



Memorandum

TO: BOARD OF DIRECTORS, SPONSORS, AND FRIENDS OF CATO
FROM: PETER GOETTLER 
DATE: DECEMBER 22, 2022
SUBJECT: QUARTERLY UPDATE

“You’re the keepers of the flame.”

This is what Evvy Goyanes told me when we met. Evvy was a great friend of the Institute who sadly passed away in 2020. And he saw Cato as a unique and critical force for keeping the ideas and philosophy of liberty alive for future generations. It’s an important responsibility, because preserving liberty for those who come after us is a moral imperative. And in an environment where the challenges to liberty are so strong, and many elements of policy are moving in the wrong direction, it’s an essential duty. For inspiration in sobering times, let’s remember the example of those who kept the flame alive for us. When F. A. Hayek, Ludwig von Mises, Milton Friedman, and 36 others gathered at Switzerland’s Mt. Pélerin in 1947 to begin plotting liberty’s comeback, the embers of freedom and classical liberalism were burning much lower than today. In the wake of the rise and persistence of communism, the Great Depression that many blamed on capitalism instead of policy mistakes (sound familiar?), and a devastating world war, those embers were, in fact, nearly extinguished. Yet this group ignited a renaissance of free markets and civil society that paved the way for the intellectual triumph of our ideas and a dramatic expansion of freedom around the world in the decades that followed. Rather than despair that America and the world are not now as we want them to be, we must see our efforts as laying the groundwork for liberty’s next leap forward—just as the giants of 75 years ago did.

The threats to liberty are undeniable. But let’s also recognize—and create—opportunities. The opportunity for an exhausted rational majority, tired of toxic polarization, to be more open to our ideas. The opportunity to shine a bright light on the clear negative consequences of today’s reckless policy. The opportunity to fight for what does work: educational freedom, free speech, free markets and free enterprise, and more. But most importantly, the opportunity to respond more strongly to these threats.

Getting Stronger Every Day

Our policy team continues to get stronger. Over the course of this year we’ve shared with you numerous additions we’ve made to our economics group, and we’ll soon announce important new arrivals in legal studies and technology policy. Two of the greatest communicators of our ideas—our Isaiah Berlin Distinguished Scholar Deirdre McCloskey

and senior fellow Johan Norberg—have now joined Cato full time, while legal expert Ilya Somin moves into the B. Kenneth Simon Chair in constitutional studies. Former congressman Jeb Hensarling has joined Cato as an adjunct economics fellow, and Marc Joffe has arrived to focus on state-level economics issues and policy. Marc will provide more policy ammo to director of state relations Chris Hansford, with whom he'll work closely.

At a think tank, additions to policy staff get a lot of attention. But Cato can't deliver vital wins for liberty if we don't bring strategic thoughtfulness to how we invest your generous contributions. A huge focus is on **distribution**: capitalizing on and leveraging the excellent work of our outstanding policy staff by propagating that work in a wide variety of forms to ever-expanding audiences (especially to key targets like students and unconverted groups outside the libertarian choir). We've been doing this through our investments in technology, content creation, and student and education programs, all of which have made key hires this year. A newly established "content lab," under the leadership of senior director of digital and multimedia content Drew Mast, unites all of our creative talent—including video, data visualization, art, design, audio/visual, and multimedia—into a single group.

But distribution of our values, ideas, and analysis to policymakers on Capitol Hill, the executive branch, and state governments is also a critical element of these efforts. Chad Davis joins Cato as vice president of government affairs, and he'll be building a larger team of external affairs professionals facing the policy community. Chad is perhaps the most experienced person we've ever had in this role, with five years as a House and Senate aide, seven years on the staff of the Senate Banking Committee, two years in Hill outreach for the Fed, and two years spent leading external affairs and communications at the FDIC. Most recently he was a senior adviser for policy and regulation at the Federal Housing Finance Agency.

Chad will be pushing on an open door with the policy team, as our external engagement is at a high level and growing. In October and November alone, we had 120 major engagements at the federal level, including 81 with congressional offices, 33 with congressional committees or commissions, and 6 with executive agencies. More than ever, our experts are testifying before Congress, developing reform proposals that can be implemented as windows of political opportunity open, and exposing policymakers to the ideas and benefits of liberty.

And Cato is one of the few organizations that can engage constructively with politicians and staff from either side of the aisle—which is critical for introducing our ideas to new audiences and building coalitions for reform. Our recent work on Electoral Count Act reform, qualified immunity, and the FORMULA Act all involved engagement with both Republicans and Democrats. Another promising initiative is our Congressional Fellowship Program, where we select a group of senior staffers from the House and Senate to participate in an eight-week program organized around a theme such as legal studies, international affairs, or economics. The most recently concluded international affairs program had a 60/40 split between Republican and Democratic staff and spanned the spectrum from far right to far left. One senatorial aide told me that his colleagues couldn't believe he was attending an event with staff from the opposite party. One asked him, "What do you do, just argue all night?" The answer is no, but it does reflect the power of Cato's reputation to break through the partisan divide.

