Fall 2025

Free Society

Liberty Versus Power in Milei's Argentina

The Unplanned Path
to Abundance

Flemming Rose Reflects
on the State of Free Speech

“

No government ought to take away men’s natural rights, the business and design of government itself being to defend them.

”

Cato’s Letter no. 90
1722

John Trenchard
and Thomas Gordon

CATO INSTITUTE

Creating free, open, and civil societies founded on libertarian principles.

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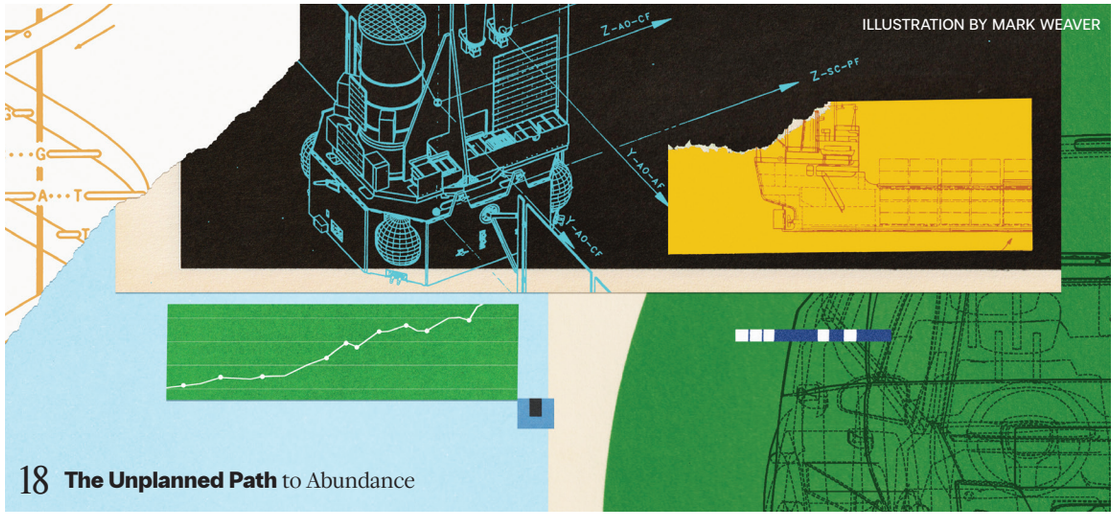

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Features

COVER ILLUSTRATION
BY PABLO DELCAN

Letter from the President, Peter Goettler

A few years ago, we welcomed at Cato HQ a new supporter who was visiting Washington. Also new to the policy world, this gentleman was meeting a number of organizations to learn more about the work and mission of each.

We weren't his first stop. And by the time he arrived, he told us he understood what was distinct about Cato—particularly after hearing others talk about the Institute. "You all are the rock in the stream. Your beliefs, work, and mission are anchored in a philosophy, and the shifting currents of politics don't move you."

I feel he hit the nail on the head, for this is the way we at Cato and our Partners view the organization. It's gratifying when this is recognized by those outside our community as well.

As many of you know, two years ago our board endorsed a Statement of Principles summarizing the nonnegotiable values of Cato. The Statement was unveiled in our 2023 annual report. And our 2024 annual report, published earlier this year, showed how these principles and the framework they represent animate all of the work we do.

Recently, I heard a colleague refer to the Statement as "our new principles." I corrected him. We may have enumerated these principles only recently in the Statement. But they are the same principles that have guided Cato since its founding nearly 50 years ago. The Statement is new. The principles are not.

Since the Statement includes recognition of the moral worth and dignity of all individuals, a corollary highlights how we intend to interact with the world: "We seek to engage constructively with anyone across the full range of philosophical, ideological, and political viewpoints. . . . We welcome and respect alternative viewpoints, while insisting on respectful and civil discourse with and from others."

It's critical that Cato remain a clear example of both civility and adherence to principle. Because these are lacking in America today, and the consequences are at once clear and concerning.

Unmoored to principle, many citizens or political leaders now support exercises of power they previously condemned. Motivated by politics, others are only now—and therefore not credibly—standing up for ideas or values they have long failed to defend. And nearly all allow the ends to justify any means when the result is a policy outcome they support. Yes, unmoored to principle we increasingly find ourselves similarly unmoored to the rule of law, and to the constitutional anchors that are essential to protecting liberty for our children.

Meanwhile, a lack of civility and mutual respect in our society is fueling angry polarization and tribalism, and these serve to blind so many to the dangers of the unprincipled path we're traveling.

Cato is determined to persevere on both fronts.

Remaining principled has been Cato's hard-earned reputation. Not long ago, the leader of another libertarian institution told me, "From the outside, Cato has never been more libertarian." I hope it means we are upholding the Institute's legacy.

And, as I recently exhorted our staff, "Cato must, and will, remain a model of civility and mutual respect in these challenging times." I was so grateful for the feedback we just received from a high school administrator who actively supports and participates in our Sphere Education Initiatives: "We in education are looking to you at Sphere. We see you as an island of sanity in an ocean of chaos."

As George Will has said, the majority of Americans are not, in fact, angry. Rather, most Americans are exhausted and embarrassed. Those of us who are not angry must do our utmost to set a better tone for the rest of the country. To the extent Cato is successful in this, it is a tribute above all to our entire community—and the support and encouragement we receive from each of you.

Peter Goettler
President and CEO

Cato in the News

Recent Op-Eds

The Washington Post

The Government's Intel Stake Is Antithetical to American Greatness

—by Scott Lincicome

THE WALL STREET JOURNAL.

Medicare and Medicaid Fail a Basic Scientific Test

—by Michael F. Cannon

MSNBC

ICE Detentions Are an Affront to the Fourth Amendment—and We're All Paying the Price

—by Mike Fox

NEW YORK POST

The CDC Does Need to Be Reined In—Even if Concerns over RFK Jr. Are Valid

—by Jeffrey A. Singer

International Banker

Why AI Overregulation Could Kill the World's Next Tech Revolution

—by Peter Goettler

TV Highlights

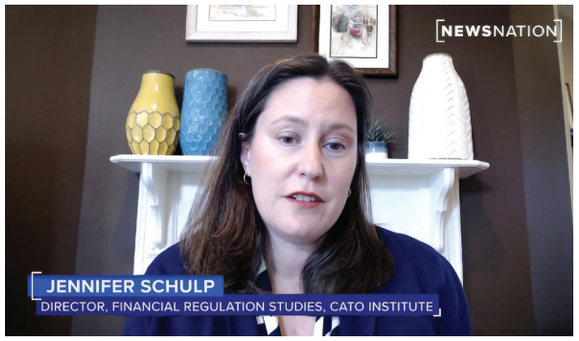
Justin Logan discusses President Trump's Alaska summit with Vladimir Putin on CNN's *Laura Coates Live*.

Romina Boccia discusses the fiscal impact of the GOP's tax bill on BBC News' *Business Today*.

David J. Bier analyzes the GOP tax bill's increased funding to ICE on *PBS NewsHour*.

Colin Grabow explains what is stopping companies from bringing manufacturing to the United States on CNBC.

Scott Lincicome breaks down ongoing trade negotiations on *CBS Evening News Plus*.



Jennifer J. Schulp explores the future of Bitcoin on a NewsNation Special.

News Notes

Travis Fisher Helps Coordinate Department of Energy Report on Climate Policy

When Secretary of Energy Chris Wright assembled the Climate Working Group to assess the latest peer-reviewed literature and data about climate change, he called on Cato's Travis Fisher to serve as a liaison and help coordinate the 150-page report. Fisher, who held various roles at the Department of Energy before joining Cato as the director of energy and environmental policy studies, noted that the report "shed light on some *inconvenient truths* that cut against the prevailing narrative that climate change is an existential threat."

Small Businesses Victorious in Challenge to Trump's Tariffs Led by Ilya Somin

The US Court of Appeals for the Federal Circuit upheld a lower court's ruling to strike down President Trump's "Liberation Day" tariffs, ruling in favor of five small businesses that were represented by the Liberty Justice Center and Ilya Somin, the B. Kenneth Simon Chair in Constitutional Studies at Cato. *Free Society* profiled one of those small businesses in the last issue, and Cato scholars filed a supportive amicus brief. The 7–4 majority, which cited Cato's brief, wrote that the tariffs "assert an expansive authority" that is "beyond the authority delegated to the President" by the International Emergency Economic Powers Act of 1977. The administration will appeal to the Supreme Court.

Jones Act Reform Legislation Draws on Colin Grabow's Recommendations

Research by Colin Grabow, associate director of Cato's Herbert A. Stiefel Center for Trade Policy Studies, helped shape a new bill to reform the Jones Act. The Merchant Marine Allies Partnership Act, introduced by Reps. Ed Case (D-HI) and Jim Moylan (R-GU), would allow ships built in allied countries to be used in domestic commerce, exempt US vessels repaired in allied shipyards from a 50 percent tariff, and implement other reforms to spur competition and liberate maritime trade.

Liberty Versus Power in Milei's Argentina

By Ian Vásquez and Marcos Falcone

Argentine President Javier Milei entered office nearly two years ago on the promise of returning his country to its classical liberal roots. Since then, his administration has slashed government spending, reined in inflation, and deregulated large parts of the economy, but Argentina's libertarian renewal is far from finished and under attack from the Peronist opposition.

ILLUSTRATION BY PABLO DELCAN

"Liberalism is the unrestricted respect for the life project of others based on the principle of non-aggression and the defense of the right to life, liberty, and private property."

So declared President Javier Milei of Argentina in his inaugural address on December 10, 2023. As he had done for years in countless media appearances and speeches and during the election campaign, Milei was quoting his intellectual mentor, Alberto Benegas Lynch Jr.—Argentina's most prominent classical liberal thinker and a Cato Institute adjunct scholar. That concept of freedom, Milei added, is the "new social contract chosen by the Argentines."

Argentines indeed elected Milei in a landslide on an explicitly libertarian platform, showing the political viability of those ideas when they are well articulated. His proposal represented nothing less than a paradigm shift: to return the country to prosperity by overturning 80 years of thoroughgoing statism and replacing it with policies and institutions that limit power, restore the rule of law, and open the economy.

To be sure, Milei set an ambitious agenda, and he faced widespread skepticism from the political mainstream and intellectual elite. Prior to his election, more than 100 economists, including Thomas Piketty, author of *Capital in the Twenty-First Century*, signed a letter that warned of the "devastation" a Milei win would entail. Even Milei's center-right opponents believed a government led by him was not just undesirable but also likely to collapse almost immediately.

Milei's challenge was made all the more daunting by the economic crisis he inherited. Twenty years mostly ruled by the populist Peronist party of the left had produced 42 percent poverty, yearly inflation of 211 percent, a quasi-fiscal deficit of 15 percent of GDP, massive public debt, an effectively bankrupt central bank, and an economy that had stagnated for a dozen years and was now in free fall. Argentina was heading toward hyperinflation, debt default, and complete economic collapse.

Despite those challenges, the first 20 months of Milei's presidency have yielded impressive results. He has achieved more than what most people expected, and in many ways has made Argentina's move toward liberal democracy an example for an increasingly illiberal world. But with critical midterm elections approaching, a hostile National Congress eager to derail his reforms, and murky corruption allegations, Milei faces new challenges in sustaining Argentina's remarkable turnaround and realizing his libertarian agenda.

Argentina's Turnaround

Argentina's recovery from crisis has followed the pattern Milei warned his compatriots about in nonpopulist fashion, atypical for Argentine politics: that things will get worse before they get better. "I prefer to tell you an uncomfortable truth," he explained, "rather than a comfortable lie."

There was inevitable pain, a legacy of past mismanagement. But the recovery has also been swift. GDP grew by 6.3 percent and investment by 32 percent in the second quarter of 2025 on a yearly basis, after an economic contraction in the first half of last year. Growth estimates by the International Monetary Fund and others for this year range from 4.7 to 5.5 percent. Yearly inflation reached 289 percent early in Milei's administration but has dropped to 34 percent, or under 2 percent per month—still high, but a vastly improved trajectory. After initially rising to 53 percent, poverty fell to 32 percent, thus pulling more than 11 million people out of destitution. Consumption is up, employment has grown, and exports have risen.

Milei has accomplished as much by being true to his chainsaw-wielding image. Prioritizing economic stability, he cut the budget by 30 percent and balanced it by his second month in office. Ending Argentina's uncontrolled deficit spending, a chronic source of the country's instability, greatly helped reduce inflation as it facilitated a more disciplined monetary policy. Public debt has fallen by 12 percent in absolute terms.

Argentina, which had never been able to implement significant adjustments without defaulting on its debt or falling into high or hyperinflation, is now a rare example of expansionary austerity. The president has vowed to slash spending even further and has repeatedly pledged that as long as he is president, the budget will not be unbalanced.

Milei has also prioritized cutting bureaucracy and red tape. He has abolished 10 ministries (merging some with others), gotten rid of hundreds of sub-agencies, and fired more than 53,000 public employees.

Through August 2025, Milei has implemented an astounding 1,246 deregulations, about two per day. The reforms have affected a range of sectors, from energy and agriculture to real estate and health. Some of the deregulations disentangled Argentina's complicated international trade controls, while others reduced paperwork and bureaucratic procedures for businesses and opened markets for competition.

New businesses and services have thus appeared, and numerous goods have seen their prices drop. For example, after the government eliminated an import-licensing scheme, the price of home appliances fell by 35 percent. In another example, livestock

"His proposal represented nothing less than a paradigm shift: to return the country to prosperity by overturning 80 years of thoroughgoing statism and replacing it with policies and institutions that limit power, restore the rule of law, and open the economy."

producers were required to use a vaccine that protects against foot-and-mouth disease but was produced by only one Argentine laboratory. Milei liberalized that market and allowed Argentina, a major meat-producing country, to import vaccines from abroad, where they were one-third the price.

Deregulation has proceeded fully in accordance with Argentine law and the country's democratic process, bolstering its legitimacy and popularity. In July 2024, Milei created the Ministry of Deregulation and State Transformation staffed with accomplished economists and legal professionals. The ministry has led the bulk of Milei's regulatory reforms under a law that gave the president authority to issue deregulations by decree for one year. That period ended last July but deregulations continue apace, as the ministry is now focusing on undoing regulations that previous presidents issued by decree rather than passed through the National Congress.

Last but not least, Milei has eliminated, left to expire, or reduced some 22 types of federal taxes, mostly those that distorted productive structures and trade. Among the most significant measures are the reduction of export taxes in agriculture and the expiration of *Impuesto País*, a tax that ranged as high as 30 percent on foreign currency purchases.

Those measures are consistent with Milei's goal of opening the economy. He has praised free trade and excoriated "the protectionist lie, because, in the end, it is nothing more than a scam between politicians and rent-seeking businessmen." To that end, among many other measures, Milei reduced taxes and raised the limit on foreign purchases to $3,000 per package, and liberalized the importation of a wide variety of goods ranging from pharmaceuticals to toys. He has also facilitated visas for citizens of China and the Dominican Republic and put in place international standards for refugees and asylum seekers.

Stories from a Freer Economy

As Milei's administration has cut spending and rolled back regulations, Argentines are finding it easier to save, invest, and plan for the future. From entrepreneurs expanding their businesses to renters able to secure mortgages for the first time, everyday life is beginning to change.

One of the earliest and most far-reaching reforms under the Milei administration was the immediate end of rent control. Prior to Milei, rental regulations were stringent in the extreme. Apartment contracts had to be set for three years, and rent had to be paid in pesos amid a backdrop of high and unpredictable inflation, for example. As a result, thousands of landlords decided to remove their properties from the market, which reduced supply and increased prices.

