I did not become a libertarian because I was persuaded by philosophical arguments—those of Ayn Rand or F. A. Hayek, for example. Rather, I became a libertarian because I was persuaded by my own experiences and observations of reality. There were three important lessons. The first lesson was my personal experience of socialism. The second was what I learned about the consequences of government intervention from teaching a course on financial intermediaries and markets. And the third lesson was what I learned about the origin and evolution of government from my research into the sources of economic progress in preindustrial Europe and China.

LESSON 1. MY PERSONAL EXPERIENCE OF SOCIALISM

In my youth, I was a socialist. I know that is not unusual. But I not only talked the talk, I walked the walk.

Growing up in England as a foreign-born Jew, I did not feel I belonged. So, as a teenager, I decided to emigrate to Israel. To further my plan, I joined a Zionist youth movement. The movement I joined was not only Zionist: it was also socialist. So, to fit in, I became a socialist. Hey, I was a teenager!

What do I mean by a socialist? I mean someone who believes that the principal source of human unhappiness is the struggle for money—“capitalism”—and that the solution is to organize society on a different principle—“from each according to his ability; to each according to his needs.” The Israeli kibbutz in the 1960s was such a society. The youth movement I joined in England sent groups of young people to Israel to settle on a kibbutz. When I was 18, I joined such a group going to settle on Kibbutz Amiad.

A kibbutz is a commune of a few hundred adults, plus kids, engaged primarily in agriculture but also in light industry and tourism. Members work wherever they are assigned, although preferences are taken into account. Instead of receiving

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MEIR KOHN is a professor of economics at Dartmouth College.
The Fair Speech Crusade

Despite our hyperpartisan politics, President Biden and his predecessor agree on at least one issue: Section 230 of the Communications Decency Act should be overhauled or repealed.

Section 230 immunizes internet sites from liability for two activities (with exceptions, mostly related to the sex trade and federal criminal law). First, “No provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider.” So, Twitter is not liable for Donald Trump’s tweets. Nor is the New York Times liable for online comments from readers. Second, no website is liable for “restrict[ing] access” to content that it “considers to be obscene . . . excessively violent, harassing, or otherwise objectionable, whether or not such material is constitutionally protected.” So, Twitter is not liable if it refuses to post Trump’s tweets. Nor would an online blog hosted by the Times be liable if it refused to post a reader’s comments.

Of course, private websites also have property rights—obviously a sports blog doesn’t have to post gardening ideas—as well as First Amendment defenses. Section 230, however, goes beyond the First Amendment. For example, were it not for Section 230, a court might find Facebook liable for defamation, which is not constitutionally protected. Ditto if Facebook blocked information from, say, the NAACP, notwithstanding public accommodations laws that forbid racial discrimination. Most important, Section 230 shields websites from the complications and costs of assorted lawsuits.

Does Section 230 go too far? From the left, we hear that websites are guilty of underfiltering—for example, allowing the posting of material that’s sexist, racist, dangerous, misleading, abusive, or worse. Liberals seem to believe that gullible Americans are so hoodwinked by social media that they can’t be trusted to ignore unreliable or offensive information. Our recent election suggests differently. Nonetheless, some in Congress threaten more regulation unless websites censor noxious speech. Never mind that the First Amendment bars government from coercing private parties to do what government itself may not do.

From the right, we’re advised that Big Tech is guilty of overfiltering—that is, censoring conservatives. Accordingly, say some critics, we should reinstitute a version of the fairness doctrine, which required balanced views about controversial issues. Most of the doctrine was formally repealed in 1987 and all of it by 2011, but the Supreme Court upheld it in 1969, principally because government had licensed favored broadcasters to use scarce radio frequencies. That scarcity rationale does not apply to the internet.

Today, government doesn’t allocate social media frequencies. Moreover, the giants—Amazon, Apple, Facebook, Google, and Twitter—are intensely competitive. Multiple other social media companies (e.g., Reddit, Discord, LinkedIn, and Snapchat) boast hundreds of millions of followers. The availability of alternative channels of communication blunts the market power argument. There’s simply no need to foist neutrality on social media. Ironically, more government regulation would ultimately concentrate market-power in giant companies that can best afford the heavy burden of compliance and litigation. That may explain why Facebook seems receptive to federal intervention.

Nor should we saddle websites with the unmanageable task of vetting billions of daily posts. The effect would be fewer sites, less speech, and insipid, politically correct content. Perhaps deep-pocketed Big Tech defendants could dodge the tort lawyers by employing algorithms that offer gradations of moderation to their clientele. Hypersensitive users might prefer coddling; other users might opt for unrestrained discourse. That choice would be up to the website and its customers without government entanglement.

The optimal solution is to leave Section 230 as is. But if Congress insists on fixing what isn’t broken, here’s a possible compromise: condition Section 230 immunity on a good-faith effort not to muzzle constitutionally sheltered speech. Twitter would still decide what tweets to curate or ban. But if Twitter substantively edited or excluded a protected communication, that action might be challenged under the same liability rules applicable to publishers. Fortunately, those rules have been informed by First Amendment jurisprudence that has repudiated compelled speech. Over time, expanded legal precedents would likely fortify interactive computer services against oppressive lawsuits. The result would be imperfect but markedly better than treating all content transmitters as content creators.
A brilliant life cut tragically short

Cato Mourns Intern’s Death after Celebrating His Jeopardy! Triumph

Cato’s interns have long applied the skills and lessons learned to go on to great things, launching careers in policy analysis, communications, politics—and in many cases, later coming back to work at Cato itself. But one intern managed to capture the national spotlight sooner than most.

Brayden Smith, a recent graduate in economics from the University of Nevada, Las Vegas, participated in the Spring 2020 intern class. As he explained, he was aiming for a career in appellate practice after law school and saw a Cato internship as a valuable stepping stone toward that goal.