Roadmaps for Reform

Our newest economics fellow, Jeb Hensarling, stressed to me the impact Cato's *Handbook for Policymakers* has on Capitol Hill and its importance to him when he was in Congress and chairing the House Financial Services Committee. He implored me to keep this product going. But he needn't have worried, for we were just then putting the finishing touches on the latest edition. A roadmap for libertarian reform in nearly every policy area, the *Handbook* is an important tool for educating Congress on libertarian values and policy and plotting an optimistic path forward that will spur prosperity, promote civil society, and increase individual autonomy for all Americans.

With a focus on the incoming Congress, we're supplementing the comprehensive *Handbook for Policymakers* with separate focused editions highlighting specific elements of our policy agenda. Norbert Michel and his team have issued *Sound Financial Policy: Principled Recommendations for the 118th Congress*, which addresses monetary policy and reform; financial regulation including cryptocurrency and stablecoins; ESG investing; fostering competition in the financial sector; and removing barriers to small business capital formation. *Recovery: A Policymaker's Guide to Health Reform*, spearheaded by Michael Cannon, will press our agenda to return control of health care spending to the workers who actually earned the money and to remove barriers to competition and innovation. *Recovery* will include deep dives on health care and health insurance regulation, Medicare and Medicaid, the tax treatment of health care, and more.

Finally, the lie that free markets and capitalism have failed American workers—long prevalent on the left—has been gaining a worrying number of adherents on the right. The result is calls for discredited approaches like industrial policy, protectionism, wage and benefit mandates, and more subsidies for workers and families. (I mentioned last time that John Early and Phil Gramm's *The Myth of American Inequality* shows there's TOO MUCH redistribution already.) In late 2021 Cato's Scott Lincicome debated, before House Republican leadership staff, a wonk arguing for more economic intervention to help workers. In short, it was a debate of markets versus government. Thus was born our project *Empowering the New American Worker: Market-Based Solutions for Today's Workforce*, a multidisciplinary effort led by Scott to take direct aim at government failures in labor regulation, education, criminal justice, transportation, housing, and other key issues. It also proposes, across key areas, market-based reforms that will benefit *all* workers, not just those favored by politicians. Please check out this effort at cato.org/empowering-new-american-worker.

Briefly...

Four friends and dedicated Sponsors have retired from Cato's Board of Directors after nearly six decades of combined service: **Nancy Pfotenhauer**, **Nestor Weigand**, **Lewis Randall**, and **Robert Levy**. We can't thank them enough for their support, stewardship, and leadership. Bob Levy leaves the board after 15 years—during 14 of which he served as chairman. Bob has helped guide Cato through both challenging and prosperous times. We couldn't be more grateful that **Jay Lapeyre** now takes the chairman's responsibilities from Bob, and that **Jeff Yass** assumes the position of vice chairman. Both Jay and Jeff are strongly committed to Cato's mission and success and have long served on the board. Finally, we're delighted to announce that **John Mackey**, the visionary entrepreneur who cofounded Whole Foods Market and led the company as its CEO over 44 years of persistent growth, has also joined the Institute as a member of our board. . . . The powerful and successful **Project Sphere Summits** for middle and high school teachers, administrators, and curriculum writers will be held next year at Cato in Washington, DC, on July 9–13, 2023, and July 23–27, 2023. Please spread the word to schools and educators you know or can reach, and encourage them to apply for selection to the program at register.cato.org/SphereSummitApplications2023. . . . The aforementioned **Deirdre McCloskey** was elected vice president of the Mont Pelerin Society at its 75th-anniversary conference in October. . . . A Cato sponsor told me he firmly believes the Institute's immigration team is "the country's thought leader" on this issue, combining original myth-busting research with practical reform ideas. Reflecting this leadership, **David Bier's** work on the fentanyl crisis, labor shortages, and H1-B visas has been featured recently by outlets as diverse as Fox News, Vox, CNBC, and the *Wall Street Journal*. . . . The 2023 recipient(s) of the **Milton Friedman Prize for Advancing Liberty**, yet to be announced, will be honored on May 18 at the National Building Museum in Washington, DC. The event will be held in conjunction with the **Cato Benefactor Summit** from May 18–21, here at Global Freedom HQ. Please mark your calendars! To learn more, contact **Mackenzie Johnson** at (202) 789-5203 or mjohnson@cato.org.