In a *Reason* piece earlier this year, our colleague Ryan Bourne and one of us (Marcos Falcone) interviewed Bruno Panighel, a financial consultant from Córdoba, who told us about how liberating the change has been. Back in 2023, "[rent] prices were so high that in many cases it was cheaper to live at a hotel. I made the calculations myself," said Panighel. In just one year, he went from signing three-month, Airbnb-like contracts—with no certainty they would be honored—to securing a yearlong lease. Landlords no longer need to cover themselves through temporary contracts and are now able to adjust rent prices per inflation as agreed with the other party. Previously, as annual inflation was rising to over 200 percent, landlords were allowed to do this only once a year, which made renting out property unprofitable unless the initial price level was extraordinarily high.

Pedro Gassiebayle is seen here on his family's farm in Argentina's northern province of Corrientes. After Milei deregulated parts of the agriculture industry, Gassiebayle said he is able to reinvest in the farm and focus on efficiency for the first time.

The rent control law that was supposed to protect tenants left them with barely any homes—except expensive ones, just as economic theory predicts. Rental housing supply has tripled and real prices have fallen by 30 percent since Milei repealed the law by decree in December 2023.

But it wasn't just rental conditions that improved under Milei. Opportunities are now also available for people to get credit and own the homes where they live. Indeed, 28-year-old Franco R., who asked to be identified by only his first name for privacy reasons, has just signed a 30-year mortgage to buy his first apartment in Buenos Aires—unthinkable only a couple of years ago. "For young people like me, applying for a mortgage was not a possibility," he says. There were only 3,875 mortgages signed in the entire country in 2023, according to its central bank, but that number tripled in 2024.

For Argentines like Franco, applying for a mortgage was not merely about the possibility of buying his own apartment, but also about being able to stay in the country in the first place. "If Milei didn't win, I was seriously considering moving abroad," Franco says. That's a decision over 1.8 million Argentines have made since 2013, according to Guillermo Francos, the country's chief of the cabinet of ministers. Franco signed his

mortgage because, among other reasons, he is confident he will be able to pay it as long as he has a job.

In fact, according to the World Bank, domestic credit to the private sector as a whole represented only 15 percent of Argentina's GDP in 2023, compared to 71 percent in Brazil, 109 percent in Chile, and 192 percent in the United States. Banks were not lending money to people because their main client was the government, which ran such large fiscal deficits that its demand for financing crowded out funding for anyone else. Now that the country has balanced its budget, the banks can start working with the private sector again.

Life has also improved in Argentina's countryside. Pedro Gassiebayle, whose family owns land in the northern province of Corrientes, cannot recall a time when livestock farming was as profitable as it is today. Gassiebayle says "now is the time to focus on efficiency," a seemingly impossible task when inflation was skyrocketing and mere survival was the goal. With some price controls removed and export taxes reduced, he can now think of reinvesting in his family's business, something they were previously disincentivized from doing. For a long time, Argentines would joke that the best minister of finance of neighboring Brazil, Paraguay, and Uruguay was the Argentine president. Not anymore.

Gassiebayle, who is thinking of incorporating more technology into his business, is likely to benefit from used farm equipment that can now be imported because of the Milei administration's policies. He can also spend more time on his own farm as he is now connected to the world through Starlink, a service previously prohibited from operating in Argentina—the eighth-largest country in the world by area—until Milei deregulated the satellite internet market in early 2024. Before then, being on Gassiebayle's farm meant being cut off from the rest of the world.

In other cases, improvement has come through unorthodox tax relief. Cecilia O., who asked to be identified by her first name only in order to speak candidly about Argentina's tax system, works as a freelancer in digital marketing. She is enrolled in *monotributo*, a simplified income tax regime for low- and middle-income independent workers that effectively taxes them at about 5 percent or less. Introduced in the late 1990s, *monotributo* was conceived for workers who earned up to $144,000 a year. But over the last two decades, Peronist administrations did not update the program's income limit to keep track with high inflation, thus continually lowering the program's income tax limit. By December 2023, *monotributo* was effectively capped at a meager $6,300 a year.

If someone enrolled in the program is found to exceed that limit, Argentina's tax authorities will reclassify them as "autonomous," a category where the income tax abruptly jumps to 35 percent and in which they are also required to pay the 21 percent value-added tax. For Cecilia and the other 2.5 million people enrolled in the program, this was catastrophic: Exiting *monotributo* and becoming autonomous meant such a high tax hike that it largely made freelance work impossible.

Cecilia remembers what it was like to do business before Milei: "I had two clients pay

"Either we persist on the path of decadence, or we dare to travel the path of freedom," Milei declared at a conference co-hosted by the Cato Institute in Buenos Aires last year.

me off the books and send me cash through a delivery platform just so that I could avoid writing invoices for them and thus not exceed the *monotributo* limit." Stories of other independent workers who had their relatives apply for monotributo and sign fake invoices under their names were also common. All these nightmares ended as soon as the Milei administration decided in 2024 to update the program's limit, which is now about $72,000—over 11 times what it was previously. While other taxes have also been repealed, lowered, or left to expire, the *monotributo* story represents a massive, silent tax relief for millions of Argentineans. "I'm relaxed now," says Cecilia, who can finally focus on her work instead of spending time with her accountant trying to navigate convoluted tax laws.

Argentina's Dramatic Battle of Ideas

At a Cato Institute conference in Buenos Aires last year, President Milei promised to turn Argentina into the freest country in the world, appealing once again to the tradition of liberty from which Argentina departed at least 80 years ago. It was a stark reminder of the dramatic battle of ideas in which Milei has engaged his country, pitting classical liberalism against a pernicious and very Argentine form of statism.

Argentina became prosperous in the second half of the 19th century on the basis of its classical liberal constitution of 1853. The father of that constitution, Juan Bautista Alberdi, admired the US Founders, the US Constitution, and the leaders of Argentina's independence movement earlier that century, who also held the American Founders in high regard.

By the early 20th century, Argentina ranked among the 10 wealthiest countries in the world. In 1913, its per capita income was higher than that of Germany, France, Sweden, Italy, and Spain. Economist Armando Ribas called Argentina "a miracle of history" since it was "the only country created under an Anglo-Saxon or Anglo-American political-philosophical process and implemented by descendants of Spaniards."

In fact, Argentina was also drawing from a broader Hispanic tradition of liberty, one going back to the Spanish School of Salamanca of

the 16th and 17th centuries that influenced Enlightenment thinkers and Argentina's own founding fathers, as our colleague Gabriela Calderón de Burgos explains in her new book on the liberal leaders of Latin American independence movements, *En busca de la libertad: vida y obra de los próceres liberales de Iberoamérica*. When Milei calls for a return to "Alberdian" classical liberalism, he too is drawing on that broader tradition.

"Argentina still needs to implement major reforms, many of which will require congressional support, to become one of the freest countries in the world."

As happened elsewhere in the world, illiberal ideas began to make inroads in Argentina in the first half of the 20th century. This led to a definitive break from classical liberalism in the 1940s with the rise of Juan Domingo Perón, who, after having overthrown an elected president with a group of military officers, was democratically elected on a populist platform.

The system Perón set up was explicitly modeled on European fascism, which inspired him after his visits to Nazi Germany and Mussolini's Italy. In both of those countries, Perón said, the state was organized "for a perfectly ordered community, for a perfectly ordered people as well, a community where the state was the instrument of that people whose representation was, in my opinion, effective."

Perón proceeded to create a corporate state in which the government organized with business, and labor, to control the economy. The state doled out privileges and served as arbiter of competing interests through regulation and public spending.

The Peronist system strengthened unions, protected domestic firms from international trade and competition, increased state ownership of businesses, imposed export taxes and price controls, produced an explosion of regulation, and generally centralized government power. Government agencies such as the central bank lost any semblance of independence. Reckless public spending led to undisciplined monetary policy.

The result was a political system of entrenched interests that strengthened over time, regardless of political regime, and produced recurring cycles of high inflation, debt crises, devaluations, and defaults. Through booms and busts, Argentina experienced long-term decline. Since 1950, it has spent more time in recession than any other country in the world and has alternated between democracy and dictatorship. Politically and economically, Argentina became the most erratic country in the most erratic region of the world.

That reality led to a popular saying among Argentines that goes back to at least the 1980s: "Argentina is a country where, if you go on a trip for 20 days, everything has changed when you return, and if you go on a trip for 20 years, nothing has changed when you return."

Unlike in Germany and Italy, where war crushed fascism, Argentina's central problem since the rise of Perón has been that its state corporatism, instilled when the country was still relatively rich, never died. By the time Milei assumed power, 20 years of mostly Peronist-party rule had once again brought the country to ruin and repression. According to the *Human Freedom Index*, an annual co-publication of the Cato Institute and the Fraser Institute in Canada, the Argentine economy was one of the most closed and most regulated in the world, and it had among the world's worst monetary policies. In terms of economic freedom, Argentina ranked 159 out of 165 countries in 2023.

Against that Peronist legacy, Milei became the first political leader in 80 years to propose that the whole corporatist state had to be torn down and replaced with limited government. "Embracing the ideas of freedom," he explained, "is the only way we can climb out of the pit in which they have put us."

When Milei turned the mainstreaming of libertarian thought into political victory in 2023, he caught the attention of the world. But, as our colleague Daniel Raisbeck documented at the time, Milei's rise did not occur in an ideological vacuum: It was "the result of a decades-long struggle by a few individuals to promote free-market ideas and the principles of classical liberalism in a thoroughly hostile environment."

One of those individuals was Alberto Benegas Lynch Sr., who started a think tank in the 1950s and invited Austrian economist and leading classical liberal Ludwig von Mises to Argentina in 1959, after Peronism had generated a few of its early economic crises. In a lecture during his visit, Mises described Germany's recovery from the devastation of fascism in simple terms that remain relevant to Argentina today:

> You have read in many newspapers and speeches, about the so-called German economic miracle—the recovery of Germany after its defeat and destruction in the Second World War. But this was no miracle. It was the application of the principles of the free market economy, of the methods of capitalism, even though they were not applied completely in all respects. Every country can experience the same "miracle" of economic recovery, although I must insist that economic recovery does not come from a miracle; it comes from the adoption of—and is the result of—sound economic policies.

In the years since Mises's visit, classical liberal ideas spread, and Argentina developed the most extensive and sophisticated intellectual ecosystem in Latin America in support of those ideas. Alberto Benegas Lynch Jr. founded a business school in the 1970s that would teach Austrian economics, classical liberal professors began teaching at important universities, and free-market think tanks were founded in Buenos Aires and other cities across the country. That network was in place when Milei joined and supercharged his country's battle of ideas, and it continues to be in place today.

Argentines walk around a plaza near the Casa Rosada, the Argentine president's office, as Javier Milei nears the two-year mark of his administration. (Photo by Jon G. Fuller/VW Pics/Universal Images Group via Getty Images)

Will This Time Be Different?

Will Milei be able to live up to the ideals of classical liberalism that he espouses and the high expectations that he's set? Will he be able to make progress on his extensive, unfinished agenda? Most important, will this time be different from previous episodes of adjustment, and will Milei be able to finally break the grip of Peronism on the country's political system?

Those questions are especially relevant in the run-up to Argentina's critical midterm elections at the end of October. Milei's achievements, after all, have come about with a National Congress in which his party holds only about 15 percent of the seats. To continue his reform agenda, Milei's party will need to make up at least one-third of the legislature, a large enough share to prevent the opposition from overriding any presidential vetoes and thus large enough to eliminate Peronist legislative threats.

The Peronists have already tried to undermine Argentina's fiscal balance—the centerpiece of Milei's reform agenda—by passing spending bills that would put the budget in deficit and by overriding vetoes on some of that spending. Likewise, an audio secretly recorded last year of a high-level official alleging corruption involving Milei's sister was recently made public in a politically timed release. Milei has called such claims lies. At the time of this writing, they are being investigated, and it remains too early to judge.

Additionally, Milei himself has established dubious electoral alliances with Peronists, alienating part of his base. While he claims these alliances are necessary to defeat Peronism in the districts where it is strongest, many fear that these Peronists will quickly defect from Milei's party after the October midterm elections and weaken his standing in the National Congress. This has happened in the past.

All of these developments have weakened the peso and produced some uncertainty about Argentina's political future, because they suggest the possibility that Peronism will regain strength and undermine Milei's reforms. What is certain is that the Peronist opposition is willing to go to great lengths, including spurring economic instability or crisis, for political gain. Milei has a notable nationwide advantage over the opposition, but the political relevance and strength of Peronism—as shown in a recent local election in the province of Buenos Aires—have become the main threats to the Argentine economy.

Argentina still needs to implement major reforms, many of which will require congressional support, to become one of the freest countries in the world. Despite progress in reducing trade barriers, the economy remains largely closed and the country still belongs to the protectionist Mercosur trade bloc. Labor reform (Argentina's labor regulations are among the world's most rigid), pension reform, privatization of state-owned enterprises, much tax reform, and further deregulation are necessary. Capital controls should also be fully lifted.

Most urgently, Milei should liberalize the exchange rate. His government chose to stabilize the economy before opening it to the world, and that stabilization is certainly responsible for much of Milei's remarkable success. But the managed exchange rate also led to an overvalued peso that began slowing the economy earlier this year. The current exchange-rate system put in place this April, in which the government sets upper and lower limits to the value of the peso, is also inconsistent with free-market principles, has required government interventionism, and makes the currency vulnerable to speculative attacks that could lead to economic crisis and undermine the reform agenda—something the increasingly assertive Peronists are well aware of.

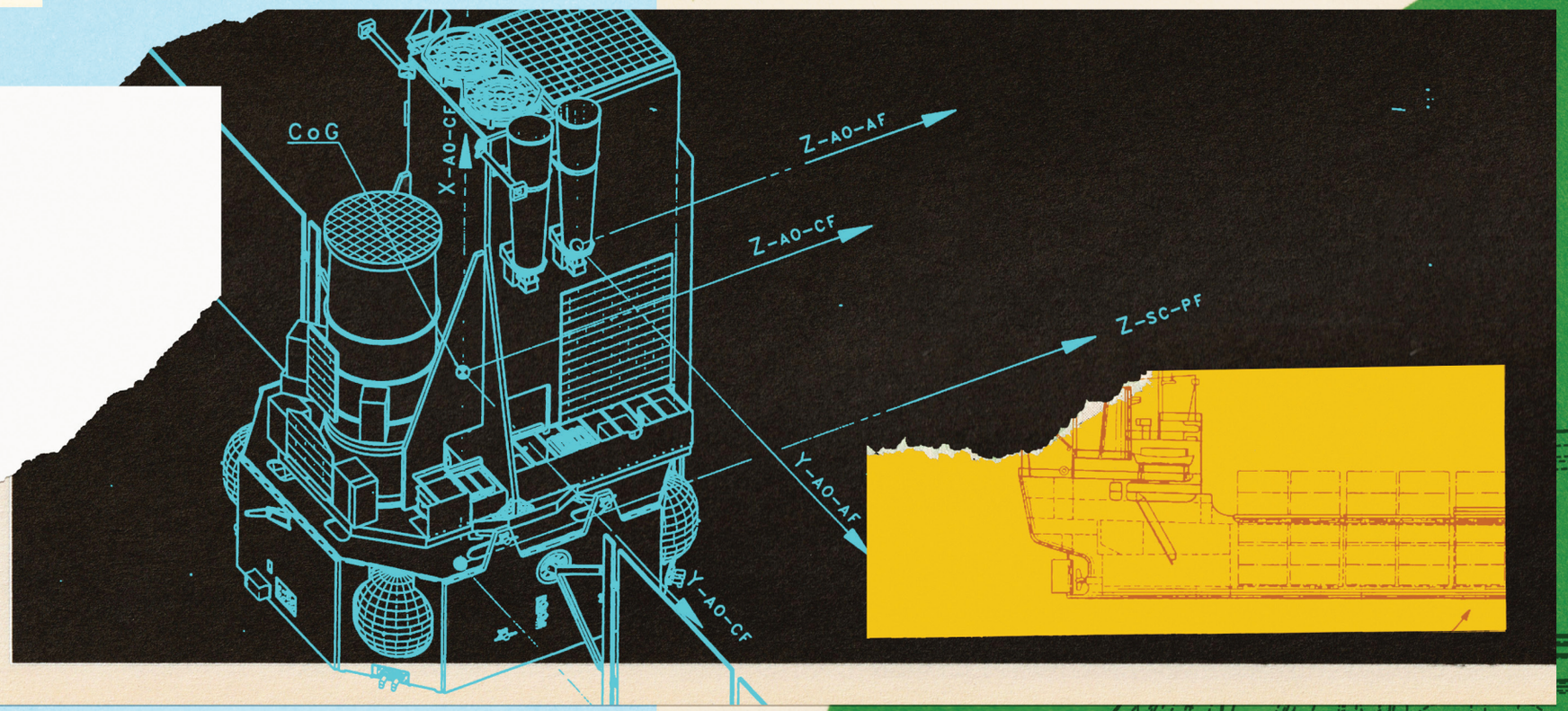
Finally, Milei should make good on his central campaign promise to dollarize the economy and close the central bank. Dollarization—allowing people to use the currency of their choosing—would further stabilize the economy. Shutting down the central bank, meanwhile, would put an end to the perennial enabler of Argentina's macroeconomic turmoil and signal a credible institutional commitment to stability.

