as a firm bulwark against moral hazard. Balanced-



budget and supermajority requirements could be adopted through amendments to the Constitution. Transparent and rational budgeting processes must be legislated and then vigorously enforced against efforts to undermine or evade them.

A debt crisis in the United States would be profoundly destabilizing to the global economy and could inflict immense harm on Americans. But the ultimate message of *A Fiscal Cliff* is that it's not too late. By adopting urgently needed changes, there is still time to turn away from the cliff. ■

A FISCAL CLIFF WILL BE RELEASED IN OCTOBER 2020 AND IS AVAILABLE AT [CATO.ORG/BOOKS](https://cato.org/books) AND THROUGH BOOKSELLERS AND ONLINE RETAILERS NATIONWIDE.

A comprehensive response to common errors in the education debate

Setting the Record Straight on School Choice

In the past few decades, school choice has gone from a theory on the outer edges of policy debate to one of the primary disputes in modern education policy in the United States. Legislators around the country have increasingly turned to the ideas of choice and private education as solutions to the stagnant and ineffective system of monopoly public schools run directly by the government. But this change has not been without controversy, and opponents of school choice are increasingly vocal.

In *School Choice Myths: Setting the Record Straight on Education Freedom*, editors Corey A. DeAngelis, Cato adjunct scholar and director of school choice at the Reason Foundation, and Neal P. McCluskey, director of Cato's Center for Education Freedom, present a collection of essays responding to 12 of the most common, and erroneous, criticisms of school choice.

Most criticisms of school choice focus on allegedly negative consequences for the students or, more often, for the status quo public schools. Funding concerns play a prominent role, with private educational options denounced for "taking" money out of the public school system. But this is not how reality has played out, as explained by Ben Scafidi and Marty Leuken in one chapter. First, funding following the individual student doesn't leave students or their families worse off, and that's what should really matter. But also, the way most school choice programs have been structured, only a portion of the per-pupil public school funding is allocated to follow the student to a different school. Rather than catastrophically defunding public schools, this actually leaves them with higher per-pupil funding.

What about equality? Will unrestrained competition lead to some students prospering while others are consigned to fail-

ing institutions? This sorting concern seems plausible, particularly for those with a dim view of parents' ability to consistently make wise and informed choices. But the reality is that competition improves outcomes across the board, including for those remaining in public schools.

One particularly misguided criticism equates the movement for public choice with crypto-racism and the segregationist politics of the civil rights era. In his contribution, historian Phillip W. Magness dismantles this claim, which he asserts is built on intentional misreading of the evidence and flawed historical methodology. And, of course, segregation was itself a policy of public schools, enacted by state law and entrenched by their monopoly.

Other chapters address concerns about special needs students, economic inequality, the supposed need for public schools to inculcate civic republicanism, and claims that education is a good uniquely unsuited for free markets.

These arguments have been promoted by a variety of interests, but none more vociferously than by the unions representing public school teachers, which exercise considerable influence on state and local politics. Through this self-dealing symbiosis, policies have often revolved around restricting employee discipline and pushing fiscally unsustainable salary and benefit

Setting the Record Straight
on Education Freedom

School Choice Myths

Edited by Corey A. DeAngelis
and Neal P. McCluskey

policies. Education policy becomes an interaction between politicians and the unions who avidly support their reelection.

School choice offers the alternative of putting parents back in the driver's seat. It's no surprise, then, that entrenched special interests have fought back hard against the growing spread of school choice programs. *School Choice Myths* offers a go-to guide for rebutting their claims and defending the value of educational freedom. ■

SCHOOL CHOICE MYTHS: SETTING THE RECORD STRAIGHT ON EDUCATION FREEDOM IS AVAILABLE AT CATO.ORG/BOOKS AND THROUGH BOOKSELLERS AND ONLINE RETAILERS NATIONWIDE.