Smith fulfilled a lifelong dream last spring when he landed a spot on America’s most popular game show: Jeopardy! In episodes aired in December 2020 and January 2021, the “policy intern from Las Vegas, Nevada”—as he was introduced at the beginning of each episode—notched a five-day winning streak and took home $115,798 in prize money. As a five-game champion, he was preparing to compete in the show’s Tournament of Champions.

Smith was also dubbed “Alex’s last great champion” as the final contestant to enjoy a long-running winning streak during the 36-year tenure of host Alex Trebek. The beloved Trebek passed away following a long battle with pancreatic cancer, just weeks before Smith’s episodes aired.

Tragically, the Cato family’s celebration of Smith’s achievement turned to deep sadness when we learned that he passed away following complications from surgery in early February. He was just 24 years old. Smith’s untimely passing has been intensely felt at Cato, where scholars and staff mourn the loss of a brilliant young man with a principled dedication to liberty and a promising future.

One of those scholars, in particular, had attracted Smith to Cato. “I applied to the Cato internship because I wanted to work for Clark Neily at the Project on Criminal Justice,” he explained. “I knew him and his work in years past, and I knew that I wanted to pursue a career in law, so it seemed like a great match.” Neily is Cato’s vice president for criminal justice, where he leads a team working on issues including the right to trial by jury and abolishing the doctrine of qualified immunity.

“It allowed me to do research and involved my reading dozens of court cases and law review articles, and I spent a lot of time doing archival research,” Smith said. “It was exciting being able to dig into American history to find what I was looking for.”

To honor his memory, the Brayden Smith Memorial Fund has been founded by his family, dedicated to furthering the educational aspirations of southern Nevada students. The memorial fund can be found on the CharitySmith website, and Cato offers its deepest condolences to the Smith family.

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Huan Zhu, research associate for Cato’s Herbert A. Stiefel Center for Trade Policy Studies, moderates a forum on the future of free trade and digital commerce with Christine Bliss, president of the Coalition of Services Industries; Stephanie Honey, former trade negotiator for New Zealand; and Hanna Norberg, founder of Trade Economista.

Kate Tummarello, executive director of Engine, a nonprofit that supports technology entrepreneurship, and Mike Masnick, editor of Techdirt, participate in a policy forum in January on the perils of congressional attempts to increase internet regulation and alter Section 230.
Jessica Flanigan, the Richard L. Morrill Chair in Ethics and Democratic Values at the University of Richmond, offers her views at a policy forum in January on how the FDA has needlessly restricted direct-to-consumer at-home COVID-19 tests.

Jon Meacham, Pulitzer Prize–winning historian and presidential biographer, discusses civics and history with Peter Goettler, president and CEO of the Cato Institute, as part of Cato’s SPHERE Initiative for grades 5–12 educators.

Jennifer Schulp, Cato’s director of financial regulation studies, testifies before the House Financial Services Committee on the recent social media frenzy surrounding short squeezes for stocks such as GameStop.
pay, members receive benefits in kind: they live in assigned housing, they eat in a communal dining hall, and their children are raised communally in children’s houses, and can visit with their parents for a few hours each day. Most property is communal except for personal items such as clothing and furniture, for which members receive a small budget. Because cigarettes were free, I soon began to smoke!

Kibbutz is bottom-up socialism on the scale of a small community. It thereby avoids the worst problems of state socialism: a planned economy and totalitarianism. The kibbutz, as a unit, is part of a market economy, and membership is voluntary: you can leave at any time. This is “socialism with a human face”—as good as it gets.

Being a member of a kibbutz taught me two important facts about socialism. The first is that material equality does not bring happiness. The differences in our material circumstances were indeed minimal. Apartments, for example, if not identical, were very similar. Nonetheless, a member assigned to an apartment that was a little smaller or a little older than someone else’s would be highly resentful. Partly, this was because a person’s ability to discern differences grows as the differences become smaller. But largely it was because what we received was assigned rather than earned. It turns out that how you get stuff matters no less than what you get.

The second thing I learned from my experience of socialism was that incentives matter. On a kibbutz, there is no material incentive for effort and not much incentive of any kind. There are two kinds of people who have no problem with this: deadbeats and saints. When a group joined a kibbutz, the deadbeats and saints tended to stay while the others eventually left. I left.

In retrospect, I should have known right away, from my first day, that something was wrong with utopia. On my arrival, I was struck by the fact that the pantry of the communal kitchen was locked.

**LESSON 2. MY TEACHING—THE EFFECTS OF GOVERNMENT INTERVENTION**

Although I was no longer a socialist, I was certainly not a libertarian. I believed in a market economy and the importance of incentives: I had begun to study economics. But economics also taught me that market outcomes, and society more generally, were often imperfect and that they could be improved by the judicious use of government power. I was a progressive.

Progressivism rests on two critical assumptions. The first is that we know how to improve society: “social science” provides us with a reliable basis for the necessary social engineering. The second critical assumption is that government is a suitable instrument for improving society. My second and third lessons taught me that these two critical assumptions were unfounded and unrealistic.

For many years, I have taught a course on the economics of the financial system; I have also written a textbook on the subject. Government regulation is an important topic in this course. The need for such regulation seems like a no-brainer. The financial system is obviously unstable: look at all those crises, including the stock market crash of the 1930s and the financial crisis of 2008. Surely we need government regulation to stabilize the financial system?

But looking at the evidence, I came to believe otherwise. I saw that the history of the U.S. financial system could be understood as a series of cycles: the government intervenes in the financial system; the financial system adapts to the intervention; this adaptation makes the system more fragile and unstable, eventually resulting in a crisis; the government responds to the crisis with additional interventions intended to stabilize the system, and we have begun the next cycle.

