Memorandum

To:	Board of Directors, Sponsors, and Friends of Cato
From:	Peter Goettler
Date:	October 18, 2021
Subject:	Quarterly Update

As Joni Mitchell said in *Big Yellow Taxi*, "you don't know what you've got till it's gone." (I can hear lots of my colleagues—"who's Joni Mitchell?") But seriously, how many important things did the pandemic take from us? I'm glad to have them back.

Foremost among these is gathering the Cato community together—in person! It's great to have everyone back at work in our building. And it was an incredible pleasure to have hundreds of Sponsors and friends with us in Washington as we awarded the Milton Friedman Prize for Advancing Liberty to the Innocence Project on September 30.

It's hard to conceive of a greater affront to liberty than completely erasing the freedom of an innocent but wrongly convicted person—and seeing them consigned to years or decades in prison for a crime they didn't commit. As Benjamin Franklin said, "it is better 100 guilty persons should escape than that one innocent person should suffer."

The Friedman Prize Dinner is invariably a moving event. This year I had the honor of meeting Marvin Anderson. Falsely accused of rape, Marvin was sentenced to more than 200 years in prison—and served 15 of those years until he was exonerated by DNA evidence through the efforts of the Innocence Project. With his freedom restored, Marvin pursued his lifelong dream of being a firefighter. Today he owns a truck-driving company and serves as district chief—chief!—of the Hanover Courthouse (Virginia) Volunteer Fire Company. Marvin's strength, resilience, and positive disposition are inspiring.

Accepting on behalf of the Innocence Project were cofounders Peter Neufeld and Barry Scheck, and executive director Christina Swarns. The exonerations and reforms resulting from the Innocence Project's efforts matter to those who cherish liberty—and to each of us as individuals. Michael Morton was locked up for nearly 25 years after being wrongfully convicted for the murder of his wife. Michael says, "I was an average guy . . . the worst thing I'd ever done was a speeding ticket . . . so if it can happen to me, there's no reason it couldn't happen to you."

The dinner kicked off the Cato Club Retreat, which ran through Sunday, October 3. It was great to be together again with so many of our generous supporters. And the positive feedback we received for the Institute's efforts—its principled defense of liberty, the quality of our work, the energy of the organization, our success in reaching new and younger audiences, innovative initiatives, and the sense of purposefulness we're bringing to these efforts—is deeply appreciated.

SCARYNOMICS?

A few mornings ago I telephoned one of our generous partners, who's also a member of Cato's board. No answer. A minute later he texted: "I can't talk right now. I'm working in the room where my better half is sleeping—and she was up all night with one of the kids who was 'scared.'"

I texted back: "Who was scared? Your 8-year-old who still believes in monsters? Or your 14-year-old who might be starting to understand monetary policy?"

It was the 8-year-old. Even his precocious 14-year-old is probably too young to be up on monetary stuff. But eventually they'll both know enough about U.S. monetary policy to be scared. Or, God forbid, they'll find themselves living through the predictable outcomes of our current path.

As I've said to you recently, our harrowing fiscal and monetary policies, along with the dwindling number of institutions prioritizing a robust defense of free markets and free enterprise, mean Cato must deploy more firepower in this critical effort. And we are. Just this month we've made two key additions to our economics team.

Norbert Michel joins from the Heritage Foundation as a vice president and new director of Cato's Center for Monetary and Financial Alternatives (CMFA). I'd met Norbert four years ago when he spoke at our monetary conference, and I tried to hire him then. He's an experienced and networked hand in monetary policy, housing policy, and financial regulation. Persistence paid off, with Norbert now ensconced at Cato. The idea for Norbert to run the CMFA was the brainchild of the center's founding director—now director emeritus and senior fellow—George Selgin. George wants to refocus his attention on making the intellectual case for reform, remaining a key part of our effort and Cato's primary monetary economist.

Returning to the Institute is Cato's former director of financial regulation Mark Calabria, following stints as Vice President Mike Pence's chief economist and director of the Federal Housing Finance Agency. Mark played key roles in the 2017 tax reform and in significantly reducing the leverage of Fannie Mae and Freddie Mac—and hence the risk they pose to taxpayers. Mark will serve as senior adviser to our economics team. His experience will allow him to make invaluable contributions to strategy, outreach, and impact.

ANNIVERSARIES

This year marks the 25th anniversary of health savings accounts (HSAs), first passed into law in 1996 as Archer medical savings accounts and replaced by today's HSA in 2003. (The silver lining within the dark cloud of George W. Bush's prescription drug entitlement.) Restoring the right of taxpayers to control their own health care dollars and choose health plans without the government penalizing them for it may be too obvious a health care solution for the political class in Washington, but we like it a lot. And because of the HSA, this solution has a beachhead in the law—one that Cato played an important role in establishing. John Goodman is sometimes called the father of the HSA, the idea for which was outlined in his 1992 Cato book, *Patient Power: Solving America's Health Care Crisis*.