Applying the principles of liberty to pandemic response

The Policy Guide to a Public Health Catastrophe

The COVID-19 pandemic has upended public policy, with radical and unprecedented policy responses sweeping the globe. With so much uncertainty and with massive consequences at stake, policymakers should be able to turn to sound, nonpartisan, data-driven advice. Cato is supplying just that, with a wide-ranging new online guide, *Pandemics and Policy*. In this publication, Cato scholars provide a principled overview of the good, the bad, and the simply difficult policy choices we are confronted with during the spread of a deadly communicable disease.

While COVID-19 continues to ravage global health and the economy, the lessons we can take from it aren't limited to the present circumstances alone. Outbreaks of contagious disease are not uncommon. Recent years have seen other examples, such as Ebola and SARS, and it is likely that the aftermath of the current pandemic will make governments even more sensitive to the risk posed by new diseases.

In a format similar to that of the acclaimed *Cato Handbook for Policymakers*, Cato scholars address their policy areas of expertise and provide a realistic, actionable guide for measures that can be taken and those that should be avoided.

One hard question is the apparent tradeoff of liberty versus health with various mandatory countermeasures, ranging from masks to lockdowns, intended to help contain a disease outbreak. There are constitutional questions about the limits of government power, addressed by Ilya Shapiro, director of the Robert A. Levy Center for Constitutional Studies. Another chapter, by Peter Van Doren, senior fellow and editor of *Regulation* magazine, considers the degree to which law and policy can be successfully guided by scientific expert-



ise, an issue that continues to be a point of contention with COVID-19.

A pandemic like this one also presents dire concerns for privacy and Fourth Amendment rights, when one of the most effective countermeasures available is contact tracing of known infected persons. As benign as the purpose is, if not done carefully it could amount to constructing an Orwellian panopticon. Striking the right balance, and opting for more effective and less intrusive ways to achieve contact tracing, is the subject of a chapter by Matthew Feeney, Julian Sanchez, and Patrick Eddington, who among them possess a range of relevant experience on technology, surveillance, national security, and civil liberties.

While proposals for contact tracing are being weighed, we must also confront the massive government failure that delayed and bungled early testing and detection efforts. Adjunct scholars David A. Hyman and Charles Silver, authors of *Overcharged: Why Americans Pay Too Much for Health Care*, trace the regulatory dysfunction and bureaucratic delays that hindered America's response right when it mattered most. In any accounting of COVID-19 policy failures that must be addressed, the FDA (Food and Drug Administration) and the

CDC (Centers for Disease Control and Prevention) must face a serious reckoning, as must the regulatory hurdles and occupational licensing requirements placed on doctors and hospitals by state and local governments.

The economic catastrophe has brought back some bad old ideas about state intervention in the markets. Ryan Bourne, who occupies the R. Evan Scharf Chair for the Public Understanding of Economics at Cato, explains the harsh realities of how ineffective and counterproductive wage and price controls can be, even in a time of crisis and shock when politicians and the public alike often find such measures most appealing. Senior fellow Michael D. Tanner, author of *The Inclusive Economy: How to Bring Wealth to America's Poor*, looks to the future and to how we can hope to achieve a robust and inclusive economic recovery.

The initial entries for *Pandemics and Policy* were published online at [cato.org](https://www.cato.org) in September, with additional chapters to follow. Ultimately, the topics addressed will effectively include the entire range of Cato's policy work, including education, immigration, foreign policy, constitutional separation of powers, monetary policy, and government budgets. ■

1.