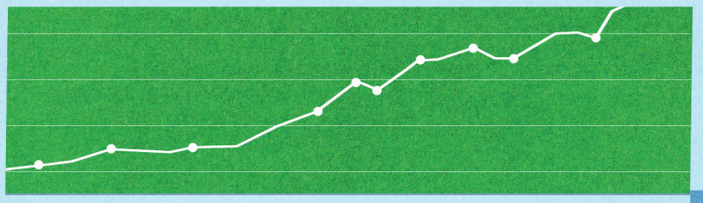
Fortunately, what makes this time most different in Argentina is the country's biggest current asset: Milei's belief in free markets and his record on moving the country in that direction. That differs significantly from the half-hearted or seriously incoherent reform efforts of previous governments. Indeed, Milei continues to promise dollarization and the full set of market reforms even as he faces political constraints.

For the United States, Argentina is a cautionary tale of a country that was once prosperous but began a long-term decline as it departed from its classical liberal roots. But under Milei, it has so far also been an example for the world at a time when so many countries have chosen illiberal paths. The success of Milei's efforts to restore liberal democracy is more important than ever. ✦

ABOUT THE AUTHORS

Ian Vásquez is the vice president for international studies at the Cato Institute, where he holds the David Boaz Chair. Marcos Falcone is a policy analyst on Latin America at Cato's Center for Global Liberty and Prosperity.





THE *Unplanned Path* TO ABUNDANCE

By Johan Norberg

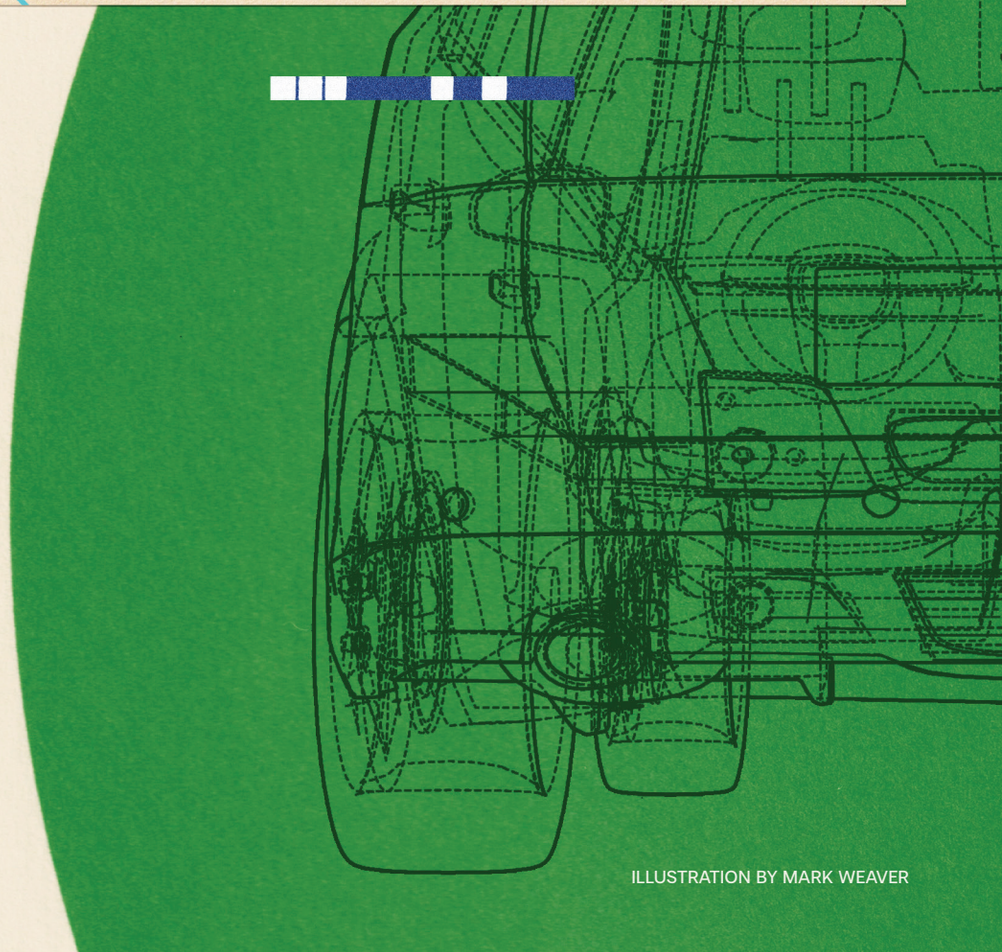


ILLUSTRATION BY MARK WEAVER

Progressives and conservatives alike have their own plans for prosperity, but both miss the same core truth: There is no blueprint for abundance. Humans thrive only when they're left alone to freely think, speak, invest, and experiment—to take risks and shoulder the consequences, good or bad.

This is the bottom-up abundance articulated for centuries by classical liberals, from Adam Smith and F. A. Hayek to Julian Simon and Marian L. Tupy.

Something exciting is happening on the American left. While some still cling to degrowth policies and "democratic socialism," a new intellectual front has opened among a group of young, talented progressives who actually believe in progress. They have begun to worry that it is impossible to build anything anywhere amid the expanding labyrinth of regulations, permitting processes, reporting requirements, environmental reviews, lawsuits, and procurement rules favoring small, locally based, and preferably minority-owned firms—policies that in practice block economies of scale and drive up costs.

Their manifesto is the book *Abundance*, by *New York Times* columnist Ezra Klein and *The Atlantic* contributing writer Derek Thompson. With little mercy, they examine how government regulation stands in the way of innovation and construction of even the very things Democrats support, like housing for the poor, high-speed rail, and green technology. The Democrats perfected the art of saying no, to prevent bad people from doing bad things, and so they are stuck. Texas builds more green energy than California not because it is more committed to the environment, but because it is less regulated.

Regulation has also made construction more difficult, expensive, and time-consuming, and housing prices have soared. Klein and Thompson cite research showing that the geography of homelessness does not primarily follow patterns of poverty or unemployment: The single most important factor is the availability and price of housing. California has just over a tenth of the US population but half of its unsheltered homeless. Houston, which has no zoning and limited land-use regulations, has the lowest rate of homelessness of any major American city.

The progressive urge to subsidize demand of all good things is self-defeating, since it boosts prices, not supply. "Giving people a subsidy for a good whose supply is choked is like building a ladder to try to reach an elevator that is racing ever upward," write Klein and Thompson. Halfway through the book, the authors even suggest that government redistribution is overrated. They note that most of the goods and services progressives seek to evenly distribute, such as medical technology, didn't exist as recently as 50 years ago. What matters is developing new technologies and resources, and to focus solely on the distribution of today's wealth is therefore "worse than a failure of imagination":

> It would be a kind of generational theft. When we claim the world cannot improve, we are stealing from the future something invaluable, which is the possibility of progress. Without that possibility, progressive politics is dead. Politics itself becomes a mere smash-and-grab over scarce goods, where one man's win implies another man's loss.

The obvious conclusion, albeit one they are reluctant to concede, is that any redistribution today that reduces growth and innovation is a welfare loss. In fact, taxation is theft—generational theft.

For a classical liberal, this book is a refreshing read. And I am tempted to say: Welcome to the party. You may have arrived fashionably late, but that's quite all right—there's plenty of room, the music is still playing, and the buffet is abundant.

But there are also a lot of things to quarrel about. At times, Klein and Thompson are so excited by innovation that they think it is too important to leave to the free market: "Markets will, we hope, proffer some of these advances. But not nearly enough of them." While they have a keen eye for all the problems that come with a government that slows things down, they suggest that they know how to speed it up:

> What we are proposing is less a set of policy solutions than a new set of questions around which our politics should revolve. What is scarce that should be abundant? What is difficult to build that should be easy? What inventions do we need that we do not yet have?

How do you make such decisions? Klein and Thompson seem to think we can decide all this collectively, and that government can implement the right policies with generous subsidies. Indeed, when they talk about successful alternatives to a government that slows things down, they cite the New Deal, the moon landing, and an active industrial policy in which government picks winners. This is the kind of book that discusses how to build high-speed rail better and faster without ever making a case for why it should be built in the first place.

In this regard, the "supply-side progressives" at times resemble less abundance libertarians than the Silicon Valley technocrats of the Trump coalition,

who also want to usher in a new golden age of abundance through government intervention. As MAGA entrepreneur Peter Thiel has described it, they are advocating for "a conservatism that seeks to build up American state capacity in order to solve dire social problems and push the technological frontier."

The national conservative project is to design their preferred industrial structure and employment patterns with protectionist trade policies and by deporting immigrant workers. Donald Trump also wants to control the economy with a hyperactive, personalized industrial policy. He tells businesses who should be leading them and what prices drug firms should charge. The administration is even reviving the idea of state ownership of the means of production, acquiring a golden share in US Steel, becoming the biggest shareholder in MP Materials, taking a 10 percent ownership stake in Intel, and demanding a 15 percent cut for the government from all Nvidia and AMD chip sales to China. This is "state capitalism with American characteristics," concludes the *Wall Street Journal*'s Greg Ip, in a nod to how it all resembles Xi Jinping's socialism with Chinese characteristics. "We are a department store," as the president himself describes his economic philosophy, "I own the store, and I set prices."

Just as abundance progressives understand the failures of past government intervention but think they can do better, national conservatives admit it has failed before but believe that with them in charge, it will finally work. As the title of a 2024 Marco Rubio article in the *Washington Post* put it: "Why I believe in industrial policy—done right."

Supply-side progressives and department-store conservatives both have a plan for the future. To me, it looks a lot like the old failed plan, except that this time they have decided it will be *done right*. It reminds me of the David Lynch meme where the famous director impatiently instructs his struggling actors with a megaphone: "Okay, let's try that again, but this time good."

The problem is that government doesn't tend to run off the road because it has a poor driver, but because there is no road yet—it must always be built, stone by stone, by the people themselves as they find the way. If you speed up, you will just have more crashes. Discovering the future is a discovery process, not a planning project.

As F. A. Hayek explained in *The Use of Knowledge in Society*: "The knowledge of the circumstances of which we must make use never exists in concentrated or integrated form but solely as the dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess." And as Yoda counseled in *The Empire Strikes Back*: "Difficult to see. Always in motion is the future." In other words, knowledge is dispersed and constantly changing. When government steps in and directs resources to a particular purpose, it doesn't add anything extra; it simply replaces the continuously updated wisdom of billions of people looking at the world from their specific vantage points with the preferences

"But when government tips the scales, it often throws good money after bad and short-circuits the very process by which failure and feedback generate more knowledge and adaptation."

of a few smart people at the top. We lose knowledge, and we lose creativity.

Of course, there are examples of successful government investments, but anecdotes are not a governing philosophy. As evaluations of industrial policy show, for each effective intervention there are hundreds of failures. Nobody knows which technologies will work and which business models will triumph in the future—not even innovators and entrepreneurs themselves. So how would politicians, who do not act on markets and do not even risk their own money, know?

Scott Lincicome, vice president of general economics at Cato, has repeatedly documented how and why attempts to pick winners have failed. Efforts to identify critical technologies mostly flop, as they did recently when politicians of every stripe agreed that ethanol was the fuel of the future, until they decided it wasn't.

Even when planners pick the right industries, they fail to predict how those technologies and markets will develop. Support for semiconductors and supercomputers in the 1990s went to important industries but the wrong products and companies. When the CHIPS and Science Act became law in 2022, ChatGPT didn't exist and Nvidia was considered just a gaming company. Most support was heading toward Intel.

The whole process is also distorted by mechanisms familiar to public choice economists. Support tends to go not to the most promising ideas but to those with the strongest political connections, the biggest lobbying budgets, and the most jobs in favored constituencies.

Government support also changes the companies themselves. Government is bad at picking winners, but losers are good at picking governments. They adapt their behavior to the incentives, seeking to stay in politicians' good graces, and that is not necessarily the same as building competitive business models.

A recent example is the battery-maker Northvolt from Skellefteå, in my own country, Sweden. It received the incredible sum of $15 billion, partly from Swedish, Canadian, German, and Polish taxpayers. After all, everyone saw electric cars as the future, and everyone wanted to repatriate battery production from China, making

Northvolt a darling of the green left, the nationalist right, and security hawks alike. Indeed, it is the kind of company Klein and Thompson call for in *Abundance*, when they write that the state should subsidize "bettering battery storage." Northvolt also had tons of orders from the European electric vehicle industry, so there didn't seem to be much risk involved.

So Northvolt set to work, establishing factories in Sweden, Canada, Germany, and Poland (those governments obviously wanted something in return). It also pursued other politically fashionable ventures, including investing in wood-based batteries, developing a new sodium-ion cell battery, backing batteries for aviation, and supporting a battery-analytics start-up. They even invested in a lithium refinery to own the entire supply chain. Naturally, they also poured money into AI.

Northvolt did almost everything—except that tiny detail of actually producing EV batteries on time in its Skellefteå factory. Instead of relying on trial and error and incremental improvement, Northvolt got so much money and political backing that it could scale up everything, everywhere, all at once, without ever mastering the basic technology. Consumers never received their batteries, and after burning through $15 billion, Northvolt was formally declared bankrupt in March of this year.

Failure is fine. It is a necessary part of every journey into the unknown. But when government tips the scales, it often throws good money after bad and short-circuits the very process by which failure and feedback generate more knowledge and adaptation.

Northvolt is not an exception. As Bloomberg recently reported, there are already dozens of industrial-policy ghost factories scattered across the US—green factories that have been canceled or downsized as they were hit by soaring costs, high interest rates, and slow-growing electric vehicle demand.

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This is not the kind of policy that has made our world rich since the Industrial Revolution, and it is not how to build future prosperity. As the philosopher and novelist Ayn Rand wrote in *Capitalism: The Unknown Ideal*: "America's abundance was not created by public sacrifices to 'the common good,' but by the productive genius of free men who pursued their own personal interests and the making of their own private fortunes."