The first of these cycles in the United States began almost two centuries ago, in 1832, when President Andrew Jackson vetoed renewal of the charter of the Bank of the United States, the sole national bank. A consequence of this action was that, subsequently, banking in the United States was regulated solely by the states. The states prohibited interstate branching and often prohibited branching within a state. As a result, banking developed in the United States as a system of thousands of small banks. Since small banks are far more likely to fail than large ones, the history of American banking was one of frequent banking crises and panics, culminating in the great banking crisis of the 1930s.

At the time, many argued (rightly) that the solution to instability of the banking system was to remove the regulatory obstacles to consolidation. However, Congress, catering to special interests, came up with a different solution: deposit insurance. Even President Roosevelt, not exactly a libertarian, understood that this was a bad idea. He realized that it would allow banks to engage in risky behavior with no danger of losing depositors, an example of a problem of insurance known as “moral hazard.” So began the second cycle.

The moral hazard problem expressed itself in banks cutting their capital ratios. Before deposit insurance, a typical bank had funded about 25 percent of its assets with its own capital. This had the effect of protecting depositors against losses on the bank’s loans. Consequently, depositors had paid close attention to their bank’s capital
ratio. If it fell too low, they withdrew their deposits. However, with the creation of deposit insurance, depositors no longer cared about their banks’ capital ratios. Banks responded by steadily reducing them, thereby increasing their leverage and thus their return on equity. The fall in capital ratios also had the effect of making the banking system far more fragile in the face of a shock.

For decades, however, there was no shock. For unrelated reasons, the environment remained unusually stable. By the 1970s, capital ratios had fallen as low as 5 percent. Then, in the late 70s, a steep rise in interest rates caused a rash of bank failures, culminating in the savings and loan crisis of the early 1980s.

Regulators, rather than admitting that deposit insurance had been a mistake, responded by doubling down. To address the moral hazard problem, they instituted capital requirements to force banks to increase their capital ratios. They also introduced a new form of government guarantee: the doctrine of “too big to fail.” So began the third cycle.

It was adaptation to the new capital requirements that set up the financial system for the financial crisis of 2008. Because nonbank financial institutions were not subject to capital requirements, profits could be increased significantly by shifting lending from banks to nonbank lenders. This happened on a massive scale—especially with mortgage lending—leaving the financial system as a whole with a very low effective capital ratio and consequently in a very fragile state.

Then, in the 1990s, the federal government began to promote subprime mortgages, lending to borrowers who would not have otherwise qualified for a mortgage loan. Since the government implicitly guaranteed most of these mortgages, lenders considered them safe. As a result, many financial institutions—banks, securities firms, and others—invested heavily in these instruments. In 2006, the housing market turned down and subprime defaults began to mount, leading to a major financial crisis in 2008.

What is the lesson from all of this? It certainly seems that government intervention, far from stabilizing the financial system, has been a major cause of its instability. For example, the crisis of 2008 was not caused by “greed on Wall Street” but rather by incentives distorted by two centuries of government intervention.

Does this mean that without government intervention the financial system would have been stable, or at least more stable? To answer this question, a study by Charles Calomiris and Stephen Haber compared government intervention and financial system stability across countries. They found that, indeed, more intervention is associated with greater instability. Their most interesting comparison is between the United States and Canada—two economies that are similar in most respects, except that the Canadian government has intervened very little in its financial system. The result? Since the presidency of Andrew Jackson, the United States has experienced 12 major banking crises. In the same period, Canada has experienced not even one—not in the Great Depression, not in 2008.

The lesson for progressivism is clear: we don’t understand the economy and the effects of intervention well enough to be able to improve things. The economy is a complex system that adapts to intervention in ways that are inherently unpredictable. The consequences are rarely what we expect or desire. So, for me, the first pillar of progressivism crumbled. We don’t know how to make things better through government intervention.

LESSON 3. MY RESEARCH—THE NATURE OF GOVERNMENT

The second pillar of progressivism is the belief that government is a suitable instrument for doing good. This pillar crumbled for me as a result of my research.

For some time, I have been developing a theory of economic progress based on the evidence of preindustrial Europe and preindustrial China. My theory differs from textbook economics in several ways. In particular, it suggests a very different understanding of government.

For textbook economics, economic activity means production. However, looking at the historical evidence, there are two other ways that people make a living—two other economic activities. The first is commerce, buying and selling the goods that others produce. The second is predation, taking by force the goods that others produce or trade.

Economic progress can be understood in terms of the different effects of commerce and predation. Commerce makes it easier for people to trade with one another. The resulting expansion of trade leads to increased productivity, which creates opportunities for further expansion of trade. Economic progress, therefore, is a self-perpetuating process. Why, then, isn’t every nation wealthy? The answer is predation. Predation slows, stops, and even reverses economic progress. And the principal source of predation is governments.

Textbook economics has no explicit discussion of what government is or how it works. It simply assumes that government is a kind of benign spirit ready and willing to solve our problems—a kind of fairy godmother. The historical evidence, however, suggests otherwise.
Government is an organization created to deploy force, either to engage in predation (predatory government) or to protect a population against predation (associational government). In preindustrial Europe, the governments of kings and princes were predatory governments; think the Norman conquest of England. The governments of commercial cities were associational governments. In general, associational governments were hospitable to economic progress, while predatory governments were not.

Associational government, however, had a problem: it did not scale up very well. As the territory and population under an associational government grew, it became increasingly difficult for the population to exercise effective control over its government. This enabled the government to engage in predation: associational government turned into predatory government.

Fortunately, a new form of associational government emerged, largely by chance, that solved this problem. When the provinces of the Netherlands won their war of independence from Spain, they created a national government that was an association of associational governments—a federal government. This was the model later adopted by the United States.