Jeffrey A. Singer, MD

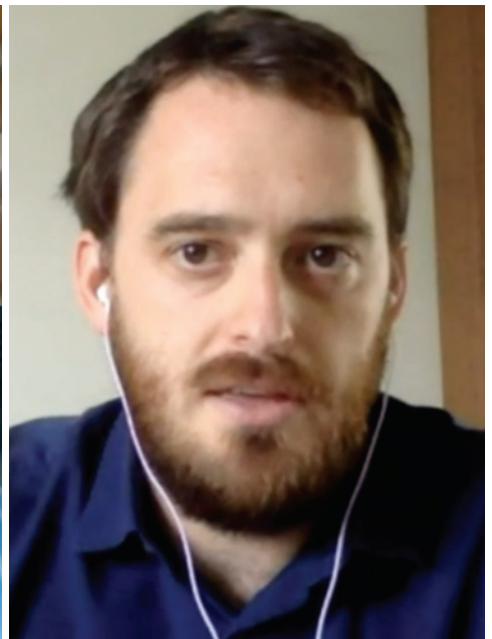


Maia Szalavitz



Leana S. Wen, MD, MSc

Harm reduction is a strategy that has been embraced by many public health experts to address problems such as HIV and drug abuse. In June, **Jeffrey A. Singer**, surgeon and Cato senior fellow, held a policy forum to discuss possible applications of the harm reduction strategy to the COVID-19 pandemic. He was joined by author and journalist **Maia Szalavitz** and physician **Leana S. Wen**, a former Baltimore health commissioner now working with George Washington University's Milken School of Public Health.



In June, **Ilya Shapiro** (left), director of Cato's Robert A. Levy Center for Constitutional Studies, continued his series of policy forums on constitutional questions raised by the COVID-19 pandemic, discussing lawsuits over shutdown orders as well as testing and contact tracing with Commissioner **Christine Wilson** (middle) of the Federal Trade Commission and **Matthew Feeney** (right), director of Cato's Project on Emerging Technologies.



(Left to right): Cato trade scholars **Daniel Ikenson**, **Inu Manak**, and **Simon Lester** participated in a July policy forum on the future of the World Trade Organization (WTO), along with Cato adjunct scholar and former WTO chief judge James Bacchus (not pictured), who participated by audio.

JUNE 3: Harm Reduction as a Public Health Strategy for Pandemics

JUNE 4: Building a Modern Military

JUNE 5: Coronavirus and the Constitution III: Shutdown Lawsuits, Testing, and Contact Tracing

JUNE 8: COVID-19 and the Right to Test

JUNE 12: Terrible Twos? Taking Stock of U.S.–North Korea Relations Two Years after Singapore

JUNE 15: Homeschooling: Protecting Freedom, Protecting Children

JUNE 17: Build Up or Build Out? Solving the Housing Crisis

JUNE 25: A Fed for Next Time: Ideas for a Crisis-Ready Central Bank

JULY 6: *Grandstanding: The Use and Abuse of Moral Talk*

JULY 9: Supreme Court Balks, but Congress Should Act to Restore Its Authority over Trade Policy

JULY 16: The Future of the World Trade Organization

JULY 23: *Fewer, Richer, Greener: Prospects for Humanity in an Age of Abundance*

JULY 28: Does the Affordable Care Act Discriminate against the Sick?

JULY 30: Hegemon: American Territorial Expansion and the Creation of the Liberal International Order

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Cato Calendar

DIGITAL CURRENCY: RISK OR PROMISE?

**38th Annual Monetary Conference
Online • November 19, 2020**

Speakers include Phil Gramm, Jeb Hensarling, Caitlin Long, Lawrence H. White, Eswar Prasad, Jill Carlson, Jesús Fernández-Villaverde, and Charles Calomiris.

CATO INSTITUTE POLICY PERSPECTIVES 2020

**Naples, FL • Ritz-Carlton, Naples
January 25, 2021**

MILTON FRIEDMAN PRIZE PRESENTATION DINNER

**New York • Cipriani
May 26, 2021**

32ND ANNUAL BENEFACTOR SUMMIT

New York City • May 27, 2021

CATO CLUB 200 RETREAT

**Washington • Cato Institute
September 30–October 3, 2021**

33RD ANNUAL BENEFACTOR SUMMIT

**Carlsbad, CA
Park Hyatt Aviara Resort
February 24–27, 2022**

Updated information on Cato Institute events, including cancellations, can be found at Cato.org/events.

Continued from page 11

have taken hold, when they've run on unchecked, that some of the biggest disasters happen. An example would be the overnight capitalist shock therapy in post-Soviet Russia and the dismemberment of Russia's centuries-old sphere of cultural, political, and economic influence. That same utopian impulse also led to the war on terror and the campaigns to transform the

Middle East to reorder the world. It has also led to prying open poor countries to force one-sided free trade agreements.