In my new book *Peak Human: What We Can Learn from the Rise and Fall of Golden Ages*, I document that this has also been true throughout history's great civilizations—ancient Athens and Rome, Abbasid Baghdad, Song China, Renaissance Italy, the Dutch Republic, and the Anglosphere. Though quite different from one another, what set them

VOICES *of Superabundance*

"The ultimate resource is people—especially skilled, spirited, and hopeful young people endowed with liberty—who will exert their wills and imaginations for their own benefits, and so inevitably they will benefit the rest of us as well."
—**Julian Simon (1932–1998)**, senior fellow at Cato and professor of business administration at the University of Maryland

"Any innovation—mechanical, biological, institutional, scientific, artistic, personal—begins of course as a new idea in a liberated human mind."
—**Deirdre N. McCloskey**, distinguished scholar and Isaiah Berlin Chair in Liberal Thought at Cato

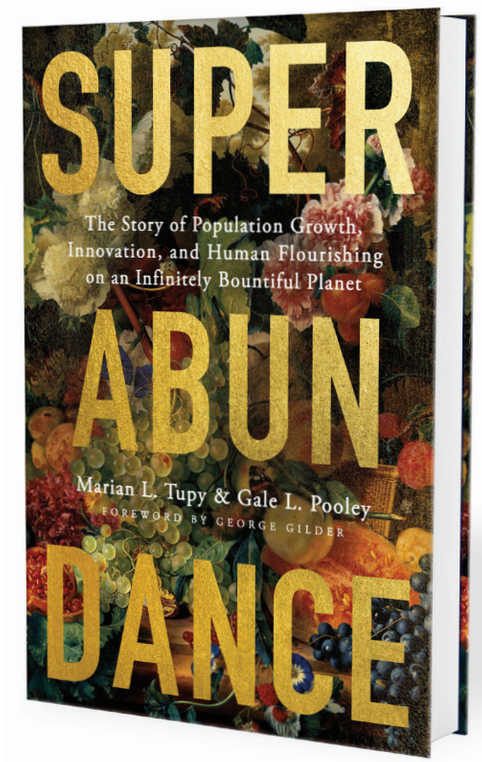
"Time and again, we've seen that freer markets can best deliver vital goods and services, often in new and once-unimaginable ways."
—**Scott Lincicome**, vice president of general economics and the Herbert A. Stiefel Center for Trade Policy Studies at Cato

"Population growth is important, because new knowledge is not restricted by the physical limits of our planet, but by the number of people who are free to think, speak, associate, invest, and profit from their ideas and inventions."
—**Marian L. Tupy**, senior fellow at Cato and author of *Superabundance*

apart from their contemporaries was that they all had more open societies, constantly acquiring new ideas from merchants, migrants, and missionaries, and they had more decentralized economies, so new ideas and innovations could emerge anywhere, not just from the top. This gave them far more space for individual creativity, exploration, and experimentation. In short, they were open to surprises, and that openness led to unexpected breakthroughs in science and technology, flourishing art communities, and, by contemporary standards, spectacular wealth.

As the economic historian Joel Mokyr puts it, every major act of technological innovation is "an act of rebellion against conventional wisdom and vested interests." Therefore, we have to give even (and perhaps especially) eccentrics and rebels a chance rather than centralize power and resources in conventional wisdom and vested interests.

This bottom-up abundance is neither Trump's "I alone can fix it" nor Obama's "Yes, we can." It is more like: "Go ahead, surprise us!" It does not pretend to guarantee results or promise solutions to all problems, but it creates an institutional infrastructure that unleashes more local knowledge and individual initiative, and therefore does in fact produce better results and more solutions.



Marian Tupy and Gale Pooley document this with their Simon Abundance Index, drawing on the economist Julian Simon's insight that the ultimate resource is people—free, hopeful, spirited people. Tupy and Pooley measure the price of resources relative to income changes in different countries and over different periods, going back as far as 1850. They find that personal resource abundance grew by more than 3 percent per year, roughly doubling every two decades. And in every dataset, they find that resource abundance grew faster than the population—a phenomenon they call *Superabundance*, the title of their book published in 2022 (which gives them a one-up on Klein and Thompson).

Tupy and Pooley show that this progress is intimately tied to freedom. They cite one of the leading experts on innovation, Matt Ridley, who concludes that the secret sauce is "freedom to exchange, experiment,

"From the steam engine and the bicycle to the refrigerator and the personal computer, [innovations] were the result of experiments, trial and error, feedback, and constant adaptation— an evolutionary process that happens from the bottom up."

imagine, invest, and fail." This in turn reflects the unpredictability of innovation, since we are always trying to do things that have never been done before. In fact, "nobody really knows why innovation happens and how it happens, let alone when and where it will happen next."

Sometimes it seems as though abundance planners imagine a button marked "growth and innovation" that we simply need to press more often. But innovation is not a button you can push at will—it is unpredictable, uncharted, and often messy. There are plenty of buttons, and you don't know exactly what will happen when you press them.

Therefore, the real political divide, as Virginia Postrel explained in her 1998 book *The Future and Its Enemies*, is between dynamists, who see the future as open, and reactionaries and technocrats, who have a particular endgame in mind and differ only in whether they find it in the past or in the future. Postrel asks:

> Do we search for stasis—a regulated, engineered world? Or do we embrace dynamism—a world of constant creation, discovery and competition? Do we value stability and control, or evolution and learning? . . . Do we think that progress requires a blueprint, or do we see it as a decentralized, evolutionary process? Do we consider mistakes permanent disasters, or the correctable by-products of experimentation? Do we crave predictability, or relish surprise?

The way to tap as much knowledge as possible, and test as many ideas as possible, is to allow everyone to look and to experiment—competitors, outsiders, minorities, and immigrants. In the memorable words of Deirdre McCloskey, modern wealth was created when individual rights and economic freedom finally allowed people from all walks of life to "have a go."

The ensuing Great Enrichment, which increased our average real income per person by at least 3,000 percent over roughly the last 200 years, speaks for itself. The technologies and business models that made this possible could not have been foreseen. From the steam engine and the bicycle to

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the refrigerator and the personal computer, they were the result of experiments, trial and error, feedback, and constant adaptation—an evolutionary process that happens from the bottom up.

The most successful business models, which grew out of continual learning from discoveries in other sectors, feedback from the market, and many successive failures and adaptations, have often surprised even their founders. These businesses rarely resembled the original blueprint: DuPont began as a gunpowder manufacturer, Berkshire Hathaway as a New England textile mill, and 3M as a mining company. YouTube was supposed to be a video dating site, and Tencent a chat program.

The same holds for technological breakthroughs. Klein and Thompson rightly mention marvels such as CT scanners, CRISPR gene editing, and autonomous drones. I would add that the CT scanner was developed after experiments with X-rays and computers at the record label EMI, fueled by the Beatles’ sales. The CRISPR breakthrough came after studies of yogurt bacteria at the food company Danisco. Drone technology advanced rapidly by borrowing from the gaming industry, especially in graphics chips and motion-sensing controllers. The history of innovation is full of surprises, serendipity, and strange combinations.

Similarly, decentralization explains why we have emerged from so many recent disasters in better shape than expected. If there was ever a moment for doomsday preppers to say “I told you so,” it should have been when a pandemic shut down the world, Russia invaded Ukraine, and wars in the Middle East disrupted energy markets. And yet supply chains proved remarkably resilient. Businesses adapted to shortages and disruptions by changing suppliers, reallocating labor, tweaking production, and rerouting shipments to get goods back on our shelves.

This amazing achievement worked because it was not centralized. Each adjustment was based on local knowledge of what could be done in a particular place with the raw materials and workforce at hand—and what could be set aside without creating even more disastrous shortages elsewhere. That knowledge—which cannot be centralized in a supply-chain czar—exists only on the ground, in households, shops, farm fields, factory floors, and logistics offices, and can only be revealed in prices that shift with millions of individual actions.

The freedom to improvise based on this local information is never more important than when the world is changing rapidly and unpredictably. This is a crucial lesson from history. We often assume that resilience comes from predicting future problems and planning for them. As I document in *Peak Human*, this assumption often led cultures to misjudge the future and become stuck with outdated, static solutions.

Fortunately, we now know that the nature of our problems will change completely in a few decades, and, if we do things right, our arsenal of possible solutions will have expanded dramatically. Some of the most difficult challenges will come as total surprises, and therefore the solutions will also have to surprise us. Our most important preparation is to build a dynamic culture that continually generates more prosperity, knowledge, and technological capacity overall. That will help us remain resilient, no matter what form future problems take. The solution to our greatest challenges is never a single Big Solution with trumpets blaring and banners flying; it emerges in an open culture that allows us to adapt and innovate around every challenge the world throws our way.

To create abundance in the 21st century and beyond, we need to return to fundamentals: a limited government that guarantees individual liberty through the rule of law, to give everyone a chance to have a go. These are the conditions for flourishing that Hayek laid out in *The Road to Serfdom*:

> It is more important to clear away the obstacles with which human folly has encumbered our path and to release the creative energy of individuals than to devise further machinery for “guiding” and “directing” them—to create conditions favorable to progress rather than to “plan progress.”

So top-down, state-led abundance is not the answer. Still, it must be said that it’s a notable improvement over the degrowth absurdities popular on the left and the false nostalgia on the right. That more is better than less is an important, even radical message in an age when reactionary anti-consumerism is strong on both sides of the aisle—from Bernie Sanders’s “You don’t necessarily need a choice of 23 underarm spray deodorants or of 18 different pairs of sneakers” to Donald Trump’s “Kids don’t need to have 30 dolls. They can have three. They don’t need to have 250 pencils. They can have five.”

At the very least, supply-side progressives like Klein and Thompson have a fresh and important appreciation for growth and innovation, and they acknowledge that deregulation is required to achieve it. That is an important step forward. If we abundance libertarians are wiser than the progress planners, it is mostly in the Socratic sense: Unlike them, we know what we do not know. ✦

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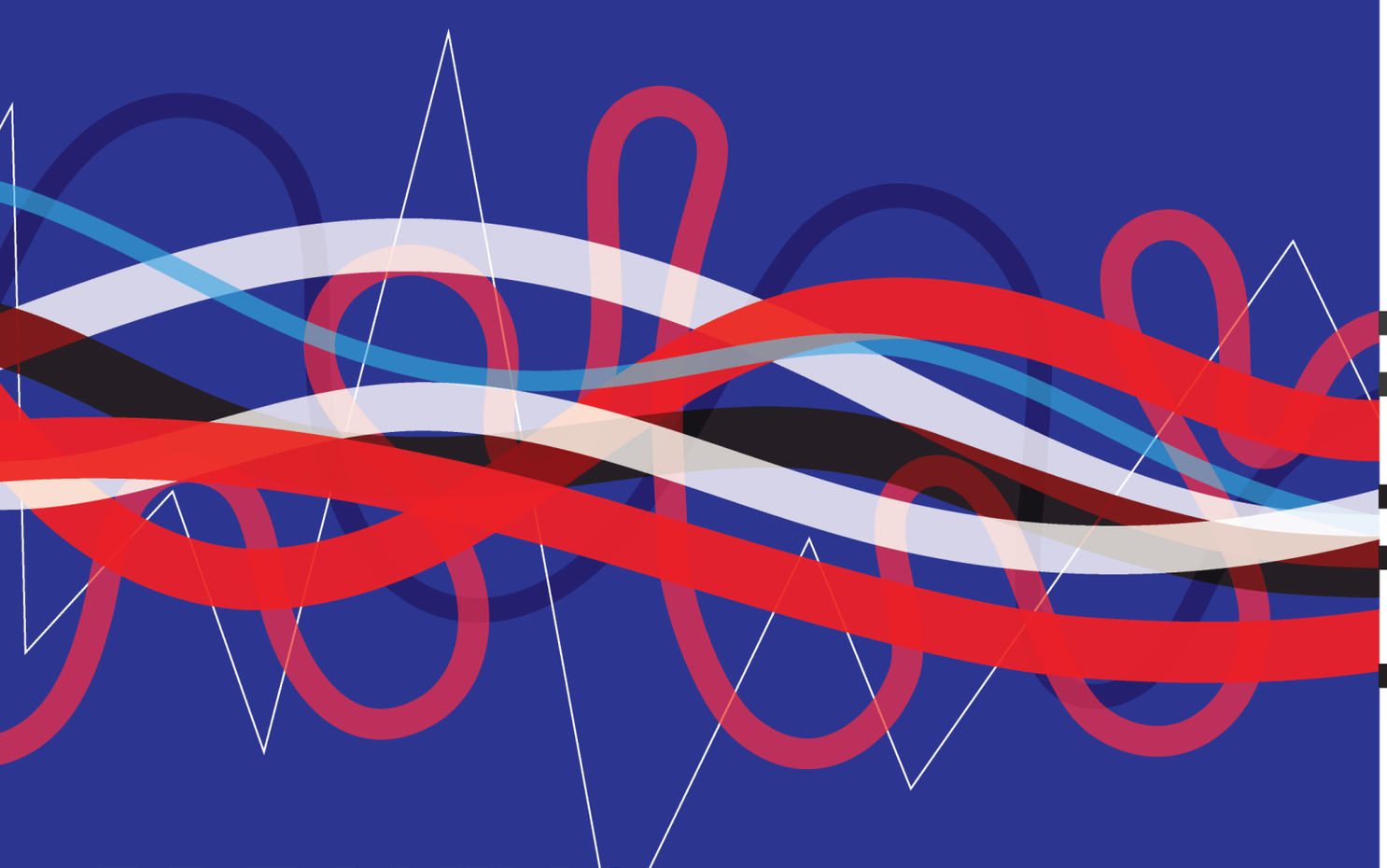

BREAKING BUREAUCRACY with Artificial Intelligence

By Matthew Mittelsteadt

Excessive regulation, administrative bloat, and other institutional bottlenecks are stifling the economy and everyday life. In the absence of political will to fix these problems, artificial intelligence may be our best chance to cut through the red tape.

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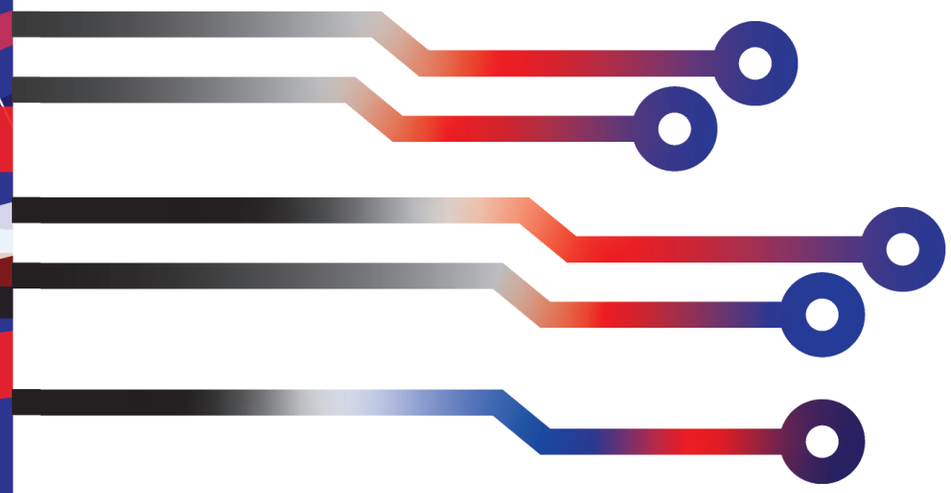

US commerce is trapped in policy sludge. Institutional frictions are piling up across markets and industries, raising costs, delaying projects, and often halting progress altogether. Construction is strangled by environmental reviews that can take six years to clear. Talent pipelines are throttled by visa processing so slow there are now 11.3 million applications in limbo. International trade, meanwhile, is gummed up by the largest export-license backlog in history.