What did this different understanding of government mean for my progressivism? What government does is deploy force. In the good case, it deploys force to protect its territory against predation. In the bad case, to which things naturally tend, it deploys force to engage in predation. Government has existed for millennia; only a century or so ago did intellectuals—many of them economists—come up with the idea that government was a suitable instrument for solving society’s problems. It is a bizarre idea: why should the guys with the guns run the financial system or provide us with education or health care? The second pillar of my progressivism crumbled.

Persuaded by this evidence, I became a libertarian.

CONCLUSION

So, that is how I became a libertarian. The first step was my personal experience of kibbutz, where I came to realize that socialism, even on the scale of a small community, did not further human happiness. The second step was examining the history of government regulation of the U.S. financial system. From that, I learned that contrary to the assumption of progressivism, the government does not know—and cannot know—how to make things better. Indeed, its interventions generally make things worse. The third step was my research into the origins and nature of government. Progressivism assumes that government is a suitable instrument for improving society—a kind of fairy godmother. History teaches otherwise: government evolved primarily as an instrument of predation—more like a wicked witch.

Persuaded by this evidence, I became a libertarian—a libertarian with a small “l”. That is, I believe in limited government. Government is necessary to protect us against predation by other governments. But government is not a suitable instrument for other purposes, such as regulating economic activity, funding scientific research, or engaging in social engineering.

In Memoriam

Tommy Raskin
Intern, Defense and Foreign Policy Studies, Summer 2016

JANUARY 30, 1995 – DECEMBER 31, 2020

“His irrepressible love of freedom and strong libertarian impulses made him a skeptic of all institutional bureaucracy and a daring outspoken defender of all outcasts and kids in trouble.”

— REP. JAMIE RASKIN AND SARAH BLOOM RASKIN
Was the Space Force a Good Idea?

In December 2019, Congress established the U.S. Space Force as a new military service at the urging of President Trump. On the Space Force’s first anniversary, Cato’s Eric Gomez hosted a policy forum with experts to assess the Space Force’s first year. Robert Farley is a senior lecturer in security and diplomacy at the University of Kentucky and author of a Cato policy analysis on the Space Force. Brian Weeden is director of program planning at the Secure World Foundation. Both have written extensively on issues of military organization and the role of the military in space.

Robert Farley: I approached this as a question of what the Space Force does and what the Space Force is supposed to do. It’s really in terms of thinking not about space in general but about the question of why we need a new military organization and what new military organizations are supposed to do. Creating a new organization is essentially a bureaucratic reform. It is a different way of structuring uniforms, paperwork, and bureaucracy. We should think about the Space Force in those terms as a bureaucratic reform rather than as opening a new avenue in the history of human warfare.

Space was militarized long before the appearance of the Space Force. You could start in World War II with the use of ballistic missiles, but probably a better place to start is in the 1950s with the first use of satellites. Satellites enabled communications, enabled reconnaissance, and enabled people to be connected with one another. And eventually, satellites may enable people to actually fight in space. Right now, effectively the entirety of the modern American military requires unfettered access to space and perhaps even command of space. Space has, in any useful meaning of the term, already been militarized.

I would also say that space is increasingly the backbone of the civilian economy. It offers connectivity and enables instant communication, as we’ve certainly discovered over the past few months. That enables productivity, enables supply chain diversification, and enables people to talk with one another and send bundles of information back and forth around the world. And that’s really at the core of the modern global economy, even now in the case of certain trade wars.

It’s against that backdrop that we must consider how the U.S. government organized its previous structures for dealing with space. The Department of Defense has had several different organizations that have been committed to the management of space affairs. There was Space Command, which was dismantled in the early 2000s. We have more recently had Space Command again within the Air Force. We’ve also had the U.S. Army Space and Missile Defense Command. And we’ve had the Naval Network Warfare Command.

If you go back further, you find a lot of alphabet soup acronyms for various agencies that do space. So, it’s not as if the U.S. Space Force is bringing us into space or is the first time that the military has encountered space. So, what does the Space Force constitute now, or what do we envision it constituting within the next couple of years?

The Space Force is an independent service in the U.S. military. And this places it alongside the Army, the Navy, the Air Force, and the Marine Corps. It shares a bit of structural similarity to the Marine Corps. Just as the Marine Corps is part of the Department of the Navy, the Space Force is part of the Department of the Air Force. So, unlike the Army, the Navy, or the Air Force, it does not have its own secretary. It’s an independent service that does not have its own independent civilian department. The Space Force is projected in the near future to have 16,000 personnel, mostly from the Air Force and most of those transferred from Air Force Space Command.

But there are also folks from other services moving into the Space Force. Broadly, the responsibilities of the Space Force are supposed to be independent space operations, which can cover a whole bevy of different things that an organization can do. But people are thinking about it in terms of defensive and offensive operations, particularly in space and against other space assets. The management of the space commons is a common phrase you hear. In the same way that the Navy ensures safe access to the maritime commons, the Space Force ensures that the space commons is usable, not just for the U.S. government but also for private organizations, private firms, and U.S. allies.

So, what are the arguments for the creation of a new independent service? There are a few. Most importantly, other services have other priorities. It is important to enable the development of professional pathways in space, which is to say, to create incentives for the development of human capital around space expertise, to create space officers—not people who have to rely on being able to fly a jet fighter or a bomber but people who can dedicate their
entire careers to developing space professional expertise, to enable development of strategic space theory. Not to belabor the point, but to create a space in which people can think about space in the same way that the Air Corps Tactical School created a space for people to think about air warfare.

There’s also the important idea of unifying space acquisition so that you have one place rather than four different services. By unifying that within a single service, we can then apply all that theoretical expertise to the development of acquisitions.

So, what about some of the counterarguments? One is that the Space Force is likely to result in a reduction of jointness. The argument goes that the creation of an independent organization with its own ways of thinking is likely to detract from the ability of that organization to provide services to the rest of the Department of Defense—that you’re just creating an extra layer of bureaucracy, which is an obstacle whenever military organizations have to speak with one another. But it’s particularly important with space because all the other military organizations depend acutely on space for their day-to-day activities. So that’s a point to consider carefully.