The very moments when Washington became most intoxicated with an ideology of a crusader state, as Walter McDougall would call it, were when disaster most beckoned. The more prudent thing, instead of the nostalgia for a liberal order that really wasn't, is that we need to think about the actual real

choices that are before us, if we're to think of an alternative to the era of frequent American interventions as well as the renewed rise of oligarchy and militarism abroad.

That means thinking directly about a more restrained, more focused foreign policy, in which the U.S. aims to try to do what it can to protect its citizens' democratic liberty in an illiberal world. Because striving too hard to convert that world will not succeed. ■

Education Dysfunction

The federal government has become increasingly involved in education policy since the mid-20th century. In “**Right-sizing Fed Ed: Principles for Reform and Practical Steps to Move in the Right Direction**” (Policy Analysis no. 891), Mary Clare Amselem, Lindsey Burke, Jonathan Butcher, Jamie Gass, Neal McCluskey, and Theodor Rebarber offer an overview of current failures and suggestions for actionable reforms across seven broad topics, ranging from curricular standards to civil rights.

WHAT TO DO ABOUT IMMIGRATION

Congress has repeatedly attempted, and failed to pass, measures for comprehensive immigration reform. The comprehensive all-at-once approach has stumbled in the face of entrenched political opposition. In a Cato white paper, “**12 New Immigration Ideas for the 21st Century**,” editors Alex Nowrasteh and David J. Bier assemble 12 concrete action items that Congress could take up and that might well be passable on their own. Contributors include David Bier, Daniel Griswold, Stuart Anderson, Michael Clemens, Michelangelo Landgrave, Jack Graham, Rebekah Smith, Grover Norquist, Justin Gest, Steve Kuhn, Nathan Smith, and Robin Hanson.

FREE-MARKET IMMIGRATION

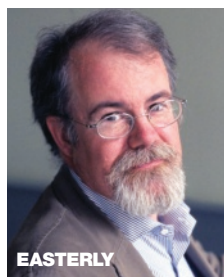
Arbitrary quotas on the issuance of work permits represent one of the most severe constraints on international labor mobility, with massive economic costs. In “**A Market for Work Permits**” (Research Briefs in Economic Policy no. 213), Michael Lokshin and Martin Ravallion propose one possible reform: allowing citizens to effectively rent out their own right to work through an anonymized market to willing foreign workers.

ARE TERM LIMITS GOOD FOR WOMEN?

In 1987, the Philippines adopted a new constitution with wide-ranging term limits intended to counter official corruption and entrenched machine politics. Unlike other measures such as gender quotas, this policy was not intended to pave the way for women to ascend to high office in larger numbers. But that’s the effect it had, according to “**Political Dynasties, Term Limits, and Female Political Empowerment: Evidence from the Philippines**” (Research Briefs in Economic Policy no. 214), by Julien Labonne, Sahar Parsa, and Pablo Querubin.

AFTER THE CONSENSUS

In the 1980s and 1990s, a package of market-oriented reforms came to dominate international policy through institutions such as the International Monetary Fund and the World Bank. Broadly, these ideas have often been labeled neoliberalism. In “**In Search of Reforms for Growth: New Stylized Facts on Policy and Growth Outcomes**” (Research Briefs in Economic Policy no. 215), William Easterly revisits some of his criticisms of this so-called Washington Consensus and concludes that the facts of the past two decades justify a position somewhere between total opposition and uncritical support for this agenda and the policy reforms that resulted.



EASTERLY

UNINTENDED CONSEQUENCES OF MANDATORY GENDER QUOTAS

In 2018, California became the first state to mandate a gender quota on corporate

boards. SB 826 requires public companies headquartered in the state to have at least one female director by the end of 2019 and at least two members on some boards by the end of 2021. In “**Do Board Gender Quotas Affect Firm Value? Evidence from California Senate Bill No. 826**” (Research Briefs in Economic Policy no. 216), Daniel T. Greene, Vincent J. Intintoli, and Kathleen M. Kahle find substantial decrease in stock returns in companies subject to the mandate, specifically tied to those firms that were required to add a mandatory board member.