Institutional blockages are holding back the abundance we need to solve our biggest challenges. The best response to these challenges is a market response, which requires clearing the bottlenecks suffocating commerce to unleash productivity at home and unlock our competitive edge abroad.

The stakes of these frictions are hard to overstate, while political will to fix them is weak and there are no policy silver bullets. Therefore, more than just incremental policymaking, progress demands a catalyst for rapid transformation: artificial intelligence (AI).

Invoking AI may give some readers pause. Ever since the ChatGPT revolution, AI hype has often run ahead of reality. Muddling the picture further are overimaginative sci-fi fantasists and opportunistic salesmen. Still, today's AI is both real and remarkable. Its speed and ability to work at massive scale are well matched to the daunting scope of our institutional reform challenge. Applied with care, AI could help cut through backlogs, delays, and inefficiencies that stifle commerce.

To put AI's potential to transform institutional frictions into perspective, let's consider three high-impact opportunities where present-day AI could yield immediate, meaningful progress: regulatory reform, processing reform, and paperwork reform.

Regulatory Reform

A well-oiled economy depends on a right-sized rulebook. When restrictions pile up, market dynamism shrinks. Firms saddled with excessive requirements are forced to raise prices, cut R&D, and redirect capital from innovation toward compliance. According to QuantGov, federal regulations contain over a million restrictions, so densely written that reading the federal code would take three and a half years. At that scale, comprehensive reform becomes nearly impossible.

Here AI can help. If modern AI excels at one thing, it's analyzing text. While human analysts struggle to parse even a few pages of dense regulation, AI can plow through thousands—mapping connections, spotting redundancies, and flagging requirements for revision or removal.

This possibility is no pipe dream. Earlier this year, the City of San Francisco partnered with Stanford's Regulation, Evaluation, and Governance Lab (RegLab) to build an AI tool to comb through nearly 16 million words of the city's sprawling municipal code to identify obsolete reporting requirements—time-consuming written memos that are frequently redundant and pointless but still required by law. The result: Of the 528 mandated reports that surfaced, 140 were targeted for elimination.

The Code of Federal Regulations is over 100 million words, about six times larger than San Francisco's code, but what worked in the Bay Area can work in Washington. Applied federally, AI could help agencies generate reform to-do lists, flagging outdated mandates, regulatory overlaps, confusing language, and the excesses ripe for removal. Reform would still depend on human approval and political will, but with AI the effort required could shrink dramatically, opening the door to the decisive action needed to unburden US commerce.

Processing Reform

Beyond reducing the scope of rules themselves, AI has immense potential to reduce the burden of rule *implementation* by speeding up regulatory processing. Processing backlogs are among the heaviest public-sector burdens, and the most common. Anyone attempting to transition to Real ID has no doubt felt this pain. When the federal government unexpectedly decided to enforce the decades-old program, a flood of applications instantly inundated DMVs. Approval timelines stretched from weeks to months, leaving citizens unable to fly or even drive. Sadly, such delays are not an exception but often institutional business as usual.

Across agencies and processes, AI can lift such burdens. One opportunity lies in easing the rote analysis common across government approval processes. To help speed things up are "deep research" systems,

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promising new AI tools that can automate information discovery, summarization, and analysis. Already the US Patent and Trademark Office (USPTO) is exploring how such tools might give a speed boost to its commerce-essential approval backlogs. To speed the review of art submissions, the USPTO has deployed a "more like this" search tool that automatically surfaces similar art and relevant documentation. With the right information readily supplied by AI, no doubt time-to-approval will shrink.

A perhaps more important improvement lies in documentation-error handling. Simple mistakes are among the most common causes of bureaucratic delay: Confusing forms get misfiled, filled out incorrectly, or left incomplete. Such errors often push applications to the back of the line, compounding backlogs. At the Department of Energy, officials are now testing a new program called AI4IX that implements a grid-permitting AI concierge to automatically flag paperwork omissions, catch mistakes, and even manage the back-and-forth communication required for resolution. While this kind of technology may sound deceptively incremental, at scale the payoff can be dramatic. In Honolulu, a similar system was implemented to streamline the city's residential permitting process. The result: Permitting completion times dropped by a remarkable 70 percent. Replicating that level of efficiency throughout our woefully backlogged energy permitting system could unleash projects that are currently stalled in red tape.

These examples only hint at AI's potential to slash processing delays. While today's tools mostly assist human-led processes, it is easy to imagine AI reducing frictions even more in the near future through streamlined, end-to-end

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bureaucratic workflows. To get there, however, requires the groundwork to digitize government forms and processes—groundwork, as it happens, that is perfectly suited to AI’s capabilities.

Paperwork Reform

Americans spend about 10.5 billion hours filling out 106 billion government forms every year, according to a 2022 Chamber of Commerce analysis. A significant driver of this burden is that government paperwork is still just, well, paper. According to the General Services Administration, only 2 percent of federal forms have been digitized. While the private sector has long relied on digital workflows, federal processes remain stuck in the 1980s.

This is a staggering unforced burden. When forms exist only on the physical page, every government interaction moves *significantly* more slowly. Required information must be handwritten on designated forms. Time must be spent mailing or even walking those forms to the appropriate office. Finally, to be reviewed, each form must be handled individually and often manually re-entered into digital databases.

Once again, AI could help, this time by translating the physical into the digital. Consider Mistral OCR, a state-of-the-art “document understanding” system that can convert scanned paper forms into dynamic, digital formats. Beyond text, it can also digitize diagrams, formatting, and even graphs. Critically, it does so with 95 percent accuracy. With just a sprinkle of human review, today’s AI could finally shift federal paperwork to low-friction digital form.

The possibilities that follow are what make this digitization opportunity so important. Today, there is great interest in AI-powered compliance systems that can verify a company’s regulatory adherence while autonomously completing and submitting any required documentation. For heavily regulated sectors like cybersecurity, where surveys show that compliance consumes up to 50 percent of engineers’ hours, such tech could be a godsend. Just imagine what our economy could produce if AI unlocked 50 percent more engineering time. However, this future lives or dies by a prerequisite: Federal documents must be in a form AI can analyze and interact with. If government runs on paper, this obstacle-clearing automation is impossible.

Streamlining the State

Institutional frictions must be taken seriously. According to the American Action Forum, the federal paperwork burden alone costs between $276 billion and $422 billion each year—wasted capital, wasted time, wasted opportunity. Such costs cannot be allowed to persist. We must lean into our market system and rapidly remove the undue institutional bottlenecks that impede innovation and growth.

AI offers perhaps the most powerful tool at our disposal. But this technology requires adoption, a political process. Encouragingly, the White House’s AI Action Plan has already identified such adoption as a priority. What’s needed now is follow-through: Agencies must be empowered and encouraged to experiment, apply, and scale these tools so that solutions can move from pilot programs to high-impact reality.

The choice is stark: Continue letting outdated processes stifle potential gains, or leverage AI to unlock productivity improvements. If the United States adopts AI-driven reforms, it could clear barriers to more streamlined government processes. At the same time, these reforms would create an environment that would help free the real economy, fostering the innovation needed to jump-start the domestic productivity that drives growth. ✦

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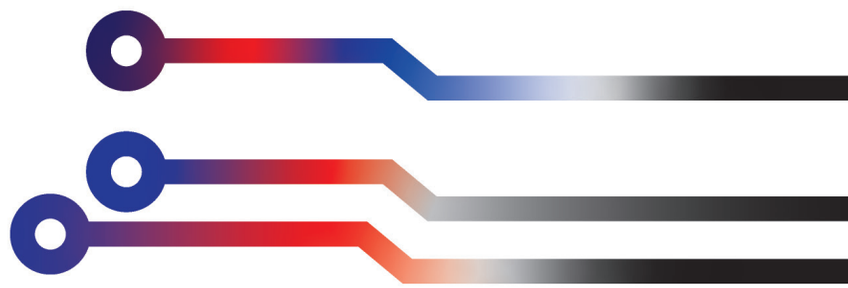


The Spontaneous Emergence of Nicaraguan Sign Language

By Paul Meany

Whether in language, law, or commerce, lasting orders emerge from the bottom up, not from the commands of any distant expert.

Five decades ago, a group of deaf Nicaraguan children offered a striking illustration of this process when they created a language from scratch.

Deaf students are seen here in a classroom in 2004 at the Melania Morales Special Education Center, where Nicaraguan Sign Language spontaneously emerged about two decades earlier. (Photo by Oscar Navarrrete/EPA/Shutterstock)

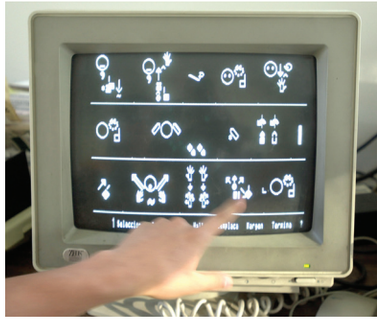
In 1977, a group of deaf Nicaraguan children invented their own language without any adult supervision or guidance. No adults intended this outcome, and some even tried to stop it, yet a new language spontaneously emerged. It was the result of a process classical liberals have been describing for centuries.

Before the late 1970s, Nicaragua had no cohesive Deaf community or signed language. Most deaf people used their own set of personal signs known only to family and friends. That changed in 1977, when the Nicaraguan government founded a center for special education in Managua, initially serving 50 students and growing to enroll hundreds by the early 1980s.

Teachers at the Managua center initially focused on spoken Spanish and lipreading, not sign language, to little effect. Regardless, the school for deaf students provided a valuable place for children to interact with one another. In the schoolyard, on buses, and in the streets, children slowly found ways to communicate by combining gestures with their personal signs from home, creating a pidgin-like system of sign language now known as Nicaraguan Sign Language (NSL).

At first, the teachers were disappointed, believing the children were merely mimicking one another, and viewed their communication as a failure to learn spoken Spanish. But as time progressed, it was obvious that something unique was happening. To investigate, in 1986 the Nicaraguan Ministry of Education invited MIT-trained linguist Judy Kegl to study the children and share her findings.

Kegl observed that younger children in the school had taken the early system of rudimentary sign language



Barney Vega, a 16-year-old deaf student from Nicaragua, is seen here in 2002 working with Nicaraguan Sign Language Projects co-founder James Shepard-Kegl and University of Southern Maine student Andrew Donahue on translating a book into the language that emerged two decades earlier. (Photo by Gordon Chibroski/Portland Press Herald via Getty Images)

and transformed it into a more efficient language. Even more astonishing was that they had introduced new features such as verb agreement and other grammatical rules that initial students lacked. These features make NSL not just a signed version of Spanish but its own full-fledged language.

A new language spontaneously emerged from the minds of children and the human desire to communicate. What had occurred was an example of spontaneous order, the emergence of patterns or systems without a central planner or deliberate design. For social scientists and economists, spontaneous order is the study of the emergence of order from the actions of individuals without centralized planning or design.

It is a counterintuitive idea: How can there be order without a plan or even someone in charge? A classical liberal answer to this question is the example of language. No language has ever been effectively managed by one person or committee. Even the most essential, everyday basics of human interaction are not the creation of an explicit design formulated by particular people, but the result of generations of experience and adaptation.

By the 1990s, NSL was extensively studied by linguists and cognitive scientists worldwide. In his book *The Language Instinct*, psychologist Steven Pinker wrote: "The Nicaraguan case is unique in history. . . . We've been able to see how it is that children—not adults—generate language. . . . It's the only time that we've seen a language being created out of thin air."

Some researchers have regarded NSL as evidence that language is innate. But others, as professor of behavioral science Nick Chater and cognitive scientist Morten H. Christiansen write in their paper "Grammar Through Spontaneous Order," believe that "the rapid emergence of complex linguistic structure in Nicaraguan Sign Language . . . indicates how processes of spontaneous order can arise rapidly in the absence of language-specific constraints, through the necessity to communicate."

Al-Sayyid Bedouin Sign Language provides a striking parallel to NSL. Emerging only in the last 70 years within a small Bedouin community with a high incidence of congenital deafness, Bedouin Sign Language developed spontaneously without contact with other sign systems. Within a single generation, speakers established systematic grammar. More important, this grammar arose independently of both the surrounding spoken languages and Israeli Sign Language, demonstrating that core syntactic structures can emerge spontaneously throughout human communication.

The spontaneous emergence of NSL aligns with the classical liberal insight that social systems can develop organically without coercive direction. In the Western world, this idea was first described in *An Essay on the History of Civil Society* by the Scottish Enlightenment thinker Adam Ferguson in 1767. He called societal institutions "the result of human action, but not the execution of any human design," a phrase that perfectly captures the story of NSL's formation.

In *Law, Legislation, and Liberty*, F. A. Hayek also pointed to languages as the perfect example of spontaneous order, noting that they weren't "'invented' by some genius of the past" but were "the outcome of a process of evolution whose results nobody foresaw or designed."

The evolution of language parallels how a free-market economy coordinates itself through prices, not through mandates and orders. Innumerable small-scale interactions and adjustments determine prices and, eventually, order. The story of NSL illustrates the same principle. Deaf children in Managua, trying to

"A new language spontaneously emerged from the minds of children and the human desire to communicate. What had occurred was an example of spontaneous order, the emergence of patterns or systems without a central planner or deliberate design."

“Just as children evolved their communication through trial and error, entrepreneurs and consumers adjust to and innovate within markets, leading to adaptation through mutual adjustment.”

communicate with each other, collectively invented a coherent language. Individual buyers and sellers, through self-interested exchanges, set coherent prices in markets.

Bottom-up orders, like prices and languages, are adaptive. Top-down policies are designed to be optimally efficient but rarely evolve to become better adapted to individual needs. NSL quickly adapted to its users’ needs, becoming more expressive and efficient as it evolved. Similarly, norms and institutions like money, contracts, and the division of labor evolve in market economies to better serve their participants through mutually beneficial trade. Both languages and markets are adaptive systems created by the innumerable interactions of uncoordinated actors.

The emergence of NSL is not a social miracle but a process of spontaneous order, the same general process that led to the emergence of money and global trade. Just as children evolved their communication through trial and error, entrepreneurs and consumers adjust to and innovate within markets, leading to adaptation through mutual adjustment.

Advocates of state intervention could argue that NSL arose from a form of social planning via the state’s efforts to educate deaf individuals. The classical liberal rebuttal is that the state’s role was incidental at best. Initial efforts were focused on teaching spoken Spanish and lipreading, not on creating a signed language. The state’s early reluctance to promote NSL further exemplifies it as a powerful example of an unintentional order arising when central planning fails.

Kegl’s nonprofit Nicaraguan Sign Language Projects has noted the four conditions necessary for NSL to emerge: visual access to communication, many children interacting, the necessity of communication, and a range of ages among children. NSL doesn’t prove that complex systems will always arise completely unaided, but it does show that given the right starting point, gradual self-organization is possible. NSL’s core grammatical rules took a decade to emerge. For those who lived through the process, communication was initially fragmented and incomplete.

High schooler Barney Vega discusses the nuances of Nicaraguan Sign Language with James Shepard-Kegl. (Photo by Gordon Chibroski/ Portland Press Herald via Getty Images)

This lagging effect is similar to a common critique of free-market policies. Societies might eventually find an efficient order, but in the interim of adjustment, there may be short-term pains. Users of languages undergoing continual adjustment is similar to Joseph Schumpeter’s idea of creative destruction, in which entrepreneurs’ trial-and-error experimentation creates new methods of production that revolutionize the economic order of society in a way that state intervention has proved it cannot.