We can expect there to be bureaucratic politics. When we created the Air Force, it resulted in bitter infighting between the Air Force and its sister services. And some of that infighting continues today. We also see that infighting in other countries that don’t have unified armed forces.

When it was created, the Air Force had several different antecedents that had already developed their own culture. The point I want to make here is that the cultural, organizational, and experiential gulf between the Air Force in 1947 and the Space Force in 2020 is immense and is difficult to overstate. The U.S. Air Force in 1947 was huge, had fought a war, and had a strong organizational culture. It had a strong and robust set of theories and doctrines about how air warfare was supposed to be conducted. It knew where it had been, and it knew where it was going.

The Space Force in a sense has some of these things but not nearly to the same extent as the Air Force had. So, the comparison here suggests that, in fact, the Space Force is much more novel in 2020 than the Air Force was in 1947.

Unfortunately, in my view, we haven’t re-

**BRIAN WEEDEN:** I, too, was very much a skeptic on the creation of the Space Force early on. I participated in several debates with people that were proponents back in 2017, 2018, when all this was going on. Even though I was skeptical, I did agree with the proponents of the Space Force on the shortcomings of the existing system. As Rob mentioned, there are important goals like fixing acquisitions, doing a better job developing a truly professional space cadre that was not built around pilot culture, and developing a space doctrine. I think there was general agreement among all of us that the existing culture and bureaucratic setup within the Air Force was preventing us from addressing those challenges. My opposition to the Space Force was that it wasn’t clear to me how creating a new service was going to address those core problems.

Now, that said, the best argument for creating the Space Force was that creating a new organizational structure and a new culture was necessary to fix those underlying problems. In other words, the existing structure was preventing those problems from being addressed. So, we had to break away and create a new structure with a new culture so that then we could fix the problems.

There is some merit to that. What that does mean, though, is that this is a long-term process. That’s one of the first challenges we have: there are people out there taking political credit for the Space Force and saying basically that things are done, mission accomplished. They say we’ve won now that we’ve created the Space Force, when really, creating the Space Force is the very first step in what’s going to be a long multiyear, probably multidecade, effort to try to address some of these challenges.

The space community has been debating whether there should be a separate service or entity for space since the Rumsfeld Commission report came out in January 2001. So, this has been a long-running debate. But it also came to a culmination

**“Space is increasingly the backbone of the civilian economy.”**
very quickly. If you think back to 2016 and 2017, Rep. Mike Rogers (R-AL) started pushing this issue on the Hill. At the time he was calling for a Space Corps, and he had bipartisan support for that in the House, but it ran into some challenges in the Senate, which is not unusual. Then what happened is that President Trump got involved and essentially forced the politics on this to resolve. Using his power, and doing some political horse-trading with Speaker Nancy Pelosi, he forced through the creation of the Space Force. I think that short-circuited some of the discussion and debate about how to do this in the best way that might’ve helped things.

To Rob’s point, I think the bureaucratic infighting is definitely a big, big challenge that’s going to be coming. For those of you who saw the Space Force TV show on Netflix, I think that was one of the most accurate parts. They show a budget hearing where they had a back-and-forth with the different services fighting with each other about the budget. We’re going to see that coming in the fiscal year 2022 budget discussions. We’re already hearing rumors that that is going to be a budgetary bloodbath. After years of Republicans pushing for big increases in defense spending, Democrats are probably going to be a lot less eager to continue that growth, and that will lead to budgetary infighting.

Aside from that, it’s way too early to tell whether the Space Force has actually been a good thing and addressed all of these challenges. I think they’ve made some progress in a few areas. There are some things we’re seeing, but we’re still a long way from being able to tell for sure.

On the things they’ve gotten right, I think, is that the planning guidance from General John W. Raymond, the first head of the Space Force, was very good in terms of outlining how to build a truly digital service and to take a new approach to military organization and personnel systems. That’s really important. It’s necessary because, for the first time, we have a military service that is not people heavy. Look at the Army, the Navy, and even the Air Force: you need a lot of people to support the things that they’re doing. Space is very, very different. It’s all robots, and the robots are largely controlled by a handful of computers.

In terms of the normal military hierar-

The reality is they run GPS and weather satellites.

The public don’t understand what a warfighting culture means. They assume the Space Force wants to go off and kill people and blow up cities, which is what other warfighters do. The reality is they run GPS and weather satellites, and they keep satellites from crashing into each other. I think the single-minded focus in rhetoric on war, war, war reinforces the wrong perceptions about what the Space Force is doing, and it creates both domestic policy problems and diplomatic problems.

Then there are acquisitions. That is the single hardest problem to solve, because you have not only the bureaucracy with the other services but also the bureaucracy within the Air Force. You have institutions and constituencies within Congress to deal with. There are challenges with the U.S. Space Force as a force provider, dealing with the combatant commanders, and dealing with the other services. It’s complicated, and it’s not clear how much centralizing space acquisitions is going to help.

Another big issue is deterrence. The message from senior leadership has been that the main goal is to deter attacks on U.S. satellites, but there’s been very little discussion of how to do that. We have not really had a national conversation on what is space deterrence, what is the best way to do that, like we have for other domains.

And then finally, I’ll say that the area that is the biggest challenge so far is the links between the Space Force and sort of what I’ll call science fiction. You’ve seen some advertisements from the Space Force involving potentially people and boots on the moon, people on Mars, and that sort of stuff. That is not going to happen anytime in the next several decades. That is not what’s happening now. There’s no Space Force astronaut corps, even if some NASA astronauts previously serving in the Air Force are symbolically transferred to the Space Force.