GOOD MONEY AFTER BAD

The United States spends a massive amount on defense procurement, and an increasing amount of that money is being

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John Samples.....Vice President
Harrison Moar.....Executive Director of Development
Edward H. Crane.....President Emeritus

James Buchanan (1919–2013).....Distinguished Senior Fellow
F. A. Hayek (1899–1992).....Distinguished Senior Fellow
William A. Niskanen (1933–2011).....Chairman Emeritus

used to purchase goods from foreign countries. In “**Money as a Weapons System: The Promises and Pitfalls of Foreign Defense Contracting**” (Policy Analysis no. 892), Renanah Miles Joyce and Brian Blankenship examine a disturbing trend in which defense spending is being used as a tool of diplomacy and foreign policy rather than simply meeting the nation’s genuine needs. This little-scrutinized creep of defense spending into a kind of de facto foreign aid has a number of negative consequences, both for the nations on the receiving end and for American taxpayers.

BANG FOR YOUR BUCK?

Do campaign contributions rebound to the benefit of donors through rent-seeking effects on public policy? It’s a common complaint, but the effect might not be as pervasive or as effective as is commonly assumed. In “**Quid Pro Quo? Corporate Returns to Campaign Contributions**” (Research Briefs in Economic Policy no. 217), authors Anthony Fowler, Haritz Garro, and Jörg L. Spenkuch examine data from nearly 19,000 elections and nearly 3,000 firms and conclude that there is, in fact, little correlation between campaign contributions and system benefits.

CAPITAL MARKETS FOR NEW CAPITALISTS

How does finance contribute to economic growth? Policymakers around the world recognize the importance of finance for entrepreneurs in driving new growth, typically found on so-called second-tier exchanges or junior markets. In “**The Creation and Evolution of Entrepreneurial Public Markets**” (Research Briefs in Economic Policy no. 218), Shai Bernstein, Abhishek Dev, and Josh Lerner create a novel data set showing that stronger shareholder protections correlate positively with the success of these markets and their positive effects on growth.

CHINA SYNDROME

Early in the COVID-19 pandemic, President Trump imposed travel restrictions on China to slow the spread of the virus to the United States, a decision he has since repeatedly touted as prescient and effective. In “**How U.S. Travel Restrictions on China Affected the Spread of COVID-19 in the United States**” (Working Paper no. 58), Alex Nowrasteh and Andrew C. Forrester find that travel restrictions, in fact, had little effect on the number of COVID-19 cases in the United States, nor did these restrictions slow the spread of the disease.

CHARTING THE COURSE

The COVID-19 pandemic has produced dramatic shocks to the economy, resulting in equally dramatic policy response. How will the future course of the pandemic affect these policies? In “**Incorporating Scenario Analysis into the Federal Reserve’s Policy Strategy & Communications**” (Working Paper no. 59), Michael Bordo, Andrew Levin, and Mickey Levy outline a set of illustrative scenarios ranging from worst-case to relatively benign and identify the key challenges for the Fed in responding to each.

BREXIT WOES?

On June 23, 2016, voters in the United Kingdom upset expectations and voted to leave the European Union. Uncertainty is generally bad for markets, so has Brexit-driven uncertainty had negative consequences? In “**Global Effects of the Brexit Referendum: Evidence from U.S. Corporations**” (Research Briefs in Economic Policy no. 219), Murillo Campello, Gustavo S. Cortes, Fabricio d’Almeida, and Gaurav Kankanhalli find that the disruptions were real and did impact measures such as job growth and investment behavior by affected firms in the United States.

NUCLEAR NORTH KOREA

The United States has long sought to prevent and then undo the acquisition of

nuclear weapons by North Korea. That approach has been fruitless and should be abandoned in favor of normalizing relations with Pyongyang, according to “**Nuclear Anti Proliferation Policy and the Korea Conundrum: Some Policy Proposals**” (Policy Analysis no. 893) by John Mueller. The obsession with nuclear proliferation has derailed other important objectives and has led to disastrous miscalculations, he contends.

IS ASSIMILATION RESISTANCE FUTILE?