As a spontaneous order matures, it begins to interact with planned systems. In the case of NSL, by the 1990s and 2000s, deaf Nicaraguans were exposed to American Sign Language and other international signed languages through media and contact with the global Deaf community, influencing NSL’s growing lexicon. This mirrors how unplanned orders can later become integrated with deliberate structures. For example, many of what were once customary practices were later codified as laws by legislatures. This doesn’t negate their spontaneous origins; it illustrates the dynamic interplay of bottom-up and top-down forces.

NSL serves as a parallel to the spontaneous coordination seen in free markets, supporting Hayek’s and other classical liberals’ insights into spontaneous order. Though an inspiring example, it is not a utopian one. Real spontaneous orders may involve growing pains. The Nicaraguan Deaf community’s achievement is now part of the country’s cultural and humanistic scientific legacy as NSL continues to evolve and thrive. The experience of deaf Nicaraguans gives life and weight to the idea that we build free societies based on cooperation, not commands. ✦

ABOUT THE AUTHOR

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Flemming Rose Reflects on the State of Free Speech, 20 Years After the Muhammad Cartoon Controversy

By Jonathan Fortier

This September marked two decades since the Danish newspaper *Jyllands-Posten* published cartoons of Muhammad, igniting a global maelstrom over free speech, tolerance, and multiculturalism. Jonathan Fortier, the director of Libertarianism.org, sat down in Copenhagen for a wide-ranging interview with Flemming Rose, who spearheaded the publication of those cartoons as the culture editor at *Jyllands-Posten* in 2005.

Rose, a senior fellow at Cato who is now the editor in chief of the news outlet *Frihedsbrevet*, reflects on how his experiences in the Soviet Union shaped his views on the importance of free speech, why we should guard against a culture of self-censorship, and the ongoing battle for freedom of expression and tolerance around the world. Those themes have taken on renewed significance in recent weeks following the assassination of conservative commentator Charlie Kirk. The following transcript has been lightly edited for clarity and length.

PHOTOGRAPHY BY VÍCTOR SANZ

JONATHAN FORTIER: Twenty years ago, you published the Muhammad cartoons in *Jyllands-Posten*, where you were working as the culture editor, and you were very quickly thrown into a storm.

FLEMMING ROSE: Well, very quickly in Denmark, but it became a big global scandal or debate several months later. It was in the early fall of 2005. I had returned to Denmark in the spring of 2004 after having been a foreign correspondent for 14 years, based first in the Soviet Union, then Russia after the Soviet Union fell apart, then the United States during Bill Clinton's second term, and then I returned to Russia in the fall of 1999 and stayed there until 2004. So, I was not part of the debate in Denmark at that time about immigration, Islam, integration, individual rights, group rights, what does it mean to be a minority, or a minority within a minority, which of course is the individual. But I quickly found out as a culture editor that this is one of the key issues on the political agenda, not just in Denmark, but in Europe in general.

In August 2005, the Danish wire service Ritzau published a story about a writer who had written a children's book about the life of the Prophet Muhammad, and he went public saying, "I wrote this book, but I couldn't find an illustrator. I had big problems finding an illustrator." Two illustrators turned down his offer, and the one who finally took the job insisted on anonymity, which of course is a form of self-censorship—you do not want to

“The problem with self-censorship compared to censorship is that it is not visible. You cannot see it, and you can only identify it empirically if somebody tells you, ‘I’m censoring myself.’”

appear under your own name because you are afraid of repercussions. And this became a big story in Denmark. It was on the front page of every big paper, including my paper at the time, *Jyllands-Posten*, and we published some of the illustrations for the book. So did other newspapers.

But in the aftermath, there was a debate about whether there was self-censorship. Was he telling the truth, this author? If there is self-censorship, is that self-censorship based in reality, or is it just some result of paranoia or a distorted imagination? As we debated those questions inside the paper, a reporter came up with a very creative idea: “Why don’t we ask illustrators or cartoonists to answer that question by inviting them to draw the Prophet Muhammad?” That idea landed on my table. I wrote a letter to cartoonists and received the 12 cartoons that we published two weeks later, after some debate about whether this just was an isolated incident or part of a broader pattern. The blowback became worse and worse with time.

The initial blowback was from Islamic communities, religious people in Denmark, Christians, some politicians, and artists or people working within the creative sector. They criticized *Jyllands-Posten* and me for being xenophobic. I was accused of having Muslims for breakfast, that I was against immigration, even though I’m married to an immigrant myself. So that was one part of the debate—was this an unfair attack on a minority? I think that’s a fair argument, and you can have different opinions, and I’m quite sure that there are people who would perceive it that way. The other part of that discussion, which I identified with, was the free speech debate, or the self-censorship debate, that this was basically not about any specific group—it was about demands for restrictions on free speech, and self-censorship that was spreading to museums, book publishers, galleries, the movie industry, and so on and so forth. I just wanted to have a debate about this issue, and I really received one.

FORTIER: Over the ensuing months, what became clear is that you stuck to your principles, that you defended free speech despite all the criticism, and you defended free speech in the context of liberal democracy and its values of tolerance and openness. What was it in your experience that gave you that set of tools or that set of principles to remain committed despite those challenges, not just in that year, but in the 20 years that followed?

ROSE: I didn’t recognize in the moment that my perception maybe differed from many of my countrymen. But later, when I reflected on what transpired, I think that my experience living and studying in the Soviet Union really played a key role.

I studied Russian language and literature at the University of Copenhagen. This was at the height of the Cold War. Leonid Brezhnev was still general secretary. Dissidents were being thrown in prison or being sent abroad or losing their jobs, some of them even killed. I lived there for one year as a student in 1980 and ’81, and that’s also when I met my wife. When I came back, I began working at the Danish Refugee Council as a translator with people who had left the Soviet Union as refugees. Through that work, I came in contact with writers, dissidents, artists based in Western Europe, and I consumed their literature. I did not study Sovietology at university, but my political and historical education came through these channels, and these people became role models for me.

I grew up in Denmark in the ’60s and ’70s—a quiet, prosperous country. There was some debate, but not existential choices you had to make because of what you were thinking about this and that. On the contrary, these people in the Soviet Union whom I came to know really made choices because they insisted on standing by what they were thinking and meaning about the Soviet system, if they were believers or had opinions that one way or the other contradicted the official propaganda. And of course, later I understood that these people were like you and me, individuals with their own flaws, but their courage and

Danish author Kåre Bluitgen struggled to get a children’s book about the Prophet Muhammad published in the mid-2000s, inspiring Flemming Rose to publish Muhammad cartoons in *Jyllands-Posten* as a test of self-censorship. (Photo by Jens Noergaard Larsen/SCANPIX/AFP via Getty Images)

“If you do not cultivate free speech and tolerance, then it will fade away, even in the most stable democracy.”

their willingness to stand up, knowing that they probably would have to pay a very high price, made a huge impression on me. That was a formative experience. I really admire these people, and I didn’t think about it in a conscious way at the time of the cartoon crisis, but I think on a subconscious level, I would have been kind of embarrassed if I’d had to look at myself in the mirror and compare myself to these people or the choices they made, and, seeing them as heroes, if at the end of the day I was not able to do the walk and just willing to do the talk.

I’m not comparing myself to them, because I had security support of the government. I worked at a big newspaper. I did not lose my job. The price they paid for the choices they made was far higher, but I’m just saying that they were role models to me, and I was inspired by the consistency, because that’s when your values and your point of view is really tested, when you have to pay a price and sacrifice something and nevertheless you choose to stand by what you think.

FORTIER: One of your central concerns is self-censorship—the other side of the censorship coin. Why is that? Did you see a lot of self-censorship in the Soviet Union?

ROSE: In the Soviet Union, you had both. You had very visible censorship. You had censors working at publishing houses, movie production, everywhere. But the problem with self-censorship compared to censorship is that it is not visible. You cannot see it, and you can only identify it empirically if somebody tells you, “I’m censoring myself.”

Some years ago, I read a very good definition by a Serb writer, Danilo Kiš: “Self-censorship is reading your own text with somebody else’s eyes.” So you read your own novel or short story or essay not with your own eyes but with the eyes of the censor, in order to figure out: What will other people say? Not from an aesthetic point of view, but will this be allowed or not allowed? Will I get punished for this or not? And that, of course, is a disastrous situation for a creative individual, an artist, writer, journalist, or whatever.

FORTIER: Presumably, the self-censorship in the Soviet Union was to prevent oneself from criticizing the Soviet authorities and the ideology of communism.

The Muhammad cartoons that you published revealed that the self-censorship was about the issue of Islam, especially Islam in the West. Where else do you see self-censorship occurring?

ROSE: I think in Denmark today, there is a lot of self-censorship when it comes to the war in Ukraine. It’s very clear that Vladimir Putin invaded Ukraine in February 2022 and Russia is the aggressor. But as someone who has been studying the Soviet Union, Russia, and Ukraine for the past 45 years, I think it’s more complicated than the media or the politicians and other voices in the public debate try to bring across. That’s no defense for Putin and Russia, but it means that the debate has been very one-sided, and I think a lot of people are afraid of even asking politically incorrect questions like, for instance, is Ukraine a democracy? Are we really defending a democracy? And I think the obvious answer today is no, it’s not about democracy.

It doesn’t justify Russia’s invasion. But because we have framed this war as a war between democracy and autocracy, there is the implication that if you start questioning the political system in Ukraine, it might be perceived as a justification for the invasion, which it is not. Same with Trump, in fact. Speaking about the United States in Denmark and Western Europe, people do not want to voice any support or positive statement about what Trump is doing. You can criticize Trump for a lot of things, but there might also be singular instances where in fact he’s doing something right, and a lot of people in Denmark and Western Europe will refrain from saying so publicly.

In a democratic society, I do not get imprisoned if I say something that goes against the grain, but I will be socially ostracized, so I think self-censorship is also about social psychology: You want to belong. You want to be part of decent society. You don’t want to stick out, go against the grain. It’s uncomfortable. You don’t want to be criticized. You don’t want to be asked uncomfortable questions. So I think self-censorship in that respect, in a democratic society, has a lot to do with social psychology.

FORTIER: In an earlier conversation, you said that free speech and speaking one’s mind is not natural, that we much more naturally are inclined to group belonging and conformity with our peers.

ROSE: You and I are not born with a gene for loving freedom of expression or supporting democracy. In fact, there’s so much in human nature that goes against the concept of free speech as an individual right, because of what I just talked about. Yes, most people want freedom of speech for themselves, but they don’t want to extend that right to people with whom they disagree. And in that sense, it’s very unnatural. That’s why I always make the point that you cannot isolate freedom of expression. You have to combine it with tolerance—that is, the ability to live with things that you actively dislike or hate. And that is very difficult. It’s like a toddler when it eats something that it doesn’t like and spits it out. It’s the same when you are exposed to speech that you don’t like—you switch off the television, you throw away the newspaper, you leave the room. You do not attend a speech or a seminar. You don’t want to listen to politicians that you dislike or with whom you disagree.

So that means that a culture of free speech, a culture of tolerance—you can never take it for granted, because there is so much in human nature that goes against tolerance and prompts us to be intolerant. That is, in fact, the default position for any

"You cannot isolate freedom of expression. You have to combine it with tolerance— that is, the ability to live with things that you actively dislike or hate."

human being, to be intolerant. So you have to practice it. You have to learn it in school, in the family, at the workplace, at university, in all settings. And if you do not cultivate free speech and tolerance, then it will fade away, even in the most stable democracy.

FORTIER: One of the justifications for censorship one encounters frequently is that we need to respect others, and especially respect the religious beliefs of certain groups or the moral principles that they hold dear. You were accused of violating those values, of disrespecting the Muslim minority population in Denmark. But you make an interesting claim—that in fact you were showing a greater, higher respect for the Muslim community in Denmark.

ROSE: I would make the argument that publishing those cartoons was a practical exercise in integrating the Muslim community into Danish society and showing them the kind of respect that I would show to any other citizen or individual in Denmark. By publishing those cartoons, we were not asking more of Muslims than of other groups and individuals, and we were not asking less. We were asking exactly the same of them as every other individual and group in Denmark, and that is that you cannot except your belief, your political conviction, from criticism and debate. In doing so, we recognized them as equals and as part of our society.

FORTIER: Did you find any sympathetic voices that supported this approach?

ROSE: Yes, some years later. Things were very heated back then—a lot of emotions involved and a lot was at stake. But some years later, some of the imams said, "Yes, *Jyllands-Posten* did have a point in publishing those cartoons, and we needed to have that debate."

I would also say that I received a lot of letters from what I would call minorities within minorities—individuals within the Muslim community who disagreed with imams or certain parts of the religious doctrine, who saw themselves as certain parts of these communities but didn't feel that they had the freedom or courage to speak out because it would have disastrous consequences for them.

FORTIER: What is your assessment of the state of free speech now? We're talking at a time when the EU is passing legislation to censor online speech.

ROSE: We need to be thinking about it for sure. It's a different space than the printed word, but I think it all involves human beings,

Flemming Rose in his office at *Jyllands-Posten* in February 2006, just months after the publication of Muhammad cartoons ignited an international controversy. (Photo by Erik Refner/AFP via Getty Images)

human beings as individuals and as part of society and groups. So human nature is the same, even though you can argue that some of the digital platforms try to exploit human nature in a not very constructive way. But I think that's maybe another debate.

There is a specific example in Denmark that kind of illustrates recent developments. In 2015, right after the attack on *Charlie Hebdo* in Paris, we had a terrorist attack on a free speech seminar and on the synagogue in Copenhagen, and two people were killed, and there was a big debate in Denmark. Two years later, the Danish Parliament voted to abolish the blasphemy law. That was a response to that terrorist attack, in a way—basically saying that we do not need less freedom of expression. We insist that we need more freedom of expression in order to fight these kinds of threats, and we will not bow to the intimidation and the violence.

Fast-forward to 2023, the same Danish Parliament passes a law criminalizing improper treatment of religious texts, which, translated to normal human language, means banning of Quran burnings. It was basically a reintroduction of the blasphemy law that had been abolished five or six years before. And there had been no terrorist attacks. There had been threats, there had been demands from the Organisation of Islamic Cooperation, but they had also been very vocal during the cartoon crisis. So basically, the Danish government caved in, and I think they caved in because of the new geopolitical situation in 2023 compared to 2017 or 2018, and the new geopolitical situation is that we have a war in Europe. We have a very turbulent geopolitical landscape where power is shifting from the West to other parts of the world. I think in that context, Denmark and Europe in a broader sense would very much like the support of the global south in its confrontation with Russia. I think that might have been part of the motive, because it turns out that with Ukraine the global south doesn't see this as their conflict, and to some extent they support the Russian position. So it might be that, in order to gain new friends or accommodate some of these sentiments, the Danish government compromised on this fundamental value to any democracy—freedom of expression and the freedom to criticize religion.

LEFT: Sri Lankan Muslims burn a Danish flag in a February 2006 protest over Muhammad cartoons published by the Danish newspaper *Jyllands-Posten*. (Photo by Lakruwan Wanniarachchi/AFP via Getty Images)

RIGHT: Protesters take to the streets in February 2006 in Nazareth, Israel. (Photo by Marco Longari/AFP via Getty Images)

I also think it's an irony that these Quran burnings had been taking place in Denmark for several years. The Muslim community in Denmark, of course, didn't like it, but they had internalized the notion that they should not try to use violence against these Quran burners, because by doing that, they would just give them publicity and prove their point. So these Quran burners could be seen in different parts of Copenhagen where you had Muslims living, and they did not interfere. We had one incident before an election, and they reacted with violence in Nørrebro, a part of Copenhagen, and they learned from that experience that it did not serve their interests. From that point, we did not have any violence or destruction of property connected to these Quran burnings. So, you could say that when they passed this law, Danish society had arrived at a point where Muslims had been able to learn to live with an act that they hated. They practiced, in fact, tolerance. Then the Danish government turned around and criminalized this activity. We had the first conviction according to this law in the summer of 2025—two individuals were convicted and fined 10,000 kroner.