Part of the needed message control is to

Continued on page 12
The ongoing pandemic has radically reshaped everyday activity for millions of Americans. As deaths in the United States near half a million, we continue to grapple with the reality of the worst mass casualty event in over a century, surpassing even both world wars. As governments, businesses, and individuals scrambled to react to a world turned upside down, economic chaos ensued.

But even in the most trying times, the insights of economics offer an important set of tools for understanding people and their actions. That’s what Ryan Bourne, R. Evan Scharf Chair for the Public Understanding of Economics at Cato, sets out to explain in his new book *Economics in One Virus: An Introduction to Economic Reasoning through COVID-19*.

As he explains, “By fundamentally changing the calculations about what we wanted and were able to do, [the pandemic] exposed the sheer scale of choices we usually make unthinkingly.” Simple, mundane tasks became fraught with new risks and new tradeoffs. Governments, too, were faced with unprecedented choices as they considered radical new policy responses.

While the science of medicine and epidemiology shaped many of these decisions, Bourne explains how they were fundamentally economic. “For at its most basic, economics is about choices. It is about weighing different options or alternatives in the face of constraints.”

Across 16 chapters and in a straightforward and accessible manner, Bourne answers a series of questions: “When is a lockdown cure worse than the disease?” provides a window into cost-benefit analysis. “What good is a pandemic plan with so many unknowns?” is used to explain uncertainty and the knowledge problem. “Why was there no hand sanitizer in my pharmacy for months?” is the question that launches an exploration of the price system.

While individual behavior has been shaped by economic incentives, the actions—and failures—of government also have economic explanations. In the chapter “Why did airlines get a special bailout but not my industry?,” Bourne explains the basics of public choice economics: how the structures of government often incentivize politicians and policymakers to do the wrong thing for what seems to them like rational reasons.

Throughout *Economics in One Virus*, Bourne uses the deadly serious circumstances of the past year to highlight principles of economics that often operate in the background, guiding our decisions with little conscious action. But there is no escaping economics, and its principles will continue to shape our world long after the pandemic has passed. For that reason, it’s crucial for citizens and policymakers alike to have a better understanding of what works, what doesn’t, and how the constraints of economics cannot be casually discarded without serious consequence.

**“A smart, wide-ranging, and admirably clear introduction to the power of economics.”**

— TIM HARFORD  
*The Undercover Economist*
New book examines the evidence on immigration

Give Me Your Huddled Masses...

The stirring words of Emma Lazarus’s poem The New Colossus, which adorns the Statue of Liberty, have long stood as the definitive statement of America’s open-door attitude toward immigration. But the reality of our laws has not always reflected that ideal. Like most of the rest of the world, today the United States imposes many barriers to would-be immigrants. The “golden door” has been slammed shut for the vast majority of people— but does it have to be that way?

Economic arguments have long been at the forefront of the debate, and in recent years the question has been revived as opponents of immigration make new claims about the need for restriction. Those arguments are addressed by Alex Nowrasteh, Cato’s director of immigration studies, and Benjamin Powell, executive director of the Free Market Institute at Texas Tech University, in their new book Wretched Refuse? The Political Economy of Immigration and Institutions.

As the authors explain, advocates of increased immigration restrictions suggest that immigrants undermine the culture, institutions, and productivity of their destination countries. But the evidence doesn’t back that up. Instead, the economics of migration suggest that now, more than ever, the free flow of people and labor across international borders is highly desirable, and most of the alleged negative consequences are spurious and not backed up by the facts.

Across 11 chapters, Nowrasteh and Powell explain the current state of the debate. Most importantly, there is the potential for massive economic gains to be had from immigration. According to economist Michael Clemens, the current restrictions on international labor mobility are effectively leaving “trillion dollar bills on the sidewalk.” The immigrants themselves stand to gain, but native-born citizens also benefit from a growing economy. The economic case, and indeed the consensus of most economists, seems to be firmly on the side of more immigration.

Against these benefits, restrictionists have alleged a series of negative externalities that must be considered. Could immigrants undermine the very institutions and policies that make their destination countries so attractive, that produce such higher productivity in the first place? Is the potential for economic gains from immigration illusory? Are there negative cultural effects to consider that weigh in favor of immigration restrictions?

Nowrasteh and Powell carefully consider the evidence for this theory, responding to the arguments put forward by immigration-skeptical economists Paul Collier and George Borjas, among others. The authors examine the empirical evidence in detail and find the evidence to be lacking for substantial negative externalities from immigration outweighing the benefits.

In Wretched Refuse, the economics of immigration are considered across multiple dimensions in the search for alleged negative effects. Marshalling comprehensive data from around the world and across the decades, the authors examine whether immigrants negatively impact a country’s attitudes toward economic freedom, corruption, terrorism, and a culture of productivity.

They find that there is very little evidence to back up the theory that immigration causes a decline in productivity or undermines the institutions of a free society. Institutions weather the storm and in some cases even improve. Immigrants do not increase corruption or pose a major risk of terrorism. And the cultural impact may well be more positive than negative, as immigration selects for the most motivated and productive of immigrants. The authors also examine three real-life case studies in particular: the United States, Israel, and Jordan, all of which have seen some real strains but no mass catastrophe from past waves of mass migration.

Wretched Refuse examines the question of immigration from the utilitarian perspective of economic efficiency, asking what policies maximize net wealth, but its findings are relevant for informing normative views of immigration as well. If immigration does offer massive economic upsides and few, if any, downsides, then it becomes very difficult to justify immigration restrictions as a moral matter in addition to the economics of the issue. At the end of the day, Lazarus’s poem offers not just a stirring moral sentiment, it’s also good economic policy.