The economic assimilation of immigrants has long been one of the key strengths of the United States and remains an important topic debated in immigration policy. One recent study found a worrying trend that economic assimilation as measured by wage convergence might be declining for recent cohorts of immigrants. In “**Revisiting Economic Assimilation of Mexican and Central American Immigrants in the United States**” (Research Briefs in Economic Policy no. 220), Giovanni Peri and Zachariah Rutledge find methodological errors in this study that, when corrected, show that economic assimilation has not slowed in recent decades.

THE FAILED WAR ON DRUGS, AGAIN

The federal government’s response to the opioid crisis has largely been one of punitive incarceration and prosecution, the same old model of the war on drugs that has failed to tackle past spikes in drug dependence. In “**Kicking the Habit: The Opioid Crisis and America’s Addiction to Prohibition**” (Policy Analysis no. 894), Josh Bowers and Daniel Abrahamson explore the history of this failed approach and explain why pragmatic harm-reduction responses to drug addiction are far more likely to succeed, and without the massive negative consequences of prohibition enforced by criminal laws. ■



“To Be Governed...”

PLEASE PROTECT US FROM OUR CUSTOMERS

Business executives and front-line workers are pushing government officials to require customers to wear masks, a step that could allow companies to avoid alienating a portion of the public.

— *Wall Street Journal*, June 23, 2020

WHAT A CONCEPT

A small group of favored tech stocks are actually trading higher than before the pandemic. Take Tesla. Its quirky CEO, Elon Musk, argues that people like him, people who've become rich by building companies, are actually good for the economy.

— *NPR*, July 6, 2020

AREN'T CONSUMERS THE POINT?

The crown jewel of [Jeff Bezos's congressional] testimony “is very likely to be the consumer,” said Guru Hariharan, who years ago helped build some of Amazon's seller services and now runs CommerceIQ, which works with brands selling on Amazon.

— *Wall Street Journal*, July 28, 2020

GOOD TO KNOW THEY'VE KEPT IT ETHICAL FOR EIGHT YEARS

The vote Friday marked the first time the House had reprimanded a member for an ethics-related violation since August 2012.

— *Washington Post*, July 31, 2020

PEOPLE HAVE LESS MONEY, SO LET'S RAISE THEIR TAXES

Cash-starved cities and states across the country are starting to weigh whether to raise taxes on homes, cigarettes, local businesses, and global tech giants, hoping to rake in new revenue that might help them close the massive budget shortfalls created by the coronavirus pandemic.

— *Washington Post*, June 26, 2020

BIDEN URGES PEOPLE WITH IRAs TO VOTE REPUBLICAN

The former vice president, speaking at an event in Pennsylvania, said he wanted to end the “era of shareholder capitalism.”

“Throughout this crisis, Donald Trump has been almost singularly focused on the stock market, the Dow and Nasdaq. Not you. Not your families,” Biden said. “If I am fortunate enough to be elected president, I'll be laser-focused on working families, the middle-class families I came from here in Scranton. Not the wealthy investor class. They don't need me.”

— *CNBC*, July 29, 2020

CAN IT COME WITH FREEDOM TOO?

Starting this fall, schools in Hong Kong will display colorful new government-issued posters declaring that “freedom comes with responsibilities.” Adminis-

trators may now call the police if anyone insults the Chinese national anthem on campus. . . .

After months of antigovernment protests in Hong Kong, China's ruling Communist Party is reaching into the semiautonomous territory to overhaul an education system that it sees as having given rise to a generation of rebellious youth.

— *New York Times*, July 11, 2020

REPUBLICAN CONGRESSMAN BOOTED FOR TOO MUCH DECENCY, TOLERANCE

A Republican congressman, whose decision to officiate a same-sex wedding last year angered some local Republicans, lost his party's nomination to a conservative challenger in Saturday's drive-thru convention.

— *CNN*, June 14, 2020

IF ONLY SOMEONE HAD WARNED HER

Here are the three words that no elected official, serving or retired, wants to say: “I was wrong.”

Throughout my career, I was known for taking some very lonely votes. But I made a mistake in 2002 when I voted to create the Department of Homeland Security. . . .

— *Sen. Barbara Boxer, Washington Post*, July 25, 2020