In a broader geopolitical context, wars usually are not productive when it comes to the status of the freedom of expression. You saw that after 9/11 with the Patriot Act. War is bad for freedom usually. I think that is also part of what is driving the EU and the way the Digital Services Act is being applied, for instance, to so-called disinformation and misinformation. It has become a very powerful narrative tool if you want to silence your political opponents or points of view with which you disagree. This is very prevalent in the media. The media talks a lot about how disinformation and misinformation are impairing our democracy, but if you look at the academic literature and research, there is no serious indication that misinformation and disinformation are polluting our minds, or that it is possible to manipulate society to such an extent.

To me, it's more of a tool in the hands of those in power to delegitimize certain points of view. And this goes back, in fact, to the essence of what freedom is about—courage. And those who want to undermine freedom, they use fear.

FORTIER: What is your assessment of the state of free speech in the United States? How do you see things developing there culturally, and the way that free speech is exercised at other institutional levels in universities, in the press, and elsewhere?

ROSE: I haven't been to the United States for a while. I speak here on the basis of what I read and hear, so I will not pretend to provide you with any authoritative point of view, but I think the United States still has the best protection of free speech anywhere in the world through the First Amendment.

On the social and cultural level, I think there are a lot of problems. The killing of Charlie Kirk is an attack on the culture of free speech, which is extremely important for the flourishing of free speech. It requires a cultivation of tolerance in society—that citizens do not threaten, intimidate, use violence, or try to ban speech they don't like. The same goes for calls to notify the employers of people who cheered Kirk's killing, as JD Vance asked supporters to do.

The basic tenet of the First Amendment is about the government, and that's very important. But in a society, the health and the exercise of freedom of expression has not only to do with the government, even though it is the most important part and is key to free speech protection. You also have free speech culture at universities, cancel culture at big companies, even though they are private enterprises and they're not doing anything illegal, but it is also part of the equation when you talk about a free speech culture. And of course the polarization, the fight between mainstream media and new media. So I think the free speech culture at the moment is not very healthy in the United States, while the legal system still is the best in the world.

FORTIER: You've said that you feel like we are in a free speech recession. Do you feel that things have deteriorated since 2005, or have they held steady?

ROSE: My sense is that things are getting worse. It doesn't mean that will continue forever. As I said, every generation has to fight its own battles. It will stop at some point, and then hopefully we will see a development in a different direction. When I said that about a free speech recession, I was quoting my good friend and ally, Jacob Mchangama, who is in the United States now at Vanderbilt University and published a very good book on the history of free speech a couple of years ago. We can track this all the way back to around 2004, so this free speech recession has been ongoing for a while. In 2006, the European Union published a recommendation to its member states to enforce hate-speech laws more rigorously. It was about instituting Holocaust denial as a criminal offense in every member-state country, and that's kind of the matrix. Then in Eastern Europe, they said, "Well, if you want to criminalize Holocaust denial, then we also want to criminalize denial of the crimes of communism." Then the Baltic countries said, "Well, if you want us to criminalize that, then we also want to criminalize denials of Soviet occupation for 50 years." Every group and every country with its own history can come up with their own suggestions on how to limit the public space when it comes to opinions and speech.

It goes back to something I said many years ago that was also a key challenge during the cartoon crisis and its aftermath. Denmark used to be quite a homogeneous country, and even though there are multicultural and multiethnic countries in Europe, I would say that the trend for the past 30 years has been that we are becoming more diverse when it comes to culture, ethnicity, and religion. And of course, when we become more diverse, we have more diverse values, we have more diverse speech, we have clashes because people believe in their faith or they belong to a political ideology. So my point always was that I praise diversity, but if you welcome diversity when it comes to religion, ethnicity, and culture, you have to precondition it on a rising diversity of speech as well.

What I saw back then was that to provide space for this diversity of cultures, the governments in Western Europe insisted on less diversity when it comes to speech, so that meant less space for freedom of expression in order to provide a setting for a peaceful coexistence of different religions, ethnic communities, and cultures. And to me, that's absurd. It's a contradiction in terms. But of course the politicians do that because that's the way to preserve peace, even though we have no empirical evidence confirming the theory that you will get less violence if you limit freedom of expression. In fact, there is empirical indication, if you look at hate incidents in Germany and France and the UK over the past several years, that these new laws limiting so-called hate speech do not lead to fewer hate incidents—quite the contrary.

FORTIER: Misinformation and disinformation seem to be a justification for much of the censorship that we're seeing, especially the censorship of online platforms. Where does this come from?

ROSE: I think this has been one of the key tools throughout history when those in power wanted to silence their opponents, to label what they were saying as disinformation or misinformation and a threat to the public good. When I learned about these new attempts to use misinformation and disinformation to limit free expression in our part of the world, it reminded me of what I had witnessed in the Soviet Union. Many of my friends who had gone to prison or labor camps or were in exile—they had been convicted in the Soviet Union for distributing "false information" that undermined the Soviet Union and its social and political system. Basically, they were accused, when they criticized the Soviet Union, of spreading disinformation. So, it seems that even though we now are very critical of Russia, we have imported a tool. They have also reinvented it—in Russia now you can get long prison sentences for spreading fake news about the Russian army. That is, in fact, a reinvention of the Soviet penal code.

"I think the free speech culture at the moment is not very healthy in the United States, while the legal system still is the best in the world."

Jonathan Fortier, the director of Libertarianism.org, interviews Flemming Rose in Copenhagen, Denmark.

FORTIER: Yes, and we've certainly learned in the last five years that today's disinformation or misinformation is tomorrow's verified fact.

ROSE: Exactly—we learned that about COVID. The lab theory was banned by the US government, and Facebook and others were told to delete posts, and today it seems as if the lab theory is now a dominating theory. And we should have known, of course, because that's the way knowledge develops, that what seemed to be wrong yesterday turns out to be right tomorrow.

FORTIER: What role do organizations like the Cato Institute have in this fight for free speech and in encouraging a culture where we aren't censoring ourselves?

ROSE: I think Cato is very important. It played an important role in my personal life and I'm very grateful to Cato and its staff. They provided me a space for talking and writing about free speech for a while, and I felt the support of Cato at a very difficult point in my life. What I like about Cato compared to many other think tanks in the United States is that it is value-driven. Of course, you want to influence specific laws, and there are scholars at Cato doing very important work to influence policymakers and reform the system. But Cato will never sacrifice its fundamental values to get influence with the government, and a lot of other think tanks in DC would be happy to do that. So the point that Cato works for the long haul—standing up, fighting, explaining specific values that are key to the American experience—I find very, very inspiring. It's very easy to get lost in a day-to-day policy battle, and think tanks often have to prove their value to donors by explicitly saying, "We influence this law. We influence this decision. See how important we are." And Cato is probably also doing that, but Cato is also working not just for today, for tomorrow, but also for the next 10, 50, and 100 years. I find that very inspiring. ✦

ABOUT THE AUTHOR

Jonathan Fortier is the director of Libertarianism.org, the Cato Institute's treasury of resources about the theory and history of liberty.

Cultivating Classical Liberal Thought: Inside the New Cato University

By Joshua Hardman

The stakes for free expression on campus are rising even higher, with partisan rancor and illiberal attitudes at dangerous levels. Cato University prepares students to cut through polarization and advocate for a free society.

PHOTOGRAPHY BY RICHIE DOWNS

Hanan Jannoud (center, white shirt) collaborates with other college students from around the country at one of this summer's Cato University events.

You may remember your first encounter with libertarian ideas—that intellectual lightbulb moment when a parable from Milton Friedman, a passage from F. A. Hayek, or a speech from David Boaz suddenly brought some order to a chaotic world. Creating more of those moments for young people is essential to liberty's future.

That's why Cato University (Cato U) relaunched in 2024, with a new focus on college and graduate students. It is crucial that the intellectually formative years for tomorrow's politicians, business leaders, journalists, academics, and artists are truly collegial. Cato U identifies independent-minded, ambitious college students and supplements their education with both the classical liberal philosophy they might have missed and the kind of civil, exciting, debate-filled social events they desire with peers.

"Many of the applicants for this summer's three-day experiences shared a sense of deep concern about the current political climate," said Sophia Coyne-Kosnak, Cato's program director of initiatives, who spearheaded Cato U's relaunch. "They are witnessing rising illiberalism on both the right and left, deepening political polarization, and they sense that there's less room for open-minded conversation."

Cato University summer sessions took place before the assassination of Charlie Kirk, founder of Turning Point USA. For some, this crystallized the problems of political polarization and the rise of violence in response to disagreement.

His killing will likely intensify an on-campus environment in which students

LEFT: Sophia Coyne-Kosnak, program director of initiatives at Cato, speaking at Cato University.

RIGHT: Lamiyass Chen, a sophomore at Colby College, engaging a fellow Cato University attendee in conversation.

are tempted to pick teams, express hate, misrepresent opposing political views, and call for political repression.

But surveys and conversations with the politically diverse Cato U attendees generally show they share a common conviction that free speech, free inquiry, and free association are sacrosanct. That was true whether they came from the Ivy League, small liberal arts colleges, or flagship state schools.

"I am still trying to understand how a kid taught in many ways to stay quiet became an adult convinced that speech is the lifeblood of liberty," said Andrew Hoover, a recent graduate of Creighton University's Heider College of Business. "But my next step is to practice what I preach."

For some students, the importance of free speech is rooted in personal experience. Before moving to the US, Lamiyass Chen, a sophomore at Colby College, used an alternate identity online to circumvent Chinese internet firewalls and expand her intellectual world. Chen also noted that in China, "most people are surprisingly indifferent to politics."

Hanan Jannoud, a University of Pennsylvania junior from Syria, has also studied in Hong Kong, where she saw people imprisoned for political speech.

So, when discourse on campuses alternates between timidity and rage, these students recognize it, even if the causes are different in America.

"The quality of classroom discussions at UPenn declined in 2024, during my sophomore year," Jannoud said. "Protests and increasingly heated disagreements about policy decisions made many people more fearful and self-conscious."

Hoover likened intense discussions on campus to conversations between caricatures, where emotiveness, sloganeering, and insults get attention—with social media being even worse. Dylan Landon, who recently completed a degree in economics at the University of Texas, San Antonio (UTSA), remembers people dropping friendships last year because of their professed voting plans.

These are hardly new phenomena, but things seem to have taken a turn for the worse, with many students afraid to express

"More than 10 percent of this summer's attendees said before the event that students should not be allowed to invite campus speakers whom some view as offensive. At summer's end, only 2 percent felt that way."

their opinions. In a recent survey of 1,500 college students at Northwestern University and the University of Michigan, more than 80 percent said they misrepresented their views in classwork to echo the perspectives of their professors, according to a study by psychology researchers Forest Romm and Kevin Waldman. Seventy-two percent said they self-censored on politics, and 68 percent on family values.

Recent surveys also indicate a concerning rise in students' tacit approval of violence to repress speech. For example, the day before Kirk's assassination, the Foundation for Individual Rights and Expression published its finding that 34 percent of surveyed students said it is sometimes acceptable to employ violence to stop a campus speech. This attitude increased for students in every ideological category over the last three years.

Some of the Cato U students thankfully tell a complex story about their campus cultures—maybe because they are more headstrong or, as a group, come from more open universities.

"Colby College is very blue, but the teachers do a great job of assigning different perspectives in the curriculum and inviting disagreements in discussions," Chen said.

"There were a few times I felt hesitant to share my perspective at UTSA, especially on polarizing issues like the wars in Gaza and Ukraine or the 2024 presidential election," Landon recalled. "But the overall atmosphere was one where people were excited to share ideas and observations."

Cato U creates events that embody what universities are supposed to be about. Students come to learn about public policy and make new friends who share fundamental views about the importance of free expression and individual liberty.

Coyne-Kosnak sets the tone of Cato U during opening receptions:

> Cato University is not just a conference—it's a conversation, and each of your voices is a vital part of that conversation. . . . At the heart of this program is a moral vision: the idea that every individual has inherent dignity and deserves the freedom to

pursue their own goals, so long as they respect the rights of others. It is a moral commitment to recognize that every human being is the owner of their own life. Only under a system of liberty is this the case.

Landon felt that moral vision permeate his Cato U experience. "The scholars were approachable and genuinely interested in engaging with us," he said.

It is a vision that prompts the students to be intentional about learning from others. "I focused more on listening during Cato U," Hoover said. "I was reminded naturally throughout of the limitations of my knowledge. I felt more socially generous."

Jannoud's time at Cato U was an especially refreshing departure from her campus experience. "I was struck by how disagreements created space for meaningful debate. Students and speakers challenged one another with respect," she said. "I seek to create similar spaces on my college campus."

In addition to presentations about political philosophy and public policy, Cato U equipped Jannoud and her peers with tools to create such spaces. One interactive session, "Making a Convincing Case for Classical Liberalism," was led by Allan Carey, who directs Cato's Sphere Education Initiatives for middle and high school teachers.

Cato U is on track to host more than 850 students by next year. Some will become Cato interns, research associates, or even department heads. Others will use this experience in Washington, DC (often their first), to land jobs at other organizations committed to libertarian principles.

The post-conference survey data show that the rest return to their campuses with a measurably more classical liberal outlook: greater confidence in human progress, openness to trade and innovation, and thinking of justice in terms of individual rights. Most of those who arrive with doubts about free speech leave with more liberal values.

For example, more than 10 percent of this summer's attendees said before the event that students should not be allowed to invite campus speakers whom some view as offensive. At summer's end, only 2 percent felt that way.

One of the largest shifts in attendees' public policy views was toward health care, with a roughly 10-percentage-point swing in average favorability toward this sentence: "Health care reform should expand market-based solutions, reduce government involvement, and increase consumer choice."

This is particularly notable because health care was not one of the main discussion topics at this session, indicating that students were internalizing principles rather than basic facts about discrete topics.

We'll follow the unique endeavors of all these students. Chen is inviting Cato scholars and guest speakers from Cato U to give lectures at Colby College. She also wants to grow the libertarian club there—as of now, it consists of just her and a nonlibertarian but supportive friend.

Jannoud's ambition is to enjoy a career implementing economic policies that enforce fiscal discipline, such as debt ceilings tied to revenue forecasts or a flexible exchange rate mechanism with built-in fiscal triggers, such as automatic spending cuts if debt-to-GDP ratios exceed a threshold.

LEFT: Dylan Landon, who recently completed a degree in economics at the University of Texas, San Antonio, was invited to attend part of this year's events as an alumnus.

RIGHT: Andrew Hoover, a recent graduate of Creighton University's Heider College of Business, reflects on his experience with fellow attendees.

Landon just began a master's program in applied economics at Johns Hopkins. He attended Cato U last year and completed a Cato internship in spring 2025. He also published a piece criticizing the Jones Act in *Reason*.

Hoover, another budding economist or policymaker, will encourage others to read up on Cato, just as every single Cato U survey respondent said they would be "very likely" or "likely" to recommend Cato University to their classmates.

Along with Cato's other youth-focused initiatives, the goal is to help make libertarian ideas well known and second nature. In his final interview for *Free Society*, David Boaz noted that "since [Hayek and Friedman], there have been a lot of basically libertarian economists who have won the Nobel Prize. Not as prominent generally as Hayek and Friedman, but I think . . . [that] put libertarianism on the map."