WRETCHED REFUSE IS AVAILABLE AT ONLINE BOOKSELLERS AND CATO.ORG/BOOKS.
"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.
Mob rule is no path to liberty

Cato Leadership Responds to Capitol Attack

On January 6, the nation was shocked by the events at the U.S. Capitol. While meeting to certify the results of the 2020 presidential election, Congress was forced to disperse by a mob storming the building. Five people died in the chaos and its aftermath. Cato has long championed the rule of law and the Constitution and, like many other organizations, was quick to denounce the violent attempt to overturn the results of the election.

In a statement posted on Cato’s website, President and CEO Peter Goettler rejected both the violence and the lies that stoked it. “The violent disruption of constitutional processes is unacceptable and must be rejected unequivocally. Mob rule is no path to liberty. Attempting to forcibly keep a defeated president in power strikes at the core of the Constitution’s provisions for protecting the rights and liberties of the American people.

“The Cato Institute has long worked to encourage people everywhere to better understand and appreciate the principles of government that are set forth in America’s Founding documents,” Goettler continued. “Among these principles is the peaceful transfer of power after free and fair elections. The assault on the Capitol is a tragic violation of these principles. We condemn these actions in the strongest terms, support the rule of law and the Constitution, and reject the attempts to overturn the results of the 2020 presidential election.”

In a commentary published shortly after the attack, Cato’s Chairman Robert A. Levy observed that President Trump “dangerously eroded voters’ confidence in our electoral system and its republican foundations. In desperation, he put his personal interests above those of the nation.”

Gene Healy, vice president and author of works on the presidency and impeachment, also addressed the questions arising from Trump’s role and subsequent impeachment. In a video for Reason TV, he offered his perspective: “The question of whether incitement to riot is an impeachable offense is pretty easy. Clearly, yes.” In a subsequent Cato Daily Podcast, Healy also elaborated on the purposes that can be served by impeachment and a trial even after a president leaves office and even if conviction seems unlikely. “Part of the purpose of impeachment . . . is to send a message going forward to future presidents.”

Another Cato scholar, Walter Olson, also appeared on the Cato Daily Podcast to discuss the precise legal terminology used to describe the assault: “It was not too long before January 6 that I was telling people they were overusing the word ‘sedition’ to describe stupid election lawsuits. . . . Federal law bases that on conspiracy to use force. Now, on January 6, we moved over that line. People used a lot of force, a lot of violence. It then becomes very realistic to talk about seditious conspiracy, rebellion, insurrection.”

Ultimately, the attack on the Capitol was unsuccessful in its aims. Congress gathered in the reclaimed building later that evening, completing the certification process after midnight. Trump’s term expired, and President Biden was inaugurated and began his term at noon on January 20, as the Constitution prescribes.

Cato, as always, is ready to offer both agreement and disagreement with a new administration’s policies based on both important moral principles and sound data-driven analysis. And Cato remains firmly committed to doing so through peaceful persuasion and public discourse. The rejection of political violence and the use of force, and standing for the rule of law, are among those core principles embodied by Cato’s mission statement: individual liberty, limited government, free markets, and peace.
Ilya Shapiro, director of Cato’s Robert A. Levy Center for Constitutional Studies, moderates a book forum on *After Trump: Reconstructing the Presidency* with the authors Bob Bauer, former White House counsel, and Jack Goldsmith, former assistant attorney general, with commentary from former federal judge J. Michael Luttig.

Joyce Lee Malcolm and Nelson Lund, both of Antonin Scalia Law School at George Mason University, discuss the Second Amendment in a time of civil unrest at a policy forum in December.

December 2: Trade Policy Priorities through the Eyes of Congressional Democrats

December 8: Space Force: Ahead of Its Time or Dreadfully Premature?

December 14: The Second Amendment in a Time of Civil Unrest

December 15: Digital Trade: Challenges and a Way Forward

December 17: Religious Liberty and Education: A Case Study of Yeshivas vs. New York

January 12: Campaign Finance and American Democracy: What the Public Really Thinks and Why It Matters

January 26: Section 230: A Look Ahead in a New Era

January 28: Defending Our Right to Test: How the FDA Restricts Direct-to-Consumer At-Home Testing

Audio and video for most Cato events can be found on the Cato Institute website at Cato.org/events.
Spending Splurge

Policymakers must do something to slow the growing debt burden or else face a major fiscal meltdown, according to Jeffrey Miron in “COVID-19 and the U.S. Fiscal Imbalance” (Policy Analysis no. 905). He explains why proposals such as Medicare for All and the Green New Deal would only make the looming fiscal crisis worse.

AMERICA IN SPACE
On the one-year anniversary of the U.S. Space Force, Robert Farley analyzes whether the idea was well-founded in “Space Force: Ahead of Its Time, or Dreadfully Premature?” (Policy Analysis no. 904). He concludes that American military operations in space have not yet reached the point to justify a separate service. See also: Policy Forum, Page 9.

HOLD ON, MAYOR PETE
Massive investments in transportation infrastructure seem to draw support from across the political spectrum. These policies are often motivated by claims that our current infrastructure is crumbling or that such investments will spur economic growth. In “Transportation Infrastructure in the United States” (Research Brief in Economic Policy no. 242), Gilles Duranton, Geetika Nagpal, and Matthew Turner find that the available evidence does not support these claims.

TIT FOR TAT
In response to tariffs imposed by the Trump administration in 2018, several nations imposed retaliatory tariffs on American exports. In “The Impact of Retaliatory Tariffs on Agricultural and Food Trade” (Research Brief in Economic Policy no. 243), Colin A. Carter and Sandro Steinbach find that these retaliatory tariffs had a substantial negative consequence on the volume and value of international trade.

PRICE SYSTEM
Trade models usually predict lower prices that benefit consumers but might hurt some workers. In “What Are the Price Effects of Trade? Evidence from the United States and Implications for Quantitative Trade Models” (Research Brief in Economic Policy no. 244), Xavier Jaravel and Erick Sager compare these models to a large dataset from the Bureau of Labor Statistics to produce a more-detailed model and explore the effect of other variables.