In the past decade, the number of HSAs has grown from 6 million to 30 million, while annual contributions to HSAs increased from $11 billion to more than $40 billion. Assets in HSAs will approach $100 billion this year, nearly a tenfold increase from 2011. Recent Cato polling shows that 70 percent of respondents have a favorable opinion of HSAs.

I love the phrase "patient power." So many of the problems with U.S. health care—particularly high and persistent cost inflation—are rooted in the fact that nearly everyone is spending someone else's money. Returning control over health care dollars to patients needs to be the cornerstone of reform. It's also a moral right—shouldn't consumers, rather than Congress or some government bureaucrat, have the ultimate say when it comes to their critical health care decisions? Earlier this month, director of health policy studies Michael Cannon announced a new Cato initiative to rejuvenate the health care reform debate through a renewed push to let patients control more of their health care spending. Expansion of HSA size and eligibility is a key part of the effort.

A more sobering anniversary is marking 20 years of the war on terror and the war in Afghanistan. The debacle of the Afghan withdrawal itself was heartbreaking, and another testament—as if more were needed—to the incompetence of government. Like everything else these days, the ending of the war was pulled into our political vortex in ludicrous ways. Democrats around Biden implausibly refused responsibility for the disastrous execution of the withdrawal, claiming that the deal Trump struck with the Taliban had "tied their hands." Meanwhile, some Republicans appeared to claim the outcome would have been different had Trump remained in office; perhaps the withdrawal might have been better handled, but regrettably the war's outcome—and the return of the Taliban—has been clear for years, irrespective of any president. We've long advocated for ending it.

It's fair to say that Cato's foreign policy team has been prescient the past two decades: first, by arguing from the outset about the risks, likely ineffectiveness, and possible security downsides of the war on terror; second, by warning of the fecklessness of counterinsurgency and Afghan nation building; and third, by opposing the war in Iraq. It's hard to take any satisfaction from this, given how things played out. But perhaps there will be satisfaction to come should the growing number of foreign policy community members who are arguing for greater military restraint, which Cato has done much to pioneer, help our country avoid repeating these mistakes. If you'd like a refresher on our work, we've added a splashy new section to Cato's website featuring 20 years of our scholars' research on the war on terror: cato.org/20-years-cato-research-global-war-terror.

PRO-VAX AND ANTI-MANDATE

Most of us at Cato are vocally pro-vaccine, at least in the case of adults, but that doesn't keep us from being strenuously against government vaccine mandates. And it's stunning to see such a federal mandate instituted solely through executive branch action. Please read—and share with others—Ilya Shapiro's excellent blog post of September 10, "Federal Vaccine Mandates Pose a Constitutional Triple

Threat." I also commend to you Jeff Singer's post of September 9, "President Biden's New Vaccine Mandate Might Have Unintended Consequences." And in case you missed it, George Will's September 15 column in the *Washington Post*, "Presidential Impatience with COVID Doesn't Excuse Wielding Extra-constitutional Power," sure sounds like it was written by an intelligent and eloquent man who's read a lot of Roger Pilon and Tim Sandefur's work (as we know he has!).

BRIEFLY. . .

The Cato Institute has released the *Economic Freedom of the World: 2021 Annual Report*, copublished with the Fraser Institute and 70 other think tanks around the world. The latest edition ranks the United States in sixth place and finds that global freedom is slightly up through 2019. Hong Kong and Singapore ranked highest, with other top scorers including New Zealand (third), Switzerland (fourth), Georgia (fifth), and Ireland (seventh). The latest report is based off comprehensive data from 2019 covering government size, legal and property rights, sound money, freedom to trade, regulations, gender rights, and more. Unfortunately, we expect to see Hong Kong fall in next year's rankings due to the insecurity of property rights and the weakening of the rule of law caused by the interventions of the Chinese government during 2020 and 2021. . . . Only a few years ago, qualified immunity was an obscure legal concept. Thanks to Cato's campaign to end qualified immunity, the legal doctrine is now at the center of efforts to reform the criminal justice system. The Atlas Network recognized our outstanding work on this issue by awarding us the 2021 North America Liberty Award. We are also one of six finalists for the 2021 Templeton Freedom Award from the Atlas Network for our work on ending qualified immunity. Regardless of whether we take home the prize, we are honored to be among the finalists for this prestigious award. . . . We recently held Cato University in Spanish, Universidad ElCato, fully virtually. Universidad ElCato took place over one month by Zoom with two sessions per week and focused on the theme of human progress. In total, 57 students attended from Latin America. So far, the event has produced 1,400 alumni in under 10 years—one of whom is now the secretary of planning for the new Ecuadorian government who just oversaw a new development plan that quotes David Boaz. . . . Cato's baby boom is still going strong with vice president and director of polling **Emily Ekins** welcoming her third child, a baby boy named Preston Kline Ekins. And our director of development **Jenna Huhn** just welcomed her first child, a baby girl named Lane Winfield Eppard. Welcome to the Cato family, Preston and Lane!

PNG/csw