Perhaps names such as Hoover, Chen, Landon, and Jannoud will one day be recognized with similar acclaim in whichever field they enter. Whatever their future holds, every student who attends Cato University helps advance libertarianism's place in political discourse. ✦

Visit cato.org/student-programs/cato-university to learn about upcoming events, conference programming, and our referral program. We held an event in Boston in October and we are planning more events around the country; the summer 2026 events will again take place in Washington, DC. Past guest speakers include Justin Amash (former US representative from Michigan), Nadine Strossen (former president of the ACLU), and Nico Perrino (executive vice president of the Foundation for Individual Rights and Expression).

ABOUT THE AUTHOR

Joshua Hardman is a development communications manager at Cato and contributing writer for *Free Society*.

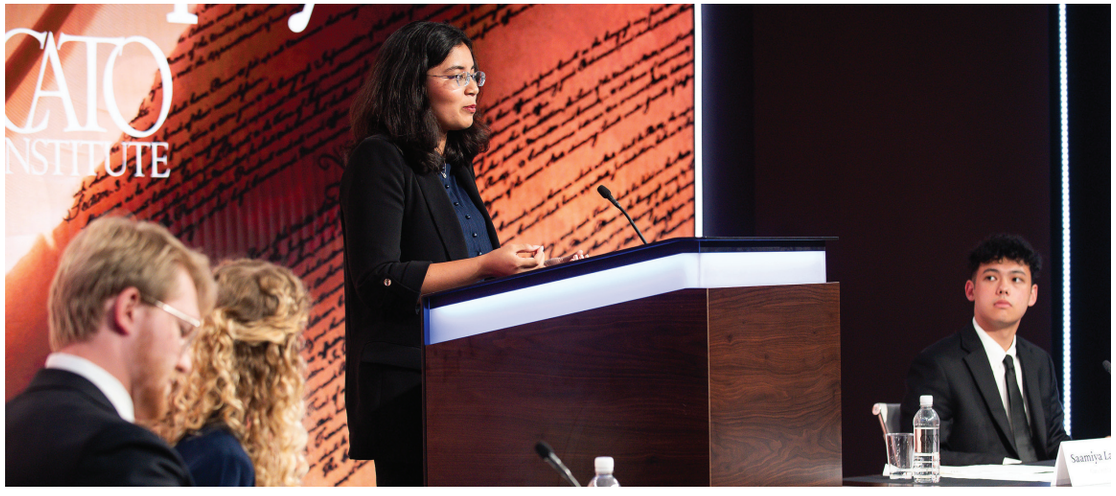
EVENTS

Lawmakers Push Back on Tariffs and Presidential Overreach at Cato Events

President Trump has sidestepped Congress with a series of so-called emergencies to implement far-reaching tariffs nearly everywhere in the world. Sens. Rand Paul (R-KY, middle) and Tim Kaine (D-VA, left) took aim at that expansion of executive power at a Cato event hosted by Scott Lincicome, the vice president of general economics and Cato's Herbert A. Stiefel Center for Trade Policy Studies. Paul criticized Trump's unilateral approach and noted that trade has powered "most of the extraordinary progress of the industrial age." Kaine, meanwhile, agreed that Congress has "delegated way too much power to the other side of Pennsylvania Avenue." A tasting of domestic wines and bourbons, which have been hit particularly hard by tariffs, followed the discussion.

Rep. Suzan DelBene (D-WA, left) joined Cato's Scott Lincicome for a discussion of legislation she has introduced to reclaim Congress's constitutional authority to regulate foreign commerce. A representative of the "most trade-dependent state in the country," DelBene said she has heard from many of her constituents about the economic harms caused by tariffs to their businesses and livelihoods. She also noted that Washington's ports have suffered under months of whiplash during Trump's second term: "The uncertainty alone is incredibly damaging."

Libertarianism Versus Conservatism Intern Debate



Cato Institute interns faced off against their counterparts at the Heritage Foundation this summer in the annual libertarianism versus conservatism intern debate. Ben Woods, an intern in technology policy studies, and Saamiya Laroia, an intern in trade policy studies, represented Cato. Daniel Davidson, an intern in legal and judicial studies, and Chloe Noller, a government relations intern, represented Heritage. The two sides debated key policy issues in which libertarianism and conservatism differ, including immigration, international trade, defense, drug policy, artificial intelligence (AI) regulation, and other topics. In his closing statement for Cato, Woods shared the story of his mother, who grew up in China in the wake of the Cultural Revolution before moving to the US for college at the age of 23.

"We shouldn't build our society around whatever moral vision happens to be popular at the time. What's considered virtuous today can change in a generation, or it can change in an election cycle. That's why we shouldn't hand power to the state. That's why we should build our society around liberty, because liberty endures. That's the foundation that my mom found here. That's what brought her across the world, gave her the freedom to build a life and to raise two. Let's make sure we protect it."
—Cato intern **Ben Woods**

EVENTS

Innovation-Friendly Policy Around Artificial Intelligence

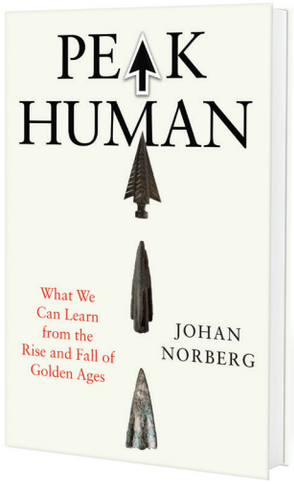
Rep. Rich McCormick (R-GA, left) joined Matt Mittelsteadt, a technology policy research fellow at Cato, for a conversation about evolving US policy on AI. McCormick, who has proposed a 10-year moratorium on new AI regulations at the state level, told Mittelsteadt that the US will "quickly regulate ourselves into oblivion" if all 50 states pursue their own regulatory framework. "It would be catastrophic to the biggest opportunity we have to keep our place in history, and that's why we've got to be really careful with this," McCormick said.

Right-Sizing Financial Regulation

The annual conference of Cato's Center for Monetary and Financial Alternatives (CMFA) focused on the burdensome web of financial market regulation, which restricts competition and hinders innovation. Jeb Hensarling, economics fellow at Cato and former chair of the House Financial Services Committee (right), asked his former colleague Rep. French Hill (R-AR, left), who now holds the chair, about pending legislation to address these problems. Jennifer Schulp, director of financial regulation studies at the CMFA, hosted a fireside chat with Hester Peirce, commissioner of the Securities and Exchange Commission.

View all past and upcoming Cato events at Cato.org/events or scan the QR code.

PUBLICATIONS



Peak Human: What We Can Learn from the Rise and Fall of Golden Ages

Ancient Greece gave us democracy and the rule of law; out of Abbasid Baghdad came algebra and modern medicine; and the Dutch Republic furnished us with Europe's greatest artistic movements. All previous golden ages have proven finite, whether through external pressures or internal fracturing. Cato senior fellow Johan Norberg, who has won awards for *The Capitalist Manifesto*, *Open: The Story of Human Progress*, and other works, examines seven of humanity's greatest civilizations. He compares them with today's civilizations and asks, "How do we ensure that our current golden age doesn't end?"

"Norberg deftly punctures popular misconceptions. . . . Could a history book be more timely?"
—The Economist

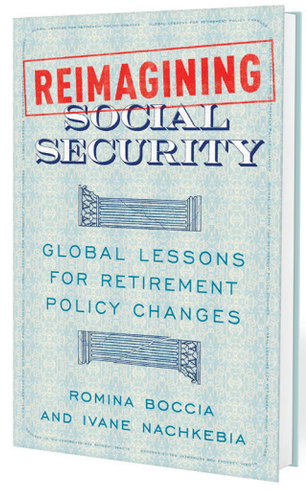
"Johan Norberg offers a compelling and timely study of what drove history's most influential civilisations. . . . The book comes with impeccable timing. . . . This is an entertaining and informative read for anyone interested in the forces that shape how civilisations progress."
—Financial Times

Reimagining Social Security: Global Lessons for Retirement Policy Changes

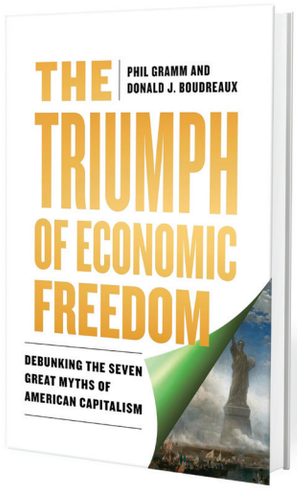
Social Security is on life support. There's no trust fund, only IOUs from the federal government and trillions in borrowing to keep the program afloat. If nothing changes, benefits will be slashed by 20 percent or more by 2033. Romina Boccia, Cato's director of budget and entitlement policy, and Ivane Nachkebia, a research consultant for budget and entitlement policy, show how retirement program reforms in Canada, Germany, New Zealand, and Sweden could work in the United States. Combining interviews and new analysis, this book lays out solutions that protect seniors, preserve individual liberty, and fit the American economic model.

"*Reimagining Social Security* challenges us to think boldly about the future."
—Olivia S. Mitchell, professor of business economics and policy, the Wharton School of the University of Pennsylvania

"Social Security reform is neither a right- nor left-wing agenda. . . . I find particularly appealing how [they] illustrate how other countries . . . adapt to uncertain demographic shifts in life expectancy and birth rates."
—Eugene Steuerle, Richard B. Fisher Chair, Urban Institute



PUBLICATIONS



The Triumph of Economic Freedom: Debunking the Seven Great Myths of American Capitalism
Phil Gramm, an economist and former Texas representative, and Donald J. Boudreaux, a professor of economics at George Mason University and adjunct scholar at the Cato Institute, examine the seven events in US history that define, for most Americans, the role of government. To many Americans, the Industrial Revolution, Progressive Era, Great Depression, decline of America's postwar preeminence in world trade, and Great Recession represent strong evidence for expanding government in American life. Gramm and Boudreaux argue that the evidence points to a contrary verdict: Government interference and failed policies pose the most significant threat to economic freedom.

"This readable and important book makes a strong case that the received version of economic history taught in high schools and colleges across the country is off the mark and that its errors distort current policy debates. It deserves attention from economic policymakers of all persuasions."
—**Lawrence Summers**, former secretary of the treasury and president emeritus, Harvard University

FEATURED CATO STUDIES

Poll: Nearly 1 in 4 Americans Think They Have a Personal Social Security Account
About three in four adults are aware of the projected shortfalls that Social Security faces in the coming years, but a surprising number are deeply confused about the program's aims or how it functions. These were the findings of an August survey by Emily Ekins, vice president and director of polling at Cato, and Hunter Johnson, a research associate for the Project on Public Opinion. Only 45 percent of Americans think of Social Security as an anti-poverty program, which was its original aim. The other 55 percent think the program is meant to replace seniors' incomes in retirement. Nearly a quarter, 23 percent, think the taxes they pay to Social Security are saved in their own personal account, and about a third don't know how Social Security is funded at all.

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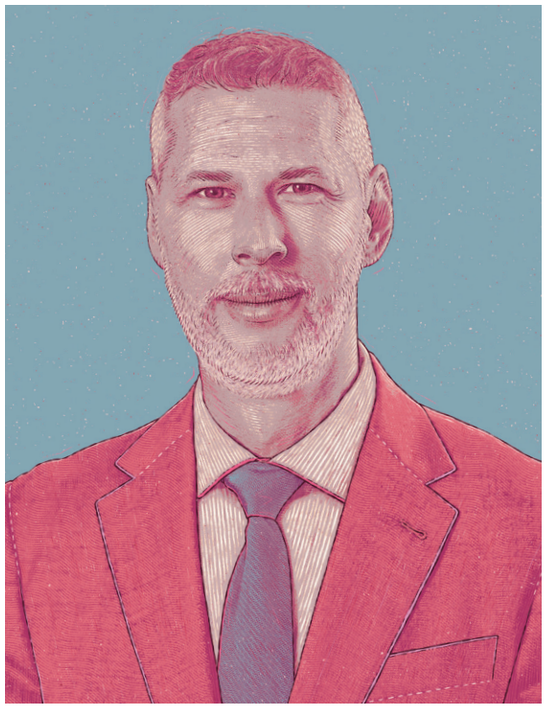

ILLUSTRATION BY BARTOSZ KOSOWSKI

The Permission Problem: Too Little Building and Not Enough Freedom

By Stephen Slivinski

Over the past several years in Dallas, the city's process for getting a building permit—a permission slip from the government simply to start building the structures you are already allowed to build on your own property under existing law—has been badly broken. It takes about six months to get approved for a new commercial development, which is actually an improvement over the 300 days or longer it has historically taken. Wait times for residential permits have similarly improved, though homeowners have long complained about the arduous and time-consuming process.

At least there was a nice new $29 million office building the city purchased in 2022 and once envisioned as a "one-stop permitting center." That is, until it was shuttered and the city workers evicted in May 2024.

Why? Because that building didn't have the proper permits either. It is still empty today, over a year later.

Consider this a unique but particularly ironic and dramatic example—the reductio ad absurdum of a widespread problem. Residents and businesses in many cities across America report that permitting delays are commonplace.

Take Portland. That city requires multiple permits for the same project but approves them at different speeds. As a frustrated resident said in response to a city-issued survey about improving the permitting process: "The building permit took several weeks of back and forth, but the associated electrical permit took no time, and so I ran right up to the expiration date on the [permit required for plumbing and electrical work]."

There is plenty of evidence that these types of delays drive businesses away and cause frustration for homeowners. Not to mention the actual dollar cost of construction delays as ever-increasing tariffs hike the price of construction materials. Now imagine that the permitting process is either so complex or hard to comply with that even the government itself can't seem to do it correctly, and . . . well, you get Dallas. I guess these problems are bigger in Texas too.

"In a free society, the responsibility should not be on the property owner to prove to the government why they should be able to build a deck onto their house."

In a free society, the responsibility should not be on the property owner to prove to the government why they should be able to build a deck onto their house, among other things. The legal logic that flips the burden of proof onto the government instead is called a "by-right" presumption. In practice, it simply means that unless something is strictly forbidden by an existing zoning code, the permit would be automatically granted or assumed to be granted—no discretionary review by any government bureaucrat necessary.

Yes, there are plenty of problems with those zoning codes as they exist in the United States today. They impose arbitrary and onerous edicts on what can be done with private property and sometimes how many acres are required for the construction that is allowed. This has led to a smaller supply of housing than would occur otherwise, driving up housing prices and making the "starter home" all but extinct.

Eliminating zoning altogether is the best option. It's the origin of all these problems—the mother of all permission requirements. But if you think getting a permit takes too long, wait until you see how long it takes to get zoning reform.

In the meantime, state and local reforms can create safe-harbor by-right categories for home remodeling or new residential construction. For other types of development like commercial buildings, cities should be required to abide by "shot clocks" that require them to act on an application within a period of days, not months. These reforms could be paired together to effectively outlaw needless bureaucratic delays: If the time has run out on the application, the permit is assumed to be automatically approved.

This won't increase the total amount of private land available for new construction. But it would speed up construction on the land we already have. Building now, without waiting for a permission slip, is a more suitable posture for a free society. And when it comes to creating new housing options, it might also be a necessary first step. ✦

ABOUT THE AUTHOR

Stephen Slivinski is a senior fellow at the Cato Institute. His research focuses on barriers to economic growth and opportunity at the state and local level.

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Give me the liberty to know, to utter, and to argue freely according to conscience, above all liberties.

— John Milton, *Areopagitica* (1644)

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