DEREGULATION AT THE BORDER
After four years of restrictionist policies under President Trump, the new Biden administration has indicated its interest in liberalizing immigration laws. In “Deregulating Legal Immigration: A Blueprint for Agency Action,” David J. Bier compiles 30 concise proposals from 15 authors for executive actions that Biden can take to improve America’s Kafkaesque immigration bureaucracy.

OWN BUT CAN’T SELL
Governments often attempt to formalize property rights for poor and indigenous populations, but at a steep cost with limits on the ability to sell or transfer this property. In “Property Rights without Transfer Rights: A Study of Indian Land Allotment” (Research Brief in Economic Policy no. 245), Christian Dipple, Dustin Frye, and Bryan Leonard estimate the negative impact of these policies on land values and the ability of property owners to benefit from their land.

GOLDEN TICKET
The H-1B program provides an important method for college-educated foreign citizens to secure temporary legal employment in the United States, but protectionist concerns have motivated a cap of only 85,000 visas per year. “Buying
Lottery Tickets for Foreign Workers: Search Cost Externalities Induced by H-1B Policy” (Research Brief in Economic Policy no. 246) by Rishi Sharma and Chad Sparber finds that this policy not only imposes harsh costs on would-be immigrants, but it also undermines the intended goal of protecting American jobs.

TRADE RULES
Several developing countries have asked the World Trade Organization (WTO) to join them in a sweeping waiver of intellectual property rights relating to COVID-19 vaccines. In “An Unnecessary Proposal: A WTO Waiver of Intellectual Property Rights for COVID-19 Vaccines” (Free Trade Bulletin no. 78), James Bacchus explains why this proposal is counterproductive and unjustified.

Why shouldn’t families be able to choose the education that is best for their children?

For decades, opponents have repeated misconceptions about school choice. School Choice Myths shatters the mythology standing in the way of education freedom. It is a one-stop guide to everything from the latest research on the effects of school choice on civic engagement to Supreme Court precedent, and it’s a must-have for anyone who wants the best education for their children.

Adjunct scholar James Bacchus, former member of Congress and former chief judge of the World Trade Organization’s Appellate Body, discusses the future of Democratic trade policy at a December policy forum.
PEOPLE IN ALL THOSE COUNTRIES FLOCK TO AMERICAN CULTURE

Now, more than ever, we need a secretary of arts and culture... 

The United Kingdom has a culture secretary. Canada calls the job minister of Canadian heritage. France employs a culture minister; South Africa, a minister of arts and culture; Vietnam, a minister of culture, sports and tourism; Australia, a minister for communications, cyber safety and the arts. More than 50 nations designate an official in the top ranks of government whose portfolio includes nurturing artistic endeavors.

— Peter Marks, Washington Post, December 2, 2020

EXTREMELY PREDICTABLE

As the C.D.C. considers vaccine priority, companies and groups nationwide have been telling the federal agency why they should be part of the next wave of vaccinations. Agricultural workers, from rice farmers to hog farmers, have jockeyed for priority, as have trade associations representing school nurses, truck drivers, morticians and even zookeepers.

— New York Times, December 20, 2020

Companies across America—from Amazon and Uber to railroads and meatpack- ing plants—are lobbying states and the federal government to prioritize their workers for early immunization against the coronavirus amid limited supplies of the vaccine.

— Washington Post, December 20, 2020

THANKS, SANTA!

With an average family of four receiving over $20,000 in direct aid, on top of billions in dollars for relief, President Trump and Congressional Republicans were able to deliver for families and small businesses in the year-end COVID-19 relief and additional spending package...

Thanks to the President’s leadership, his priorities which made it into the final package include...

- Main Street Support: Billions more in PPP funding was approved.
- Vaccine Distribution: Billions for shipping and distributing vaccines to American seniors and families was included in the bipartisan agreement.
- Stopping Reckless Socialist Policies.

— Republicans on House Ways and Means Committee, December 23, 2020

STILL SWAMPY

Incoming White House counselor Steve Ricchetti, a top Biden campaign adviser, previously co-owned a lobbying firm, Ricchetti Inc., with his brother, Jeff, who continues to run the operation.

Business appears to be good. Since Biden secured the Democratic nomination, Jeff Ricchetti has registered to lobby Congress for seven new clients, compared with just six new clients in the previous eight years, according to public disclosures.

— Washington Post, December 14, 2020

FOLLOW THE RED INK ROAD

“We do need to worry about balancing the budget down the road,” said Rep. Debbie Dingell (D-Mich.). But, she added, “right now, we need to be investing in our economy.”

— Washington Post, December 22, 2020

HOW REGULATION CREATES JOBS

Amazon, Facebook, Google and four other top technology giants spent more than $65 million to lobby the U.S. government last year, shelling out record-breaking amounts in some cases to try to battle back antitrust scrutiny and new regulatory threats.

— Washington Post, January 22, 2021

MAYBE—HEAR ME OUT—WE SHOULDN’T GIVE THOSE KNAVES AND FOOLS SO MUCH POWER

In fantasy worlds, a nation may be led by its best: a noble king, full of courage and wisdom and love for all his people, who bears the weighty burden of rule because no one else could do it better. That’s not how things usually work in the real world, where for every virtuous leader there are a hundred mediocrities, knaves and fools.

— Paul Waldman, Washington Post, January 19, 2021

YEAH, THAT’S THE TICKET

After watching in horror at the ways President Donald Trump wielded the power of the executive, progressives say they are eager for Biden to do the same.

— Politico, January 11, 2021

SHE’S TAKING ON THE SCHOOLS AND THE POST OFFICE

Senator Klobuchar to Write Antitrust Book/She Minnesota Democrat and former presidential candidate said her book would call for reform in how the United States treats monopolies and competition.

— New York Times, January 11, 2021